

WIWYNN CORPORATION AND SUBSIDIARIES**CONSOLIDATED FINANCIAL STATEMENTS**

**With Independent Auditors' Review Report
for the Nine Months Ended September 30, 2021 and 2020**

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The independent auditors' review report and the accompanying consolidated financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' review report and consolidated financial statements, the Chinese version shall prevail.

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安侯建業聯合會計師事務所

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Independent Auditors' Review Report

To the Board of Directors Wiwynn Corporation:

Introduction

We have reviewed the accompanying consolidated balance sheets of Wiwynn Corporation (“the Company”) and its subsidiaries (“the Group”) as of September 30, 2021 and 2020, and the related consolidated statements of comprehensive income for the three months and nine months ended September 30, 2021 and 2020, as well as the changes in equity and cash flows for the nine months ended September 30, 2021 and 2020, and notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standards 34, “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

Scope of Review

We conducted our reviews in accordance with Statement of Auditing Standards 65, “Review of Financial Information Performed by the Independent Auditor of the Entity”. A review of the consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with the generally accepted auditing standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our reviews, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Group as of September 30, 2021 and 2020, and of its consolidated financial performance for the three months and nine months ended September 30, 2021 and 2020, as well as its consolidated cash flows for the nine months ended September 30, 2021 and 2020 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standards 34, “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.



The engagement partners on the reviews resulting in this independent auditors' review report are Chia-Chien Tang and Ming-Hung Huang.

KPMG

Taipei, Taiwan (Republic of China)
November 3, 2021

Notes to Readers

The accompanying consolidated financial statements are intended only to present the consolidated statement of financial position, financial performance and cash flows in accordance with the accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to review such consolidated financial statements are those generally accepted and applied in the Republic of China.

The independent auditors' review report and the accompanying consolidated financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' review report and consolidated financial statements, the Chinese version shall prevail.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
Reviewed only, not audited in accordance with the generally accepted auditing standards as of September 30, 2021 and 2020

Wiwynn Corporation and Subsidiaries

Consolidated Balance Sheets

September 30, 2021, December 31, and September 30, 2020

(Expressed in Thousands of New Taiwan dollars)

Assets		September 30, 2021		December 31, 2020		September 30, 2020		Liabilities and Equity		September 30, 2021		December 31, 2020		September 30, 2020	
		Amount	%	Amount	%	Amount	%			Amount	%	Amount	%	Amount	%
Current assets:								Current liabilities:							
1100	Cash and cash equivalents (note 6(a))	\$ 16,967,560	22	23,169,231	42	10,121,029	17	2100	Short-term borrowings (note 6(k))	\$ 21,038,830	28	5,359,504	10	15,607,279	26
1110	Financial assets at fair value through profit or loss-current (note 6(b))	8,680	-	-	-	16,738	-	2120	Financial liabilities at fair value through profit or loss-current (note 6(b))	2,917	-	-	-	14,361	-
1170	Accounts receivable, net (notes 6(c)(s))	12,502,519	16	7,827,082	14	15,219,658	25	2130	Contract liabilities-current (note 6(s))	3,302,006	4	2,297,417	4	1,696,013	3
1180	Accounts receivable-related parties, net (notes 6(c)(s) and 7)	467,543	1	340,218	1	377,974	1	2170	Notes payable and accounts payable	11,748,686	16	2,761,327	5	11,178,168	19
1200	Other receivables (note 6(d))	2,997	-	3,166	-	9,349	-	2180	Accounts payable-related parties (note 7)	181,262	-	9,758,171	18	5,062,999	8
1210	Other receivables-related parties (notes 6(d) and 7)	469,922	1	588,047	1	200,855	-	2200	Other payables (note 6(t))	2,387,811	3	2,516,597	4	2,750,930	5
130X	Inventories (note 6(e))	39,342,395	53	19,827,729	36	31,767,971	53	2220	Other payables-related parties (note 7)	72,085	-	148,666	-	206,409	-
1479	Other current assets (notes 6(j) and 7)	2,465,278	3	1,011,905	2	644,456	1	2230	Current tax liabilities	515,901	1	1,509,458	3	744,816	1
	Total current assets	<u>72,226,894</u>	<u>96</u>	<u>52,767,378</u>	<u>96</u>	<u>58,358,030</u>	<u>97</u>	2280	Lease liabilities-current (notes 6(m) and 7)	136,806	-	105,132	-	100,189	-
	Non-current assets:							2399	Other current liabilities	602,442	1	343,433	1	514,891	1
1550	Investments accounted for using equity method (note 6(f))	248,767	-	-	-	-	-		Total current liabilities	<u>39,988,746</u>	<u>53</u>	<u>24,799,705</u>	<u>45</u>	<u>37,876,055</u>	<u>63</u>
1600	Property, plant and equipment (notes 6(g) and 7)	1,051,526	2	951,781	2	907,664	2		Non-current liabilities:						
1755	Right-of-use assets (notes 6(h) and 7)	714,201	1	377,227	1	298,750	-	2530	Bonds payable (note 6(l))	9,435,639	13	4,991,783	9	-	-
1780	Intangible assets (notes 6(i) and 7)	106,760	-	64,602	-	51,529	-	2570	Deferred tax liabilities	134,642	-	134,642	-	104,534	-
1840	Deferred tax assets	418,822	1	419,083	1	320,674	1	2580	Lease liabilities-non-current (notes 6(m) and 7)	572,259	1	275,205	1	209,217	-
1990	Other non-current assets (notes 6(j) and 8)	159,501	-	144,094	-	145,491	-	2640	Net defined benefit liabilities-non-current	8,908	-	8,907	-	2,922	-
	Total non-current assets	<u>2,699,577</u>	<u>4</u>	<u>1,956,787</u>	<u>4</u>	<u>1,724,108</u>	<u>3</u>		Total non-current liabilities	<u>10,151,448</u>	<u>14</u>	<u>5,410,537</u>	<u>10</u>	<u>316,673</u>	<u>-</u>
	Total assets	<u>\$ 74,926,471</u>	<u>100</u>	<u>54,724,165</u>	<u>100</u>	<u>60,082,138</u>	<u>100</u>		Total liabilities	<u>50,140,194</u>	<u>67</u>	<u>30,210,242</u>	<u>55</u>	<u>38,192,728</u>	<u>63</u>
									Equity (notes 6(f)(p)):						
								3110	Common shares	1,748,408	2	1,748,408	3	1,748,408	3
								3200	Capital surplus	8,817,380	12	8,817,380	16	8,817,380	15
								3300	Retained earnings	14,625,280	20	14,186,029	26	11,458,594	19
								3400	Other equity	(404,791)	(1)	(237,894)	-	(134,972)	-
									Total equity	<u>24,786,277</u>	<u>33</u>	<u>24,513,923</u>	<u>45</u>	<u>21,889,410</u>	<u>37</u>
									Total liabilities and equity	<u>\$ 74,926,471</u>	<u>100</u>	<u>54,724,165</u>	<u>100</u>	<u>60,082,138</u>	<u>100</u>

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
Reviewed only, not audited in accordance with generally accepted auditing standards

Wiwynn Corporation and Subsidiaries

Consolidated Statements of Comprehensive Income

For the three months and nine months ended September 30, 2021 and 2020

(Expressed in Thousands of New Taiwan dollars, Except for Earnings Per Common Share)

	For the three months ended September 30				For the nine months ended September 30				
	2021		2020		2021		2020		
	Amount	%	Amount	%	Amount	%	Amount	%	
4000	Operating revenue (notes 6(s) and 7)								
	\$ 45,263,826	100	47,205,584	100	135,746,985	100	134,413,639	100	
5000	Operating costs (notes 6(e)(g)(h)(i)(m)(n)(t), 7 and 12)								
	41,591,391	92	43,166,680	91	124,686,731	92	123,645,822	92	
	Gross profit from operations								
	3,672,435	8	4,038,904	9	11,060,254	8	10,767,817	8	
	Operating expenses (notes 6(c)(g)(h)(i)(m)(n)(t), 7 and 12):								
6100	Selling expenses	209,366	1	285,416	1	603,844	1	950,903	1
6200	Administrative expenses	221,540	1	165,501	1	595,848	1	476,113	1
6300	Research and development expenses	579,006	1	598,848	1	1,892,158	1	1,622,054	1
6450	Expected credit loss (gain)	(36,154)	-	1,697	-	846	-	1,575	-
	Total operating expenses	<u>973,758</u>	<u>3</u>	<u>1,051,462</u>	<u>3</u>	<u>3,092,696</u>	<u>3</u>	<u>3,050,645</u>	<u>3</u>
	Net operating income	<u>2,698,677</u>	<u>5</u>	<u>2,987,442</u>	<u>6</u>	<u>7,967,558</u>	<u>5</u>	<u>7,717,172</u>	<u>5</u>
	Non-operating income and expenses (notes 6(f)(l)(m)(u) and 7):								
7100	Interest income	10,699	-	7,812	-	43,612	-	25,813	-
7010	Other income	12	-	19	-	43	-	50	-
7020	Other gains and losses	(26,600)	-	(83,540)	-	(79,128)	-	(87,362)	-
7050	Finance costs	(98,937)	-	(54,936)	-	(229,066)	-	(243,319)	-
7060	Share of associates and joint ventures accounted for using equity method	(9,257)	-	-	-	(16,628)	-	-	-
	Total non-operating income and expenses	<u>(124,083)</u>	<u>-</u>	<u>(130,645)</u>	<u>-</u>	<u>(281,167)</u>	<u>-</u>	<u>(304,818)</u>	<u>-</u>
7900	Income before tax	2,574,594	5	2,856,797	6	7,686,391	5	7,412,354	5
7950	Income tax expense (note 6(o))	548,014	1	611,271	1	1,652,235	1	1,535,029	1
	Net income	<u>2,026,580</u>	<u>4</u>	<u>2,245,526</u>	<u>5</u>	<u>6,034,156</u>	<u>4</u>	<u>5,877,325</u>	<u>4</u>
8300	Other comprehensive income (notes 6(f)(p)):								
8360	Items that may be reclassified subsequently to profit or loss								
8361	Exchange differences on translation of foreign financial statements	(27,735)	-	(94,628)	-	(166,897)	-	(188,886)	-
8399	Income tax related to items that may be reclassified to profit or loss	-	-	-	-	-	-	-	-
	Total items that may be reclassified subsequently to profit or loss	<u>(27,735)</u>	<u>-</u>	<u>(94,628)</u>	<u>-</u>	<u>(166,897)</u>	<u>-</u>	<u>(188,886)</u>	<u>-</u>
8300	Other comprehensive income (net of tax)	<u>(27,735)</u>	<u>-</u>	<u>(94,628)</u>	<u>-</u>	<u>(166,897)</u>	<u>-</u>	<u>(188,886)</u>	<u>-</u>
8500	Total comprehensive income	<u>\$ 1,998,845</u>	<u>4</u>	<u>2,150,898</u>	<u>5</u>	<u>5,867,259</u>	<u>4</u>	<u>5,688,439</u>	<u>4</u>
	Profit attributable to:								
8610	Owners of parent	<u>\$ 2,026,580</u>	<u>4</u>	<u>2,245,526</u>	<u>5</u>	<u>6,034,156</u>	<u>4</u>	<u>5,877,325</u>	<u>4</u>
	Comprehensive income attributable to:								
8710	Owners of parent	<u>\$ 1,998,845</u>	<u>4</u>	<u>2,150,898</u>	<u>5</u>	<u>5,867,259</u>	<u>4</u>	<u>5,688,439</u>	<u>4</u>
	Earnings per share (expressed in New Taiwan dollars) (note 6(r))								
9750	Basic earnings per share	<u>\$ 11.59</u>		<u>12.84</u>		<u>34.51</u>		<u>33.62</u>	
9850	Diluted earnings per share	<u>\$ 11.56</u>		<u>12.80</u>		<u>34.39</u>		<u>33.47</u>	

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
Reviewed only, not audited in accordance with generally accepted auditing standards

Wiwynn Corporation and Subsidiaries

Consolidated Statements of Changes in Equity

For the nine months ended September 30, 2021 and 2020

(Expressed in Thousands of New Taiwan dollars)

	Retained earnings					Other equity		Total equity
	Common shares	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Total	Exchange differences on translation of foreign financial statements	
Balance on January 1, 2020	\$ 1,746,368	8,816,183	752,956	-	8,849,444	9,602,400	53,914	20,218,865
Appropriation and distribution of retain earnings:								
Legal reserve	-	-	616,925	-	(616,925)	-	-	-
Cash dividends	-	-	-	-	(4,021,131)	(4,021,131)	-	(4,021,131)
Net income	-	-	-	-	5,877,325	5,877,325	-	5,877,325
Other comprehensive income	-	-	-	-	-	-	(188,886)	(188,886)
Total comprehensive income	-	-	-	-	5,877,325	5,877,325	(188,886)	5,688,439
Issue of common shares-employee stock options	2,040	1,197	-	-	-	-	-	3,237
Balance on September 30, 2020	\$ 1,748,408	8,817,380	1,369,881	-	10,088,713	11,458,594	(134,972)	21,889,410
Balance on January 1, 2021	\$ 1,748,408	8,817,380	1,369,881	-	12,816,148	14,186,029	(237,894)	24,513,923
Appropriation and distribution of retain earnings:								
Legal reserve	-	-	860,476	-	(860,476)	-	-	-
Special reserve	-	-	-	237,894	(237,894)	-	-	-
Cash dividends	-	-	-	-	(5,594,905)	(5,594,905)	-	(5,594,905)
Net income	-	-	-	-	6,034,156	6,034,156	-	6,034,156
Other comprehensive income	-	-	-	-	-	-	(166,897)	(166,897)
Total other comprehensive income	-	-	-	-	6,034,156	6,034,156	(166,897)	5,867,259
Balance on September 30, 2021	\$ 1,748,408	8,817,380	2,230,357	237,894	12,157,029	14,625,280	(404,791)	24,786,277

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
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Wiwynn Corporation and Subsidiaries

Consolidated Statements of Cash Flows

For the nine months ended September 30, 2021 and 2020

(Expressed in Thousands of New Taiwan dollars)

	For the nine months ended September 30	
	2021	2020
Cash flows from (used in) operating activities:		
Income before tax	\$ 7,686,391	7,412,354
Adjustments:		
Adjustments to reconcile profit:		
Depreciation expense	355,219	261,899
Amortization expense	28,258	12,690
Expected credit loss	846	1,575
Net gains on financial assets or liabilities at fair value through profit or loss	(22,414)	(297,133)
Interest expense	229,066	243,319
Interest income	(43,612)	(25,813)
Share of loss of associates and joint ventures accounted for using equity method	16,628	-
Losses on disposal of property, plant and equipment	543	-
Prepayments for equipment reclassified as expenses	2,185	-
Lease modification gain	(3,173)	-
Others	-	(7)
Total adjustments to reconcile profit	563,546	196,530
Changes in operating assets and liabilities:		
Changes in operating assets:		
Decrease in financial assets mandatorily measured at fair value through profit or loss-current	13,734	280,395
Increase in accounts receivable, net	(4,837,089)	(1,874,848)
Decrease (increase) in accounts receivable-related parties, net	(127,325)	37,958
Decrease (increase) in other receivable	169	(3,422)
Decrease in other receivable-related parties	80,554	2,124,097
Increase in inventories	(20,068,316)	(15,206,147)
Increase in other current assets	(1,466,133)	(108,261)
Total changes in operating assets	(26,404,406)	(14,750,228)
Changes in operating liabilities:		
Increase in held-for-trading financial liabilities	2,917	14,361
Increase in contract liabilities-current	1,004,589	834,510
Increase in notes and accounts payable	9,082,131	4,430,433
Decrease in accounts payable-related parties	(9,156,787)	(1,759,222)
Increase (decrease) in other payable	(122,642)	643,543
Decrease in other payable-related parties	(76,581)	(1,479)
Increase in other current liabilities	268,173	266,802
Increase in net defined benefit liabilities	1	51
Total changes in operating liabilities	1,001,801	4,428,999
Total changes in operating assets and liabilities	(25,402,605)	(10,321,229)
Total adjustments	(24,839,059)	(10,124,699)
Cash inflow generated used in operations	(17,152,668)	(2,712,345)
Interest received	44,008	25,624
Interest paid	(186,043)	(238,559)
Income taxes paid	(2,665,147)	(1,633,642)
Net cash used in operating activities	(19,959,850)	(4,558,922)
Cash flows from (used in) investing activities:		
Acquisition of investments accounted for using equity method	(276,609)	-
Acquisition of property, plant and equipment	(280,333)	(305,947)
Proceeds from disposal of property, plant and equipment	101	-
Acquisition of intangible assets	(70,415)	(45,113)
Decrease (increase) in other non-current assets	(377)	470
Increase in prepayments for equipment	(110,873)	(113,755)
Net cash used in investing activities	(738,506)	(464,345)
Cash flows from (used in) financing activities:		
Increase in short-term borrowings	100,538,775	68,107,007
Decrease in short-term borrowings	(84,728,193)	(60,769,905)
Proceeds from issuing bonds	4,442,325	-
Cash dividends paid	(5,594,905)	(4,021,131)
Exercise of employee stock options	-	3,237
Payment of lease liabilities	(92,575)	(75,226)
Net cash flow from financing activities	14,565,427	3,243,982
Effect of exchange rate changes on cash and cash equivalents	(68,742)	(91,825)
Net decrease in cash and cash equivalents	(6,201,671)	(1,871,110)
Cash and cash equivalents at beginning of period	23,169,231	11,992,139
Cash and cash equivalents at end of period	\$ 16,967,560	10,121,029

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
Reviewed only, not audited in accordance with generally accepted auditing standards

Wiwynn Corporation and Subsidiaries

Notes to the Consolidated Financial Statements

For the nine months ended September 30, 2021 and 2020

(Expressed in Thousands of New Taiwan dollars, Unless Otherwise Specified)

(1) Company history

Wiwynn Corporation (the “Company”) was incorporated on March 3, 2012, as a company limited by shares under the laws of the Republic of China (ROC). Wiwynn Corporation and subsidiaries (the Group) were engaged in research, development, design, testing and sales of abovementioned products, semi-products, peripheral equipments and parts:

- (i) Computer and peripheral equipments
- (ii) Data storage media
- (iii) Electric appliances and media products
- (iv) Information software
- (v) Export business relating to the business of the Company
- (vi) Management consult services
- (vii) Information software services
- (viii) Data processing services

(2) Approval date and procedures of the consolidated financial statements:

The consolidated financial statements were authorized for issue by the Board of Directors on November 3, 2021.

(3) New standards, amendments and interpretations adopted:

- (a) The impact of the International Financial Reporting Standards (“IFRSs”) endorsed by the Financial Supervisory Commission, R.O.C. (“FSC”) which have already been adopted.

The Group has initially adopted the new amendments, which do not have a significant impact on its consolidated financial statements, from January 1, and April 1, 2021.

- (b) The impact of IFRS issued by the FSC but not yet effective

The Group assesses that the adoption of the new amendments, effective for annual period beginning on January 1, 2022, would not have a significant impact on its consolidated financial statements.

- (c) The impact of IFRS issued by IASB but not yet endorsed by the FSC

The Group does not expect the new and amended standards, which have yet to be endorsed by the FSC, to have a significant impact on its consolidated financial statements.

(Continued)

WIWYNN CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(4) Summary of significant accounting policies:

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with the preparation and guidelines of IAS 34 “Interim Financial Reporting” which are endorsed and issued into effect by FSC, and do not include all of the information required by the Regulations and International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations and SIC Interpretations endorsed and issued into effect by the FSC (hereinafter referred to IFRS endorsed by the FSC) for a complete set of the annual consolidated financial statements.

Except the following accounting policies mentioned below, the significant accounting policies adopted in the consolidated financial statements are the same as those in the consolidated financial statement for the year ended December 31, 2020. For the related information, please refer to note 4 of the consolidated financial statements for the year ended December 31, 2020.

(b) Basis of consolidation

(i) List of subsidiaries in the consolidated financial statements

Name of investor	Name of subsidiary	Principal activity	Shareholding			Description
			September 30, 2021	December 31, 2020	September 30, 2020	
The Company	Wiwynn Technology Service Japan, Inc. (WYJP)	Sales of data storage equipment	100 %	100 %	100 %	-
The Company	Wiwynn International Corporation (WYUS)	Sales of data storage equipment	100 %	100 %	100 %	-
The Company	Wiwynn Technology Service Hong Kong Limited (WYHK)	Investment activities and sale of data storage equipment	100 %	100 %	100 %	-
The Company	Wiwynn Korea Ltd. (WYKR)	Sales of data storage equipment	100 %	100 %	100 %	-
The Company	Wiwynn Technology Service Malaysia SDN. BHD. (WYMY)	Sales of data storage equipment	100 %	100 %	100 %	-
The Company	Wiwynn Mexico S.A.de C.V. (WYMX)	Human resource service provision	100 %	100 %	100 %	-
WYHK	Wiwynn Technology Service Kun Shan Ltd. (WYKS)	Sales of data storage equipment	100 %	100 %	100 %	-

Note: the financial statements of the aforementioned subsidiaries were reviewed by the certified accountant.

(ii) List of subsidiaries which are not included in the consolidated financial statements: None.

(c) Investment in associates

Associates are those entities in which the Group has significant influence, but not control or joint control, over their financial and operating policies.

Investments in associates are accounted for using the equity method and are recognized initially at cost. The cost of the investment includes transaction costs. The carrying amount of the investment in associates includes goodwill arising from the acquisition less any accumulated impairment losses.

(Continued)

WIWYNN CORPORATION AND SUBSIDIARIES
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The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of those associates, after adjustments to align their accounting policies with those of the Group, from the date on which significant influence commences until the date on which significant influence ceases. The Group recognizes any changes of its proportionate share in the investee within capital surplus, when an associate's equity changes due to reasons other than profit and loss or comprehensive income, which did not result in changes in actual significant influence.

Gains and losses resulting from transactions between the Group and an associate are recognized only to the extent of unrelated Group's interests in the associate. When the Group's share of losses of an associate equals or exceeds its interests in an associate, it discontinues recognizing its share of further losses. After the recognized interest is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

(d) Income taxes

The income tax expenses have been prepared and disclosed in accordance with paragraph B12 of International Financial Reporting Standards 34, Interim Reporting.

Income tax expenses for the period are best estimated by multiplying pre-tax income for the interim reporting period using the effective annual tax rate as forecasted by the management. This should be recognized fully as tax expense for the current period.

Temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases shall be measured based on the tax rates that have been enacted or substantively enacted at the time of the asset or liability is recovered or settled, and be recognized directly in equity or other comprehensive income as tax expense.

(e) Employee benefits

The pension cost in the interim period was calculated and disclosed on a year-to-date basis by using the actuarially determined pension cost rate at the end of the prior fiscal year, adjusted for significant market fluctuations since that time and for significant curtailments, settlements, or other significant one-time events.

(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty

The preparation of the consolidated financial statements in conformity with the Regulations and the IFRSs (in accordance with IAS34 "Interim Financial Reporting" and endorsed by the FSC) requires management to make judgments, estimates, and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

The preparation of the consolidated interim financial statements, estimates and underlying assumptions are reviewed on an ongoing basis which are in conformity with the consolidated financial statements for the year ended December 31, 2020. For related information, please refer to note 5 of the consolidated financial statements for the year ended December 31, 2020.

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(6) Explanation of significant accounts

Except for the following disclosures, there is no significant difference as compared with those disclosed in the consolidated financial statements for the year ended December 31, 2020. Please refer to note 6 of the 2020 annual consolidated financial statements.

(a) Cash and cash equivalents

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Cash on hand	\$ 634	562	425
Demand and checking deposits	10,910,886	18,168,669	10,013,554
Time deposits	<u>6,056,040</u>	<u>5,000,000</u>	<u>107,050</u>
	<u>\$ 16,967,560</u>	<u>23,169,231</u>	<u>10,121,029</u>

(b) Financial assets and liabilities at fair value through profit or loss

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Mandatorily measured at fair value through profit or loss:			
Foreign currency forward contracts	\$ 8,680	-	15,721
Foreign currency swap contracts	<u>-</u>	<u>-</u>	<u>1,017</u>
	<u>\$ 8,680</u>	<u>-</u>	<u>16,738</u>
Held-for-trading financial liabilities:			
Foreign currency forward contracts	\$ 312	-	8,809
Foreign currency swap contracts	<u>2,605</u>	<u>-</u>	<u>5,552</u>
	<u>\$ 2,917</u>	<u>-</u>	<u>14,361</u>

The Group holds derivative financial instruments to hedge certain foreign exchange risk that the Group is exposed to, arising from its operating activities. The following derivative financial instruments, without the application of hedge accounting, were classified as mandatorily measured at fair value through profit or loss and held-for-trading financial liabilities:

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September 30, 2021			
	Contract amount (in thousand)	Currency	Maturity date
Foreign currency swap contracts:			
Foreign currency swap sold	USD\$ <u>20,000</u>	USD to NTD	2021/10/29
Foreign currency forward contracts:			
Foreign currency forward purchased	USD\$ <u>27,000</u>	USD to NTD	2021/10/19~2021/12/30
Foreign currency forward sold	USD\$ <u>4,000</u>	NTD to USD	2021/10/19~2021/10/21
September 30, 2020			
	Contract amount (in thousand)	Currency	Maturity date
Foreign currency swap contracts:			
Foreign currency swap purchased	USD\$ <u>80,000</u>	USD to NTD	2020/10/19~2020/10/26
Foreign currency forward contracts:			
Foreign currency forward purchased	USD\$ <u>100,000</u>	NTD to USD	2020/10/19~2020/10/26
Foreign currency forward sold	USD\$ <u>15,000</u>	USD to NTD	2020/10/5

(c) Accounts receivable

	September 30, 2021	December 31, 2020	September 30, 2020
Accounts receivable—measured at amortized cost	\$ 9,420,207	6,655,061	8,121,563
Accounts receivable-related parties—measured at amortized cost	467,543	340,218	377,974
Accounts receivable—measured at fair value through other comprehensive income	3,085,343	1,174,206	7,108,464
Less: loss allowance	<u>(3,031)</u>	<u>(2,185)</u>	<u>(10,369)</u>
	<u>\$ 12,970,062</u>	<u>8,167,300</u>	<u>15,597,632</u>

The Group has assessed a portion of its accounts receivable that was held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; therefore, such accounts receivable were measured at fair value through other comprehensive income.

The Group applies the simplified approach to provide for expected credit losses, i.e. the use of lifetime expected loss provision for all receivables. To measure the expected credit losses, accounts receivable have been grouped based on shared credit risk characteristics and the days past due, as well as incorporated forward looking information, including macroeconomic and relevant industry information. The loss allowance provision were determined as follows:

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	September 30, 2021		
	Gross carrying amount	Weighted - average loss rate	Loss allowance provision
Current	\$ 12,487,600	-	-
Past due under 30 days	414,052	-	-
Past due 31 to 60 days	65,062	-	-
Past due 61 to 90 days	84	-	-
Past due 91 to 180 days	6,051	29%	2,787
Past due 181 to 270 days	244	100%	244
Total	\$ 12,973,093		3,031
	December 31, 2020		
	Gross carrying amount	Weighted - average loss rate	Loss allowance provision
Current	\$ 8,121,956	-	-
Past due under 30 days	36,051	-	-
Past due 31 to 60 days	1,755	-	-
Past due 61 to 90 days	7,127	5%	343
Past due 91 to 180 days	2,596	71%	1,842
Total	\$ 8,169,485		2,185
	September 30, 2020		
	Gross carrying amount	Weighted - average loss rate	Loss allowance provision
Current	\$ 15,119,161	-	-
Past due under 30 days	365,305	-	-
Past due 31 to 60 days	91,790	-	-
Past due 61 to 90 days	23,378	9%	2,002
Past due 91 to 180 days	49	100%	49
Past due 181 to 270 days	-	-	-
Past due over 271 days	8,318	100%	8,318
Total	\$ 15,608,001		10,369

(Continued)

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The movement in the allowance for accounts receivable was as follows:

	For the nine months ended September 30	
	2021	2020
Balance on January 1	\$ 2,185	8,794
Impairment losses recognized	37,000	10,374
Impairment losses reversed	(36,154)	(8,799)
Balance on September 30	\$ 3,031	10,369

As of September 30, 2021, December 31 and September 30, 2020, the accounts receivable were not pledged.

For further credit risk information, please refers to note 6(v).

The Group entered into separate factoring agreements with different financial institutions to sell its trade receivables. Under the agreements, the Group does not have the responsibility to assume the default risk of the transferred trade receivables but is liable for the losses incurred on any business dispute. The Group derecognized the above trade receivables because it has transferred substantially all of the risks and rewards of their ownership, and it does not have any continuing involvement in them. As of September 30, 2021, December 31 and September 30, 2020, the Group sold its accounts receivable without recourse as follows:

Unit: USD in thousands

September 30, 2021						
Purchaser	Assignment Facility	Amount Advanced Unpaid	Amount Advanced Paid	Amount Recognized in Other Receivables	Range of Interest Rate	Collateral
ING, Taipei branch	\$ 343,591	56,409	343,591	-	0.56%-0.83%	None
CITI, New York branch	207,556	<Note>	207,556	-	0.71%-0.85%	None
	\$ 551,147		551,147	-		
December 31, 2020						
Purchaser	Assignment Facility	Amount Advanced Unpaid	Amount Advanced Paid	Amount Recognized in Other Receivables	Range of Interest Rate	Collateral
ING, Taipei branch	\$ 176,352	223,648	176,352	-	0.62%-3.65%	None
CITI, New York branch	249,102	<Note>	249,102	-	0.63%-2.40%	None
	\$ 425,454		425,454	-		

(Continued)

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September 30, 2020						
Purchaser	Assignment Facility	Amount Advanced Unpaid	Amount Advanced Paid	Amount Recognized in Other Receivables	Range of Interest Rate	Collateral
ING, Taipei branch	\$ 189,246	179,900	189,246	-	0.62%-3.65%	None
CITI, New York branch	114,960	<Note>	114,960	-	0.63%-2.40%	None
	<u>\$ 304,206</u>		<u>304,206</u>	<u>-</u>		

<Note> The purchaser has the right to make factoring transactions with the company based on the amount allocated by the client under factoring agreement.

(d) Other receivables

	September 30, 2021	December 31, 2020	September 30, 2020
Other receivables	\$ 2,997	3,166	9,349
Other receivables - related parties	469,922	588,047	200,855
Less: loss allowance	-	-	-
	<u>\$ 472,919</u>	<u>591,213</u>	<u>210,204</u>

For further credit risk information, please refers to note 6(v).

(e) Inventories

	September 30, 2021	December 31, 2020	September 30, 2020
Raw materials	\$ 30,594,040	10,012,269	19,820,181
Finished goods	7,987,753	7,912,712	10,356,678
Inventory in transit	760,602	1,902,748	1,591,112
	<u>\$ 39,342,395</u>	<u>19,827,729</u>	<u>31,767,971</u>

Except cost of goods sold, the remaining gains or losses which were recognized as cost sales were as follow:

	For the three months ended September 30		For the nine months ended September 30	
	2021	2020	2021	2020
Losses on valuation of inventories	\$ -	-	-	90,213
Royalty	7,770	15,878	25,047	39,630
Other	-	4	-	(643)
	<u>\$ 7,770</u>	<u>15,882</u>	<u>25,047</u>	<u>129,200</u>

As of September 30, 2021, December 31 and September 30, 2020, the inventories were not pledged.

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WIWYNN CORPORATION AND SUBSIDIARIES
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(f) Investments accounted for using equity method

The components of investments accounted for using the equity method at the reporting date were as follows:

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Associates	<u>\$ 248,767</u>	<u>-</u>	<u>-</u>

(i) Associates

On March, 2021, the Group acquired 20% amounted to 1,000 thousand shares of LiquidStack Holding B.V. for \$276,609 thousand (USD 10,000 thousand) in cash, resulting in the Group to have significant influence over LiquidStack Holding B.V.

Associates which are material to the Group consisted of the followings:

<u>Name of associate</u>	<u>Nature of Relation ship with the Group</u>	<u>Main operating location / Registered Country of the Company</u>	<u>Proportion of Shareholding and voting rights</u>				
			<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>	<u>September 30, 2020</u>	
LiquidStack Holding B.V.	Sales and R&D of date storage equipment	Netherlands	20 %	-	%	-	%

The Group's financial information on investments accounted for using the equity method that are individually insignificant was as follows. This financial information is included in the consolidated financial statements.

	<u>September 30, 2021</u>	
Carrying amount of individually insignificant associates' equity	<u>\$ 248,767</u>	
	<u>For the three months ended September 30 2021</u>	<u>For the nine months ended September 30 2021</u>
Attributable to the Group:		
Profit (loss) from continuing operations	\$ (9,257)	(16,628)
Other comprehensive (loss) income	(10,981)	(11,214)
Comprehensive income	<u>\$ (20,238)</u>	<u>(27,842)</u>

(ii) Pledge

As of September 30, 2021, the investments accounted for using equity method were not pledged.

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Notes to the Consolidated Financial Statements

(g) Property, plant and equipment

The cost and accumulated depreciation of the property, plant and equipment of the Group for the nine months ended September 30, 2021 and 2020, were as follows:

	Research and development equipment	Machinery and equipment	Office equipment	Lease improvements	Other equipment	Construction in progress	Total
Cost or deem cost:							
Balance on January 1, 2021	\$ 143,104	739,973	107,132	226,819	282,361	13,968	1,513,357
Additions	16,440	27,390	50,417	43,546	111,662	30,878	280,333
Disposals	(98)	(816)	(2,171)	(1,575)	(1,737)	-	(6,397)
Reclassification (Note)	-	16,810	8,357	3,160	87,456	(23,111)	92,672
Effect of changes in foreign exchange rates	-	(977)	(1,382)	-	(3,739)	(532)	(6,630)
Balance on September 30, 2021	<u>\$ 159,446</u>	<u>782,380</u>	<u>162,353</u>	<u>271,950</u>	<u>476,003</u>	<u>21,203</u>	<u>1,873,335</u>
Balance on January 1, 2020	\$ 120,084	455,663	63,214	186,061	176,293	-	1,001,315
Additions	1,793	204,372	23,461	24,608	46,027	5,686	305,947
Disposals	-	-	(1,127)	-	-	-	(1,127)
Reclassification (Note)	4,200	52,465	2,740	-	23,481	(3,362)	79,524
Effect of changes in foreign exchange rates	-	(1,078)	(718)	-	(1,445)	(54)	(3,295)
Balance on September 30, 2020	<u>\$ 126,077</u>	<u>711,422</u>	<u>87,570</u>	<u>210,669</u>	<u>244,356</u>	<u>2,270</u>	<u>1,382,364</u>
Accumulated depreciation:							
Balance on January 1, 2021	\$ 99,573	124,079	42,538	102,635	192,751	-	561,576
Depreciation	13,697	99,267	20,588	59,825	74,477	-	267,854
Disposals	(98)	(476)	(2,072)	(1,575)	(1,532)	-	(5,753)
Effect of changes in foreign exchange rates	-	(404)	(324)	-	(1,140)	-	(1,868)
Balance on September 30, 2021	<u>\$ 113,172</u>	<u>222,466</u>	<u>60,730</u>	<u>160,885</u>	<u>264,556</u>	<u>-</u>	<u>821,809</u>
Balance on January 1, 2020	\$ 84,640	20,297	29,074	40,209	108,928	-	283,148
Depreciation	11,266	73,563	10,819	45,774	52,344	-	193,766
Disposals	-	-	(1,127)	-	-	-	(1,127)
Effect of changes in foreign exchange rates	-	(405)	(293)	-	(389)	-	(1,087)
Balance on September 30, 2020	<u>\$ 95,906</u>	<u>93,455</u>	<u>38,473</u>	<u>85,983</u>	<u>160,883</u>	<u>-</u>	<u>474,700</u>
Carrying value:							
Balance on January 1, 2021	<u>\$ 43,531</u>	<u>615,894</u>	<u>64,594</u>	<u>124,184</u>	<u>89,610</u>	<u>13,968</u>	<u>951,781</u>
Balance on September 30, 2021	<u>\$ 46,274</u>	<u>559,914</u>	<u>101,623</u>	<u>111,065</u>	<u>211,447</u>	<u>21,203</u>	<u>1,051,526</u>
Balance on January 1, 2020	<u>\$ 35,444</u>	<u>435,366</u>	<u>34,140</u>	<u>145,852</u>	<u>67,365</u>	<u>-</u>	<u>718,167</u>
Balance on September 30, 2020	<u>\$ 30,171</u>	<u>617,967</u>	<u>49,097</u>	<u>124,686</u>	<u>83,473</u>	<u>2,270</u>	<u>907,664</u>

(Note): Reclassified from prepayment for equipment and construction in progress reclassified to other equipment.

As of September 30, 2021, December 31 and September 30, 2020, the property, plant and equipment were not pledged.

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(h) Right-of-use assets

The Group leases buildings and other equipment. Information about leases for which the Group as a lessee was presented below:

	<u>Buildings</u>	<u>Other equipment</u>	<u>Total</u>
Cost:			
Balance on January 1, 2021	\$ 528,712	5,620	534,332
Acquisitions	448,880	-	448,880
Disposals	(34,771)	(293)	(35,064)
Effect of changes in foreign exchange rates	(18,724)	(16)	(18,740)
Balance on September 30, 2021	<u>\$ 924,097</u>	<u>5,311</u>	<u>929,408</u>
Balance on January 1, 2020	\$ 471,846	5,664	477,510
Acquisitions	9,282	-	9,282
Disposals	(3,729)	-	(3,729)
Effect of changes in foreign exchange rates	(29,077)	(27)	(29,104)
Balance on September 30, 2020	<u>\$ 448,322</u>	<u>5,637</u>	<u>453,959</u>
Accumulated depreciation:			
Balance on January 1, 2021	\$ 155,469	1,636	157,105
Depreciation for the year	86,450	915	87,365
Disposals	(27,167)	(274)	(27,441)
Effect of changes in foreign exchange rates	(1,812)	(10)	(1,822)
Balance on September 30, 2021	<u>\$ 212,940</u>	<u>2,267</u>	<u>215,207</u>
Balance on January 1, 2020	\$ 88,285	410	88,695
Depreciation for the year	67,196	937	68,133
Effect of changes in foreign exchange rates	(1,608)	(11)	(1,619)
Balance on September 30, 2020	<u>\$ 153,873</u>	<u>1,336</u>	<u>155,209</u>
Carrying amount:			
Balance on January 1, 2021	<u>\$ 373,243</u>	<u>3,984</u>	<u>377,227</u>
Balance on September 30, 2021	<u>\$ 711,157</u>	<u>3,044</u>	<u>714,201</u>
Balance at January 1, 2020	<u>\$ 383,561</u>	<u>5,254</u>	<u>388,815</u>
Balance on September 30, 2020	<u>\$ 294,449</u>	<u>4,301</u>	<u>298,750</u>

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(i) Intangible assets

	<u>Software</u>	<u>Other</u>	<u>Total</u>
Carrying amount:			
Balance on January 1, 2021	\$ <u>63,562</u>	<u>1,040</u>	<u>64,602</u>
Balance on September 30, 2021	\$ <u>105,720</u>	<u>1,040</u>	<u>106,760</u>
Balance on January 1, 2020	\$ <u>18,066</u>	<u>1,040</u>	<u>19,106</u>
Balance on September 30, 2020	\$ <u>50,489</u>	<u>1,040</u>	<u>51,529</u>

There were no significant additions, disposal, impairment loss or reversal gain for intangible assets for the nine months ended September 30, 2021 and 2020. Please refer to note 12 for the amounts of amortization. For other related information, please refer to the note 6(g) of the consolidated financial statements for the year ended December 31, 2020

(j) Other current assets and other non-current assets

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Other current assets:			
Tax refundable	\$ 226,450	868,072	500,772
Prepayments for purchase	2,043,392	-	-
Other prepayments	167,438	107,482	83,956
Others	<u>27,998</u>	<u>36,351</u>	<u>59,728</u>
	<u>\$ 2,465,278</u>	<u>1,011,905</u>	<u>644,456</u>
Other non-current assets:			
Refundable deposits	\$ 38,375	37,602	35,254
Restricted deposits	26,844	27,463	28,058
Prepayments for equipment	<u>94,282</u>	<u>79,029</u>	<u>82,179</u>
	<u>\$ 159,501</u>	<u>144,094</u>	<u>145,491</u>

(k) Short-term borrowings

The details of the Group for short-term borrowings were as follows:

	<u>September 30, 2021</u>			
	<u>Currency</u>	<u>Interest rate collars</u>	<u>Expiration</u>	<u>Amount</u>
Unsecured bank borrowings	USD	0.54%~0.98%	2021/10/1~2021/12/17	\$ <u>21,038,830</u>
Unused credit line				\$ <u>14,874,186</u>
	<u>December 31, 2020</u>			
	<u>Currency</u>	<u>Interest rate collars</u>	<u>Expiration</u>	<u>Amount</u>
Unsecured bank borrowings	USD	0.58%~0.76%	2021/1/11~2021/3/26	\$ <u>5,359,504</u>
Unused credit line				\$ <u>21,302,194</u>

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	September 30, 2020			
	Currency	Interest rate collars	Expiration	Amount
Unsecured bank borrowings	USD	0.61%~1.50%	2020/10/5~2020/11/13	\$ 15,607,279
Unused credit line				\$ 12,356,282

(l) Bonds payable

The details of unsecured ordinary bonds were as follows:

	September 30, 2021	December 31, 2020	September 30, 2020
Total ordinary corporate bonds issued	\$ 9,450,000	5,000,000	-
Unamortized discounted bonds payable	(14,361)	(8,217)	-
Bonds payable balance at year-end	\$ 9,435,639	4,991,783	-
		For the three months ended September 30 2021	For the nine months ended September 30 2021
Interest expense		\$ 15,366	36,795

The Group issued 4,450 unsecured 5-years ordinary corporate bonds, and pays interest yearly at a fixed interest rate of 0.63% in Taiwan on August 6, 2021. It is agreed that half of principal will be repaid in the fourth and fifth years.

The Group issued 5,000 unsecured 5-years ordinary corporate bonds, and pays interest yearly at a fixed interest rate of 0.83% in Taiwan on October 20, 2020. It is agreed that half of principal will be repaid in the fourth and fifth years.

(m) Lease liabilities

The carrying amounts of lease liabilities were as follow:

	September 30, 2021	December 31, 2020	September 30, 2020
Current	\$ 136,806	105,132	100,189
Non-current	\$ 572,259	275,205	209,217

For the maturity analysis, please refer to note 6(v).

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The amounts recognized in profit or loss were as follows:

	For the three months ended September 30		For the nine months ended September 30	
	2021	2020	2021	2020
Interest expenses on lease liabilities	<u>\$ 11,687</u>	<u>3,689</u>	<u>18,905</u>	<u>11,882</u>
Expenses relating to short-term leases	<u>\$ 21,591</u>	<u>4,199</u>	<u>38,787</u>	<u>23,869</u>

The amounts recognized in the statement of cash flows for the Group were as follows:

	For the nine months ended September 30	
	2021	2020
Total cash outflow for leases	<u>\$ 150,267</u>	<u>110,977</u>

(i) Real estate leases

The Group leases land and buildings for its office space, factory and employee dormitory. The leases of office space typically run for a period of 1 to 10 years, factory for 5 to 10 years, and of employee dormitory for 2 to 3 years. Some leases include an option to renew the lease for an additional period of the same duration after the end of the contract term.

(ii) Other leases

The Group leases other equipment, with lease terms of 3 to 5 years. In some cases, the Group has options to purchase the assets at the end of the contract term.

(n) Employee benefits

(i) Defined benefit plans

The expenses recognized in expense for the Group were as follows:

	For the three months ended September 30		For the nine months ended September 30	
	2021	2020	2021	2020
Operating expense	<u>\$ 210</u>	<u>258</u>	<u>628</u>	<u>557</u>

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(ii) Defined contribution plans

The Group's expenses under the pension plan for the three months and nine months ended September 30, 2021 and 2020 were as follows:

	For the three months ended September 30		For the nine months ended September 30	
	2021	2020	2021	2020
Operating cost	\$ 25,226	10,694	50,083	26,839
Operating expenses	10,472	8,754	29,163	25,029
	<u>\$ 35,698</u>	<u>19,448</u>	<u>79,246</u>	<u>51,868</u>

(o) Income taxes

(i) Income tax expense

The components of income tax were as follows:

	For the three months ended September 30		For the nine months ended September 30	
	2021	2020	2021	2020
Current tax expense	548,014	611,271	1,652,235	1,361,305
Deferred tax expense	-	-	-	173,724
Income tax expense	<u>\$ 548,014</u>	<u>611,271</u>	<u>1,652,235</u>	<u>1,535,029</u>

(ii) There were no income tax expense recognized in other comprehensive income for the nine months ended September 30, 2021 and 2020.

(iii) The ROC income tax authorities have examined the Company's income tax returns for all years through 2019.

(p) Capital and other equity

Except for the following disclosures, there was no significant difference in capital and other equity for the nine months ended September 30, 2021 and 2020. For the related information, please refer to the note 6(n) of the consolidated financial statements for the year ended December 31, 2020.

(i) Common shares

The Company issued 204 thousand new shares of common shares with the amounts of \$3,237 thousand for the execution of employee stock options for the nine months ended September 30, 2020. All proceeds from outstanding shares have been collected and all related registration procedures had been completed. There was no such transaction for the nine months ended September 30, 2021.

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WIWYNN CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) Retained earnings

The Company's article of incorporation stipulate that if the Company has a profit as a result of the yearly accounting closing, ten percent of the profit net of tax and the amount for making up of any accumulated loss shall be set aside as legal reserve, and thereafter an amount, including the reserved special reserve, shall be set aside, along with any undistributed profits accumulated from previous years to be identified as profits to be distributed. The amount of dividends to shareholders shall not less than 10% of profit from the currency year.

As the Company is a technology and capital-intensive enterprise and is in its growth phase, it has adopted a more prudent approach in the appropriation of its remaining earnings as its dividend policy, in order to sustain its long-term capital needs and thereby maintain continuous development and steady growth. Under this approach, the distribution of cash dividend is not lower than 10% of total distribution of dividends.

1) Legal reserve

When a company incurs no loss, it may, pursuant to a resolution by a shareholders' meeting, distribute its legal reserve by issuing new shares or by distributing cash, and only the portion of legal reserve which exceeds 25% of capital may be distributed.

2) Special reserve

In accordance with Permit No. 1010012865 as issued by the Financial Supervisory Commission on April 6, 2012, a special reserve equal to the contra account of other shareholders' equity is appropriated from current and prior period earnings. When the debit balance of any of the contra accounts in the shareholders' equity is reversed, the related special reserve can be reversed. The subsequent reversals of the contra accounts in shareholders' equity shall qualify for additional distributions.

3) Earnings distribution

The appropriation of 2020 and 2019 earning that were approved by the shareholders' meeting on July 8, 2021 and June 15, 2020, respectively, were as follows:

	<u>2020</u>	<u>2019</u>
Dividends distributed to ordinary shareholders		
Cash	<u>\$ 5,594,905</u>	<u>4,021,131</u>

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WIWYNN CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(iii) Other equity (net of tax)

	Exchange differences on translation of foreign financial statements
Balance on January 1, 2021	\$ (237,894)
Exchange differences on translation of foreign financial statements	<u>(166,897)</u>
Balance on September 30, 2021	<u>\$ (404,791)</u>
Balance on January 1, 2020	\$ 53,914
Exchange differences on translation of foreign financial statements	<u>(188,886)</u>
Balance on September 30, 2020	<u>\$ (134,972)</u>

(q) Share-based payment

There were no significant changes of share-based payment during the periods from January 1 to September 30, 2021 and 2020. For the related information, please refer to note 6(o) of the consolidated financial statements for the year ended December 31, 2020.

(r) Earnings per share

The calculation of basic and diluted earnings per share (unit: NTD in dollar) is as follows:

	For the three months ended September 30		For the nine months ended September 30	
	2021	2020	2021	2020
Basic earnings per share:				
Profit attributable to common shareholders of the Company	<u>\$ 2,026,580</u>	<u>2,245,526</u>	<u>6,034,156</u>	<u>5,877,325</u>
Weighted-average common stock outstanding (in thousands)	<u>174,841</u>	<u>174,841</u>	<u>174,841</u>	<u>174,802</u>
	<u>\$ 11.59</u>	<u>12.84</u>	<u>34.51</u>	<u>33.62</u>
Diluted earnings per share:				
Profit attributable to common shareholders of the Company	<u>\$ 2,026,580</u>	<u>2,245,526</u>	<u>6,034,156</u>	<u>5,877,325</u>
Weighted-average common stock outstanding (in thousands)	174,841	174,841	174,841	174,802
Effect of potentially dilutive common stock (in thousands):				
Employee compensation	466	597	635	803
Employee stock option	<u>-</u>	<u>-</u>	<u>-</u>	<u>1</u>
Weighted average common stock outstanding plus the effect of potentially dilutive common stock (in thousands)	<u>175,307</u>	<u>175,438</u>	<u>175,476</u>	<u>175,606</u>
	<u>\$ 11.56</u>	<u>12.80</u>	<u>34.39</u>	<u>33.47</u>

(Continued)

WIWYNN CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(s) Revenue from contracts with customers

(i) Disaggregation of revenue

	For the three months ended September 30		For the nine months ended September 30	
	2021	2020	2021	2020
<u>Primary geographical markets</u>				
America	\$ 34,987,856	35,966,645	100,520,212	102,430,504
Europe	5,236,341	7,468,043	22,758,490	22,139,809
Asia	4,257,051	3,164,696	10,848,041	7,799,877
Other	782,578	606,200	1,620,242	2,043,449
	<u>\$ 45,263,826</u>	<u>47,205,584</u>	<u>135,746,985</u>	<u>134,413,639</u>
<u>Major products</u>				
Hyperscale data center	<u>\$ 45,263,826</u>	<u>47,205,584</u>	<u>135,746,985</u>	<u>134,413,639</u>

(ii) Contract balance

	September 30, 2021	December 31, 2020	September 30, 2020
Accounts receivable	\$ 12,505,550	7,829,267	15,230,027
Accounts receivable – related parties	467,543	340,218	377,974
Less: loss allowance	(3,031)	(2,185)	(10,369)
	<u>\$ 12,970,062</u>	<u>8,167,300</u>	<u>15,597,632</u>
	September 30, 2021	December 31, 2020	September 30, 2020
Contract liabilities – provisions for warranty	<u>\$ 3,302,006</u>	<u>2,297,417</u>	<u>1,696,013</u>

For details on accounts receivable and loss allowance, please refer to note 6(c).

The contract liabilities primarily related to the advance consideration received from customers for the electronic components under sales contracts, for which revenue is recognized when products are delivered to customers.

The major change in the balance of contract liabilities is the difference between the time frame of the performance obligation to be satisfied and the payment to be received. There was no significant changes during the current period.

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WIWYNN CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(t) Employee's and directors' compensation

According to the Company's Article of Incorporation, if the Company has profit (which means income before tax excluding the amounts of employees' and directors' compensation) shall be contributed by the following rules. However, if the amount Company have accumulated deficit, it shall reserve the amount for offsetting deficit.

- (i) No less than 5% of profit as employees' compensation. The Company may distributed in the form of shares or in cash, and the qualification requirements of employees, including the employees of subsidiaries of the Company meeting certain specific requirement shall be determined by the Board of Directors.
- (ii) No more than 1% of profit as the compensation in cash to the Directors.

The Company estimated it's employees' and directors' compensation as follows:

	For the three months ended September 30		For the nine months ended September 30	
	2021	2020	2021	2020
Employees' compensation	\$ 135,600	149,000	405,600	390,000
Directors' compensation	6,256	5,000	18,769	15,000
	<u>\$ 141,856</u>	<u>154,000</u>	<u>424,369</u>	<u>405,000</u>

These amounts were calculated using the Company's net income before tax without the remunerations to employees and directors for each period, multiplied by the proposed percentage which is stated under the Company's proposed Article of Incorporation. These remunerations were expensed under operating expenses for each period. If there are any subsequent adjustments to the actual remuneration amounts after the annual shareholder's meeting, the adjustment will be regarded as changes in accounting estimates and will be reflected in profit or loss in the following year.

For the years ended December 31, 2020 and 2019, the employees' compensation amounted to \$571,500 thousand and \$407,000 thousand, respectively, and directors' compensation amounted to \$25,025 thousand and \$18,174 thousand, respectively. The amounts, as stated in the consolidated financial statements, are identical to those of the board of directors resolved for 2021 and 2020. The related information can be available on Market Observation Post System Website.

(u) Non-operating income and expenses

(i) Interest income

The details of Interest income were as follows:

	For the three months ended September 30		For the nine months ended September 30	
	2021	2020	2021	2020
Interest income from bank deposits	\$ <u>10,699</u>	<u>7,812</u>	<u>43,612</u>	<u>25,813</u>

(Continued)

WIWYNN CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) Other income

The details of other income were as follows:

	<u>For the three months ended</u> <u>September 30</u>		<u>For the nine months</u> <u>ended September 30</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Others	\$ <u>12</u>	<u>19</u>	<u>43</u>	<u>50</u>

(iii) Other gains and losses

The details of other gains and losses were as follows:

	<u>For the three months ended</u> <u>September 30</u>		<u>For the nine months</u> <u>ended September 30</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Foreign exchange losses, net	\$ (37,834)	(205,875)	(110,571)	(381,284)
Gains on valuation of financial assets and liabilities at fair value	8,536	118,194	22,414	297,133
Others	<u>2,698</u>	<u>4,141</u>	<u>9,029</u>	<u>(3,211)</u>
	<u>\$ (26,600)</u>	<u>(83,540)</u>	<u>(79,128)</u>	<u>(87,362)</u>

(iv) Finance costs

The details of finance costs were as follows:

	<u>For the three months ended</u> <u>September 30</u>		<u>For the nine months</u> <u>ended September 30</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Interest expenses				
Bank loans	\$ (71,884)	(51,247)	(173,366)	(231,437)
Bonds payable	(15,366)	-	(36,795)	-
Others	<u>(11,687)</u>	<u>(3,689)</u>	<u>(18,905)</u>	<u>(11,882)</u>
Total	<u>\$ (98,937)</u>	<u>(54,936)</u>	<u>(229,066)</u>	<u>(243,319)</u>

(v) Financial instruments

Except for the contention mentioned below, there was no significant change in the fair value of the Group's financial instruments and degree of exposure to credit risk, liquidity risk and market risk arising from financial instruments. For the related information, please refer to note 6(t) of the consolidated financial statements for the year ended December 31, 2020.

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WIWYNN CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(i) Credit risk

1) Credit risk exposure

The carrying amount of financial assets represents the maximum amount exposed to credit risk.

2) Concentration of credit risk

As of September 30, 2021, December 31 and September 30, 2020, 77.68%, 87.83% and 84.16% of the Group's accounts receivable were concentrated on 3, 2 and 3 specific customers, respectively. Accordingly, concentrations of credit risk exist.

3) Receivable and debt securities

For credit risk exposure of accounts receivable, please refer to note 6(c). Other financial assets at amortized cost includes other receivables.

All of these financial assets are considered to have low risk, and thus, the impairment provision recognized during the period was limited to 12 months expected losses.

As of September 30, 2021, December 31 and September 30, 2020, the other receivables were not accrue any loss allowance.

(ii) Liquidity risk

The followings table shows the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements.

	<u>Carrying amount</u>	<u>Contractual cash flow</u>	<u>Within 1 year</u>	<u>1-2 years</u>	<u>2-5 years</u>	<u>More than 5 years</u>
September 30, 2021						
Non-derivative financial liabilities						
Short-term borrowings	\$ 21,038,830	21,057,958	21,057,958	-	-	-
Bonds payable	9,435,639	9,719,457	69,535	69,535	9,580,387	-
Notes and accounts payable (including related parties)	11,929,948	11,929,948	11,929,948	-	-	-
Other payables (including related parties)	2,448,924	2,448,924	2,448,924	-	-	-
Lease liabilities (including current and non-current)	709,065	886,117	140,314	174,584	291,786	279,433
Subtotal	<u>45,562,406</u>	<u>46,042,404</u>	<u>35,646,679</u>	<u>244,119</u>	<u>9,872,173</u>	<u>279,433</u>
Derivative financial liabilities						
Foreign currency swap contracts:						
Outflow	554,400	554,400	554,400	-	-	-
Inflow	551,795	551,795	551,795	-	-	-
Carrying amount	<u>2,605</u>	<u>2,605</u>	<u>2,605</u>	<u>-</u>	<u>-</u>	<u>-</u>
Foreign currency forward contracts:						
Outflow	312	312	312	-	-	-
Carrying amount	<u>312</u>	<u>312</u>	<u>312</u>	<u>-</u>	<u>-</u>	<u>-</u>
Subtotal	2,917	2,917	2,917	-	-	-
Total	<u>\$ 45,565,323</u>	<u>46,045,321</u>	<u>35,649,596</u>	<u>244,119</u>	<u>9,872,173</u>	<u>279,433</u>

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WIWYNN CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	<u>Carrying amount</u>	<u>Contractual cash flow</u>	<u>Within 1 year</u>	<u>1-2 years</u>	<u>2-5 years</u>	<u>More than 5 years</u>
December 31, 2020						
Non-derivative financial liabilities						
Short-term borrowings	\$ 5,359,504	5,363,050	5,363,050	-	-	-
Bonds payable	4,991,783	5,199,200	41,500	41,500	5,116,200	-
Notes and accounts payable (including related parties)	12,519,498	12,519,498	12,519,498	-	-	-
Other payables (including related parties)	2,660,263	2,660,263	2,660,263	-	-	-
Lease liabilities (including current and non-current)	380,337	398,021	109,365	109,684	176,438	2,534
Total	<u>\$ 25,911,385</u>	<u>26,140,032</u>	<u>20,693,676</u>	<u>151,184</u>	<u>5,292,638</u>	<u>2,534</u>
September 30, 2020						
Non-derivative financial liabilities						
Short-term borrowings	\$ 15,607,279	15,619,036	15,619,036	-	-	-
Notes and accounts payable (including related parties)	16,241,167	16,241,167	16,241,167	-	-	-
Other payables (including related parties)	2,947,885	2,947,885	2,947,885	-	-	-
Lease liabilities (including current and non-current)	309,406	359,983	103,302	93,603	160,119	2,959
Subtotal	<u>35,105,737</u>	<u>35,168,071</u>	<u>34,911,390</u>	<u>93,603</u>	<u>160,119</u>	<u>2,959</u>
Derivative financial liabilities						
Foreign currency swap contacts:						
Outflow	1,160,468	1,160,468	1,160,468	-	-	-
Inflow	1,154,916	1,154,916	1,154,916	-	-	-
Carrying amount	<u>5,552</u>	<u>5,552</u>	<u>5,552</u>	<u>-</u>	<u>-</u>	<u>-</u>
Foreign currency forward contracts:						
Outflow	8,809	8,809	8,809	-	-	-
Carrying amount	<u>8,809</u>	<u>8,809</u>	<u>8,809</u>	<u>-</u>	<u>-</u>	<u>-</u>
Subtotal	<u>14,361</u>	<u>14,361</u>	<u>14,361</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 35,120,098</u>	<u>35,182,432</u>	<u>34,925,751</u>	<u>93,603</u>	<u>160,119</u>	<u>2,959</u>

The Group does not expect the cash flows included in the maturity analysis to occur significantly earlier or at significantly different amounts.

(iii) Market risk

1) Currency risk

The Group's significant exposure to foreign currency risk were as follows:

	<u>September 30, 2021</u>			<u>December 31, 2020</u>			<u>September 30, 2020</u>		
	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>TWD</u>	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>TWD</u>	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>TWD</u>
<u>Financial assets</u>									
<u>Monetary items</u>									
USD	\$ 791,873	27.866	22,066,340	665,825	28.508	18,981,330	692,873	29.126	20,180,615
<u>Financial liabilities</u>									
<u>Monetary items</u>									
USD	675,419	27.866	18,821,215	539,019	28.508	15,366,366	372,301	29.126	10,538,310

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WIWYNN CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The Group's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, accounts receivable (including related parties) and other receivables (including related parties), loans and borrowings, notes and accounts payable (including related parties) and other payables (including related parties) that are denominated in foreign currency. A strengthening (weakening) 5 % of appreciation (depreciation) of the NTD against the USD for the nine months ended September 30, 2021 and 2020, the net income would be changed by \$129,805 thousand and \$385,692 thousand, respectively. The analysis assumes that all other variable remain constant.

Since the Group has many kinds of functional currency, the information on foreign exchange gains (losses) on monetary items is disclosed by total amount. For the three-months ended September 30, 2021 and 2020, and nine-months ended September 30, 2021 and 2020, foreign exchange gains (losses) (including realized and unrealized portions) amounted to \$(37,834) thousand, \$(205,875) thousand, \$(110,571) thousand and \$(381,284) thousand, respectively.

2) Interest rate analysis

Please refer to the notes on liquidity risk management and interest rate exposure of the Group's financial assets and liabilities.

The following sensitivity analysis is based on the exposure to the interest rate risk of non-derivative financial instruments on the reporting date. Regarding liabilities with variable rates, the analysis is based on the assumption that the liabilities were outstanding for lifetime on the reporting date.

If the interest rate increased / decreased by 1%, the Group's net income would have been changed by \$8,218 thousand and \$10,906 thousand, respectively, for the nine months ended September 30, 2021 and 2020, with all other variable factors that remain constant. This is mainly due to the Group's borrowings at floating variable rate.

(iv) Fair value information

1) Categories and fair values of financial instruments

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It shall not include fair value information of the financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of the fair value and investments in equity instruments which do not have any quoted price in an active market in which the fair value cannot be reasonably measured.

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WIWYNN CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	September 30, 2020				
	Carrying amount	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss					
Derivative financial assets	\$ 16,738	-	16,738	-	16,738
Financial assets at fair value through other comprehensive income					
Accounts receivable	7,108,464	-	-	-	-
Financial assets measured at amortized cost					
Cash and cash equivalents	10,121,029	-	-	-	-
Accounts receivable (including related parties)	8,489,168	-	-	-	-
Other receivable (including related parties)	210,204	-	-	-	-
Other non-current assets	63,312	-	-	-	-
Subtotal	<u>\$ 18,883,713</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Financial liabilities at fair value through profit or loss					
Derivative financial liabilities	\$ 14,361	-	14,361	-	14,361
Financial liabilities measured at amortized cost					
Short-term borrowings	15,607,279	-	-	-	-
Notes and accounts payable (including related parties)	16,241,167	-	-	-	-
Other payables (including related parties)	2,947,885	-	-	-	-
Lease liabilities (including current and non-current)	309,406	-	-	-	-
Subtotal	<u>\$ 35,105,737</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

2) Valuation techniques for financial instruments measured at fair value:

Measurement of the fair value of derivative instruments is based on the valuation techniques generally accepted by market participants such as the discounted cash flow or option pricing models. Fair value of foreign currency forward and swap contracts are usually determined by the forward currency exchange rate.

- 3) Transfers between Level 1 and Level 2: none.
- 4) Changes between Level 3: none.
- 5) Offsetting financial assets and financial liabilities

The Group has financial instruments transactions applicable to the International Financial Reporting Standards Sections 42 NO. 32 approved by the FSC which required for offsetting. Financial assets and liabilities relating to those transactions are recognized in the net amount of the balance sheets.

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WIWYNN CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

September 30, 2021						
Financial assets that are offset which have an exercisable master netting arrangement or similar agreement						
	Gross amounts of recognized financial assets (a)	Gross amounts of financial liabilities offset in the balance sheet (b)	Net amount of financial assets presented in the balance sheet (c)=(a)-(b)	Amounts not offset in the balance sheet (d)		Net amounts (e)=(c)-(d)
				Financial instruments	Cash collateral received	
Other receivable	\$ 64,032	64,032	-	-	-	-

September 30, 2021						
Financial liabilities that are offset which have an exercisable master netting arrangement or similar agreement						
	Gross amounts of recognized financial liabilities (a)	Gross amounts of financial assets offset in the balance sheet (b)	Net amount of financial liabilities presented in the balance sheet (c)=(a)-(b)	Amounts not offset in the balance sheet (d)		Net amounts (e)=(c)-(d)
				Financial instruments	Cash collateral received	
Note payable and accounts payable	\$ 64,032	64,032	-	-	-	-

December 31, 2020						
Financial assets that are offset which have an exercisable master netting arrangement or similar agreement						
	Gross amounts of recognized financial assets (a)	Gross amounts of financial liabilities offset in the balance sheet (b)	Net amount of financial assets presented in the balance sheet (c)=(a)-(b)	Amounts not offset in the balance sheet (d)		Net amounts (e)=(c)-(d)
				Financial instruments	Cash collateral received	
Other receivable	\$ 419,132	419,132	-	-	-	-

December 31, 2020						
Financial liabilities that are offset which have an exercisable master netting arrangement or similar agreement						
	Gross amounts of recognized financial liabilities (a)	Gross amounts of financial assets offset in the balance sheet (b)	Net amount of financial liabilities presented in the balance sheet (c)=(a)-(b)	Amounts not offset in the balance sheet (d)		Net amounts (e)=(c)-(d)
				Financial instruments	Cash collateral received	
Note payable and accounts payable	\$ 9,957,345	419,132	9,538,213	-	-	9,538,213

September 30, 2020						
Financial assets that are offset which have an exercisable master netting arrangement or similar agreement						
	Gross amounts of recognized financial assets (a)	Gross amounts of financial liabilities offset in the balance sheet (b)	Net amount of financial assets presented in the balance sheet (c)=(a)-(b)	Amounts not offset in the balance sheet (d)		Net amounts (e)=(c)-(d)
				Financial instruments	Cash collateral received	
Other receivable	\$ 1,676,043	1,676,043	-	-	-	-

September 30, 2020						
Financial liabilities that are offset which have an exercisable master netting arrangement or similar agreement						
	Gross amounts of recognized financial liabilities (a)	Gross amounts of financial assets offset in the balance sheet (b)	Net amount of financial liabilities presented in the balance sheet (c)=(a)-(b)	Amounts not offset in the balance sheet (d)		Net amounts (e)=(c)-(d)
				Financial instruments	Cash collateral received	
Note payable and accounts payable	\$ 6,636,215	1,676,043	4,960,172	-	-	4,960,172

(Continued)

WIWYNN CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(w) Financial risk management

There were no significant changes in the Group's financial risk management and policies as disclosed in note 6(u) of the consolidated financial statements for the year ended December 31, 2020.

(x) Capital management

The Group's objectives, policies and processes of capital management were the same as those described in the consolidated financial statements for the year ended December 31, 2020. There were no significant changes in the quantified data for capital management as disclosed in the consolidated financial statements for the year ended December 31, 2020. For the related information, please refer to note 6(v) of the consolidated financial statements for the year ended December 31, 2020.

(y) Investing and financing activities not affecting current cash flow

Reconciliation of liabilities arising from financing activities were as follows:

	January 1, 2021	Cash flows	Non-cash changes			September 30, 2021
			Change in lease payments	Interest expenses	Foreign exchange movement	
Short-term borrowings	\$ 5,359,504	15,810,582	-	-	(131,256)	21,038,830
Bonds payable	4,991,783	4,442,325	-	1,531	-	9,435,639
Lease liabilities	380,337	(92,575)	438,084	-	(16,781)	709,065
Total liabilities from financing activities	\$ <u>10,731,624</u>	<u>20,160,332</u>	<u>438,084</u>	<u>1,531</u>	<u>(148,037)</u>	<u>31,183,534</u>

	January 1, 2020	Cash flows	Non-cash changes			September 30, 2020
			Change in lease payments	Foreign exchange movement	September 30, 2020	
Short-term borrowings	\$ 8,638,393	7,337,102	-	(368,216)	15,607,279	
Lease liabilities	398,535	(75,226)	5,553	(19,456)	309,406	
Total liabilities from financing activities	\$ <u>9,036,928</u>	<u>7,261,876</u>	<u>5,553</u>	<u>(387,672)</u>	<u>15,916,685</u>	

(7) Related-party transactions:

(a) Parent company and ultimate controlling party

Wistron Corporation is the parent company and the ultimate controlling party of the Group. As of September 30, 2021, December 31 and September 30, 2020. It own 44.85%, respectively, of all shares outstanding of the Company.

(Continued)

WIWYNN CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(b) Names and relationship with related parties

The followings are entities that have had transactions with related party during the periods covered in the consolidated financial statements.

<u>Name of related party</u>	<u>Relationship with the Group</u>
Wistron Corporation (WHQ)	Parent Company
Wistron InfoComm (Czech). s.r.o. (WCCZ)	Other related parties
Wistron Mexico S.A. de C.V. (WMX)	Other related parties
Cowin Worldwide Corporation (COWIN)	Other related parties
ICT Service Management Solutions (India) Private Limited (WIN)	Other related parties
International Standards Labs. (ISL)	Other related parties
Wistron InfoComm (Zhongshan) Corporation (WZS)	Other related parties
SMS InfoComm Technology Services and Management Solutions Ltd. (WBR)	Other related parties
Wistron InfoComm (Kushan) Co., Ltd. (WAKS)	Other related parties
SMS InfoComm Corporation (WTX)	Other related parties
Wistron InfoCommon Technology (Texas) corporation (WITT)	Other related parties
Wistron InfoCommon Technology (America) corporation (WITX)	Other related parties
WiAdvance Technology Corporation (AGI)	Other related parties
Wistron K.K. (WJP)	Other related parties
Wistron NeWeb corporation (WNC)	Other related parties
Wistron Information Technology & Services Corporation (WITS)	Other related parties
T-CONN Precision Corporation (TPE)	Other related parties
SMS InfoComm (Singapore) Pte. Ltd (WSSG)	Other related parties
ANWITH Technology Corporation (WCHQ)	Other related parties
Wistron InfoCommon Mexico S.A. de C.V. (WIMX)	Other related parties

(c) Significant transactions with related parties

(i) Sales

The amounts of significant sales and outstanding balances between the Group and related parties were as follows:

	<u>Sales</u>				<u>Receivables from related parties</u>		
	<u>For the three months ended</u>		<u>For the nine months ended</u>		<u>September 30, December 31, September 30,</u>		
	<u>September 30</u>	<u>September 30</u>	<u>September 30</u>	<u>September 30</u>	<u>2021</u>	<u>2020</u>	<u>2020</u>
WHQ and other related parties	<u>\$ 430,377</u>	<u>371,893</u>	<u>587,089</u>	<u>1,386,849</u>	<u>467,543</u>	<u>340,218</u>	<u>377,974</u>

(Continued)

WIWYNN CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The selling price and payment terms of sales to related parties depend on the economic environment and market competition, and are not significantly different from those with third-party customers.

(ii) Purchases

The amounts of significant purchase and outstanding balances between the Group and related parties were as follows:

	Purchases				Payables to related parties		
	For the three months ended		For the nine months ended		September 30, December 31, September 30,		
	September 30		September 30		September 30,	December 31,	September 30,
	2021	2020	2021	2020	2021	2020	2020
WHQ	\$ 12,409,593	11,946,502	39,962,230	34,191,349	14,831	9,638,211	4,963,263
Other related parties	106,146	260	302,252	1,183	106,490	94	259
	\$ 12,515,739	11,946,762	40,264,482	34,192,532	121,321	9,638,305	4,963,522

Trading terms of purchase transactions with related parties can't be compared with third-party vendors due to product specifications.

(iii) Prepayments for purchases

The carrying amounts of Prepayment for purchases were as follow:

Account	Name of related party	September 30,	December 31,	September 30,
		2021	2020	2020
Other current assets	WHQ	\$ 2,043,392	-	-

(iv) Processing Fee

The amounts of processing and outstanding balance between the Group and related parties were as follows:

	Processing Fee				Payables to related parties		
	For the three months ended		For the nine months ended		September 30, December 31, September 30,		
	September 30		September 30		September 30,	December 31,	September 30,
	2021	2020	2021	2020	2021	2020	2020
WMX	\$ 25,214	301,966	654,618	804,221	59,941	119,866	99,477

Trading terms of processing fee transactions with related parties can't be compared with third-party vendors due to product specifications.

(Continued)

WIWYNN CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(v) Operating Expense

The amounts of operating expense between the Group and related parties were as follow:

	For the three months ended September 30		For the nine months ended September 30	
	2021	2020	2021	2020
WHQ	\$ 138,351	153,601	281,905	540,138
Other related parties	<u>36,830</u>	<u>32,751</u>	<u>104,280</u>	<u>150,444</u>
	<u>\$ 175,181</u>	<u>186,352</u>	<u>386,185</u>	<u>690,582</u>

Trading terms of operating expense with related parties are not significantly different from those with third-party vendors.

(vi) Acquisitions of assets

The acquisitions of assets from related parties were as follow:

	For the three months ended September 30		For the nine months ended September 30	
	2021	2020	2021	2020
WHQ	\$ -	-	-	12,340
Other related parties:				
WMX	54,607	-	54,607	-
AGI	18,931	1,088	19,198	1,450
Other related parties	<u>89</u>	<u>-</u>	<u>89</u>	<u>-</u>
	<u>\$ 73,627</u>	<u>1,088</u>	<u>73,894</u>	<u>13,790</u>

Trading terms of acquisitions of assets with related parties are not significantly different from those with third-party vendors.

(vii) Other receivables

The Group purchased raw materials on behalf of related parties, provide of human outsourcing service and etc. The outstanding balance were as follows:

	Other receivables from related parties		
	September 30, 2021	December 31, 2020	September 30, 2020
WHQ	\$ 368,970	238,815	107,596
Other related parties:			
WMX	-	29,149	40,481
WZS	83,135	312,583	52,676
Others related parties	<u>17,817</u>	<u>7,500</u>	<u>102</u>
Total	<u>\$ 469,922</u>	<u>588,047</u>	<u>200,855</u>

(Continued)

WIWYNN CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(viii) Other payable

The Group purchased research and development materials and related parties paid traveling expenses on behalf of the Group, testing services and etc. The outstanding balance were as follows:

	Other payables to related parties		
	September 30, 2021	December 31, 2020	September 30, 2020
WHQ	\$ 38,580	135,802	173,854
Other related parties	33,505	12,864	32,555
Total	\$ 72,085	148,666	206,409

(ix) Leases

The Group signed a lease contract for ten year with WIMX during July 2021, and the total value of the contract was amounted to \$576,138 thousand. For the three months and the nine months ended September 30, 2021, the Group both recognized its interest expense amounted to \$8,439 thousand, respectively. As of September 30, 2021, the balance of lease liabilities was \$379,118 thousand.

The Group signed a lease contract for five year with WNC during January 2019, and the total value of the contract was amounted to \$180,507 thousand. For the three months and the nine months ended September 30, 2021 and 2020, the Group recognized its interest expense amounted to \$411 thousand, \$582 thousand, \$1,362 thousand and \$1,890 thousand, respectively. As of September 30, 2021, December 31 and September 30, 2020, the balance of lease liabilities was \$79,492 thousand, \$105,204 thousand and \$113,690 thousand.

(d) Key management personnel compensation

Key management personnel compensation comprised:

	For the three months ended September 30		For the nine months ended September 30	
	2021	2020	2021	2020
Short-term employee benefits	\$ 25,684	28,382	76,629	74,248
Post-employment benefits	235	232	701	675
	\$ 25,919	28,614	77,330	74,923

(Continued)

WIWYNN CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(8) Pledged assets:

The carrying amounts of pledged assets were as follow:

<u>Pledged assets</u>	<u>Object</u>	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Other non-current assets	Guarantee	<u>\$ 26,844</u>	<u>27,463</u>	<u>28,058</u>

(9) Commitments and contingencies:

(a) Unrecognized contractual commitments

The Group's unrecognized contractual commitments are as follows:

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Acquisition of property, plant and equipment	<u>\$ 444,853</u>	<u>-</u>	<u>-</u>

(b) Contingencies

- (i) Alacritech Inc. filed a patent infringement complaint against the Company in the United States District Court - East District of Texas in June 2016. The Company had appointed an attorney to deal with the matter. The litigation is still in process and a decision has yet to be made by the US Patent trial and Appeal Board.
- (ii) Acqis LLC. filed a patent infringement complaint against the Company in the United States District Court - West District of Texas in October 2020. The Company had appointed an attorney to deal with the matter, with the case is still pending in the court.

(10) Losses due to major disasters: None.

(11) Subsequent events:None.

(Continued)

WIWYNN CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(12) Other:

(a) A summary of employee benefits, depreciation, and amortization by function, were as follows:

By function	For the three months ended September 30					
	2021			2020		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits						
Salary	285,933	363,703	649,636	162,323	337,986	500,309
Labor and health insurance	40,973	26,913	67,886	18,611	20,650	39,261
Pension	25,226	10,682	35,908	10,694	9,012	19,706
Remuneration of directors	-	6,346	6,346	-	5,000	5,000
Others	20,380	7,421	27,801	9,675	6,033	15,708
Depreciation	93,323	30,186	123,509	65,422	28,469	93,891
Amortization	3,403	9,198	12,601	1,948	4,049	5,997

By function	For the nine months ended September 30					
	2021			2020		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits						
Salary	636,942	1,107,339	1,744,281	411,839	955,013	1,366,852
Labor and health insurance	83,851	72,007	155,858	45,605	55,797	101,402
Pension	50,083	29,791	79,874	26,839	25,586	52,425
Remuneration of directors	-	19,214	19,214	-	15,000	15,000
Others	36,863	20,238	57,101	22,071	17,040	39,111
Depreciation	241,355	113,864	355,219	167,126	94,773	261,899
Amortization	9,218	19,040	28,258	4,968	7,722	12,690

(b) Seasonality of operations

The Group's operations were not affected by seasonality or cyclicity factors.

(13) Other disclosures:

(a) Information on significant transactions:

The following were the information on significant transactions required by the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" for the Group for the nine months ended September 30, 2021:

- (i) Loans to other parties: None.
- (ii) Guarantees and endorsements for other parties: Table 1 attached.

(Continued)

WIWYNN CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

- (iii) Securities held as of September 30, 2021 (excluding investment in subsidiaries, associates and joint ventures): None.
 - (iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20% of the capital stock: None.
 - (v) Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: Table 2 attached.
 - (vi) Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None.
 - (vii) Related-party transactions for purchases and sales with amounts exceeding the lower of NT\$100 million or 20% of the capital stock: Table 3 attached.
 - (viii) Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of the capital stock: Table 4 attached.
 - (ix) Trading in derivative instruments: Please refer to the note 6(b).
 - (x) Significant intercompany transactions and business relationships between parent company and its subsidiaries: Table 5 attached.
- (b) Information on investments:
- The following are the information on investments for the nine months ended September 30, 2021 (excluding information on investments in mainland China): Table 6 attached.
- (c) Information on investment in mainland China: Table 7 attached.
- (d) Major shareholders:

Unit: Share

Shareholder's Name	Shareholding	Shares	Percentage
Wistron Corporation		78,418,129	44.85 %

(14) Segment information:

The Group's core profession is to provide the products and service in data center, and there is no significant segment division. Therefore, the Group's operating decision maker considered it has one reportable segment. Please refer to the consolidated balance sheets and the consolidated statements of comprehensive income.

WIWYNN CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Table 1 Guarantees and endorsements for other parties:
(September 30, 2021)

No.	Name of guarantor	Counter - party of guarantee and endorsement		Limitation on amount of guarantees and endorsements for a specific enterprise (Note 2)	Highest balance for guarantees and endorsements during the period	Balance of guarantees and endorsements as of reporting date	Actual usage amount during the period	Property pledged for guarantees and endorsements	Ratio of accumulated amounts of endorsements to net worth of the latest financial statements	Maximum amount for guarantees and endorsements (Note 1)	Parent company endorsements/guarantees to subsidiary	Subsidiary endorsement s/guarantees to parent company	Endorsements/ guarantees to subsidiary in Mainland China
		Name	Relationship with the company (Note 3)										
0	The Company	WYMX	2	7,435,883	185,345	152,010	152,010	-	0.61%	12,393,138	Y	N	N
0	The Company	WYUS	2	7,435,883	123,883	120,996	120,996	-	0.49%	12,393,138	Y	N	N

(Note 1) The total amount for guarantees and endorsements provided by the Company to other entities shall not exceed 50% of the Company's latest net worth, which was audited or reviewed by Certified Public Accountant.

(Note 2) The total amount for guarantees and endorsements provided by the Company to any individual entity shall not exceed 30% of the Company's latest net worth, which was audited or reviewed by Certified Public Accountant.

(Note 3) Relationship with the Company:

1. Ordinary business relationship.
2. Subsidiary which owned more than 50% by the guarantor.
3. An investee owned more than 50% in total by both the guarantor and its subsidiary.
4. An investee owned more than 90% by the guarantor or its subsidiary.
5. Fulfillment of contractual obligations by providing mutual endorsements and guarantees for peer or joint builders in order to undertake a construction project.
6. An entity that is guaranteed and endorsed by all capital contributing shareholders in proportion to their shareholding percentages.
7. The companies in the same industry provide among themselves joint and several security for a performance guarantee of a sales contract for pre - construction homes pursuant to the Consumer Protection Act for each other.

WIWYNN CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Table 2 Acquisition of real estate with amount exceeding the lower of NT\$300 million or 20% of share capital
(September 30, 2021)

Company name	Type of property	Transaction Date	Transaction Amount	Payment Term	Counter-party	Name of Relationships	Prior Transaction of Related Counter-party				Price Reference	Purpose of Acquisition	Other Terms
							Owner	Relationships	Transfer Date	Amount			
WYMY	Property, plant and equipment-Land	2021/9	278,306	1st payment: 2%	SENAI AIRPORT CITY SDN. BHD.	non-related party	-	-	-	-	Refer to appraisal report issued by professional appraiser	For the Company's future operations	-
WYMY	Property, plant and equipment-Land	2021/9	170,060	1st payment: 2%	SENAI AIRPORT CITY SDN. BHD.	non-related party	-	-	-	-	Refer to appraisal report issued by professional appraiser	For the Company's future operations	-

WIWYNN CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Table 3 Related-party transactions for purchases and sales with amounts exceeding the lower of NT\$100 million or 20% of the capital stock:
(September 30, 2021)

Name of company	Related Party	Nature of relationship	Transaction details				Transaction with terms different from others		Notes/ Accounts receivable (payable)		Note
			Purchase/Sales	Amount	Percentage of total purchases / sales	Payment terms	Unit price	Payment Terms	Ending balance	Percentage of total notes / accounts receivable (payable)	
The Company	WYUS	The Company's subsidiary	Sale	18,294,621	33.92%	OA120	-	-	15,132,607	70.12%	(note)
"	WYJP	The Company's subsidiary	Sale	2,055,767	3.81%	OA90	-	-	501,607	2.32%	(note)
"	WYKR	The Company's subsidiary	Sale	2,165,322	4.01%	OA90	-	-	988,687	4.58%	(note)
"	WYHK	The Company's subsidiary	Sale	296,198	0.55%	OA90	-	-	44	0.00%	(note)
"	WYKS	The Company's subsidiary	Sale	273,136	0.51%	OA90	-	-	60,008	0.28%	(note)
"	WHQ	The Company's parent company	Purchase	39,881,197	84.21%	OA45	-	-	-	-	-
"	WYUS	The Company's subsidiary	Purchase	1,567,454	3.31%	OA90	-	-	(551,519)	(22.37%)	(note)
"	WSSG	The Company's other related company	Purchase	164,835	0.35%	OA60	-	-	(9,514)	(0.39%)	-
WYUS	The Company	WYUS's parent company	Sale	1,567,454	1.58%	OA90	-	-	551,519	7.64%	(note)
"	WBR	WYUS's other related company	Sale	420,269	0.41%	OA120	-	-	401,733	5.60%	-
"	The Company	WYUS's parent company	Purchase and Service cost	18,294,621	15.55%	OA120	-	-	(15,132,607)	(59.88%)	(note)
"	WITX	WYUS's other related company	Purchase	136,766	0.11%	OA90	-	-	(96,678)	(0.38%)	-
"	WMX	WYUS's other related company	Processing fee	654,618	0.55%	OA90	-	-	(27,546)	(0.11%)	-
"	WYMX	WYUS's affiliate company	Processing fee	349,052	0.29%	OA60	-	-	(156,910)	(0.62%)	(note)
WYJP	The Company	WYJP's parent company	Purchase	2,055,767	100.00%	OA90	-	-	(501,607)	(100%)	(note)
WYKR	The Company	WYKR's parent company	Purchase	2,165,322	100.00%	OA90	-	-	(988,687)	(100%)	(note)
WYHK	The Company	WYHK's parent company	Purchase	296,198	100.00%	OA90	-	-	(44)	(100%)	(note)
WYKS	The Company	WYKS's parent company	Purchase	273,136	100.00%	OA90	-	-	(60,008)	(100%)	(note)
WYMX	WYUS	WYMX's affiliate company	Processing income	349,052	72.00%	OA60	-	-	156,910	100%	(note)

(Note): The aforementioned inter - company transactions have been eliminated in the consolidated financial statements.

WIWYNN CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Table 4 Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of the capital stock:
(September 30, 2021)

Name of company	Counter-party	Nature of relationship	Ending balance	Turnover rate	Overdue		Amounts received in subsequent period	Loss allowance	Notes
					Amount	Action taken			
Account Receivables									
The Company	WYUS	The Company's subsidiary	15,132,607	184.97%	6,793,888	Collecting	2,143,479	-	(note)
"	WYJP	The Company's subsidiary	501,607	447.87%	-	-	-	-	(note)
"	WYKR	The Company's subsidiary	988,687	530.35%	-	-	-	-	(note)
WYUS	The Company	WYUS's parent company	551,519	580.50%	268,139	Collecting	-	-	(note)
"	WBR	WYUS's other related company	401,733	178.59%	-	-	-	-	-
WYMX	WYUS	WYMX's affiliate company	156,910	579.04%	-	-	-	-	(note)
Other Receivables									
The Company	WYUS	The Company's subsidiary	816,852	-	186,789	Collecting	57,507	-	(note)
"	WHQ	The Company's parent company	312,558	-	-	-	-	-	-
WYUS	The Company	WYUS's parent company	2,400,516	-	321,675	Collecting	-	-	(note)

(Note): The aforementioned inter - company transactions have been eliminated in the consolidated financial statements.

WIWYNN CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Table 5 Significant intercompany transactions and business relationships between parent company and its subsidiaries:
(September 30, 2021)

No.	Name of company	Name of counter-party	Nature of relationship (Note 1)	Intercompany transactions			
				Account name	Amount	Trading Terms	Percentage of the consolidated net revenue or total assets (Note 3)
0	The Company	WYUS	1	Sale	18,294,621	OA120	13.48%
0	The Company	WYJP	1	Sale	2,055,767	OA90	1.51%
0	The Company	WYKR	1	Sale	2,165,322	OA90	1.60%
0	The Company	WYHK	1	Sale	296,198	OA90	0.22%
0	The Company	WYKS	1	Sale	273,136	OA90	0.20%
1	WYUS	The Company	2	Sale	1,567,454	OA90	1.15%
2	WYMX	WYUS	3	Processing income	349,052	OA60	0.26%
0	The Company	WYUS	1	Account receivable	15,132,607	OA120	20.20%
0	The Company	WYJP	1	Account receivable	501,607	OA90	0.67%
0	The Company	WYKR	1	Account receivable	988,687	OA90	1.32%
0	The Company	WYHK	1	Account receivable	44	OA90	0.00%
0	The Company	WYKS	1	Account receivable	60,008	OA90	0.08%
1	WYUS	The Company	2	Account receivable	551,519	OA90	0.74%
2	WYMX	WYUS	3	Account receivable	156,910	OA60	0.21%

Note 1: relationship:

1. Parent company to subsidiary.
2. Subsidiary to parent company.
3. Subsidiary to subsidiary.

Note 2: The section only discloses the information of sales and accounts receivable of inter-company transactions, as well as is not disclosed the purchase and accounts payable of counter-party due to duplicate.

Note 3: Calculated by using the transaction amount, divided by the consolidated net revenues and total assets.

WIWYNN CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Table 6 Information on investments (excluding investees in mainland China):

The following are the information on investees for January 1 to September 30, 2021 (excluding information on investees in mainland China):

Name of the investor	Name of investee	Location	Main business and products	Original investment amount		Balance as of September 30, 2021			Net income (losses) of the investee	Share of profits/losses of investee	Notes
				September 30, 2021	December 31, 2020	Shares(In thousands)	Percentage of ownership	Carrying value			
The Company	WYJP	Japan	Sales of data storage equipment	6,620	6,620	-	100.00%	185,727	46,278	46,278	(Note)
"	WYUS	U.S.A	Sales of data storage equipment	5,021,581	5,021,581	169,010	100.00%	5,073,276	128,863	128,863	(Note)
"	WYHK	Hong Kong	Investing activities and sale of data storage equipment	12,181	12,181	400	100.00%	202,518	15,163	15,163	(Note)
"	WYKR	South Korea	Sales of data storage equipment	2,903	2,903	20	100.00%	125,203	52,746	52,746	(Note)
"	WYMY	Malaysia	Sales of data storage equipment	98,245	15,109	14,380	100.00%	94,962	(106)	(106)	(Note)
"	WYMX	Mexico	Human resources service provision	257,125	49,285	180,297	100.00%	253,487	14,012	14,012	(Note)
"	LiquidStack Holding B.V.	Netherlands	Sales and R&D of data storage equipment	276,609	-	1,000	20.00%	248,767	(83,140)	(16,628)	-

(Note): The aforementioned transactions have been eliminated in the consolidated financial statements.

WIWYNN CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Table 7 Information on investment in mainland China:

Name of investee	Main businesses and products	Total amount of paid-in capital	Method of investment (Note 2)	Accumulated outflow of investment from Taiwan as of January 1, 2021	Investment Flows		Accumulated Outflow of Investment from Taiwan as of September 30, 2021	Net income (loss) of the investee	Percentage of ownership	Investment income (losses) (Note 3)2.	Book value	Accumulated remittance of earnings in current period	Note
					Outflow	Inflow							
WYKS	Sales of data storage equipment	10,659	2	10,659 (Note 1)	-	-	10,659	9,099	100%	9,099	86,157	-	(Note 5)

(ii) Limitation on investment in mainland China

Accumulated Investment in mainland China as of September 30, 2021 (Note 1)	Investment Amounts Authorized by Investment Commission, MOEA(Note 6)	Upper Limit on Investment (Note 4)
10,659(USD 350,000)	9,753(USD 350,000)	14,871,766

(Note 1) Wiyynn Technology Service Hong Kong Limited used its own capital to invest in WYKS.

(Note 2) Ways to invest in mainland China:

- 1.Direct investment in mainland China.
- 2.Reinvestment in mainland China through third place.
- 3.Others

(Note 3) The three categories of investment income (losses) recognized were as follows:

1. The financial statements of the investee company were audited by the global accounting firm in cooperation with ROC. accounting firm.
2. The financial statements of the investee company were audited by the same auditor of the Taiwan parent company.
3. Others

(Note 4) Amount of upper limit on investment was the higher between sixty percent of total equity or total consolidated equity.

(Note 5) The aforementioned inter-company transactions have been eliminated in the consolidated financial statements.

(Note 6) Translated using the ending rates on September 30, 2021.

(iii) Significant transactions

For the nine months ended September 30, 2021, the significant inter-company transactions with the subsidiary in mainland China, which were eliminated in the preparation of consolidated financial statements, are disclosed in "Information on significant transactions".