

**WIWYNN CORPORATION AND SUBSIDIARIES****CONSOLIDATED FINANCIAL STATEMENTS**

**With Independent Auditors' Report  
for the Years Ended December 31, 2022 and 2021**

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The independent auditors' 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' report and consolidated financial statements, the Chinese version shall prevail.

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## Representation Letter

The entities that are required to be included in the combined financial statements of Wiyynn Corporation as of and for the year ended December 31, 2022 under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with International Financial Reporting Standards No. 10 "Consolidated Financial Statements." endorsed by the Financial Supervisory Commission of Republic of China. In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, Wiyynn Corporation and Subsidiaries do not prepare a separate set of combined financial statements.

Company name: Wiyynn Corporation

Chairman: Simon Lin

Date: February 22, 2023



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## Independent Auditors' Report

To the Board of Directors of Wiyynn Corporation:

### Opinion

We have audited the consolidated financial statements of Wiyynn Corporation and its subsidiaries ("the Group"), which comprise the consolidated balance sheets as of December 31, 2022 and 2021, the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards ("IFRSs"), International Accounting Standards ("IASs"), Interpretations developed by the International Financial Reporting Interpretations Committee ("IFRIC") or the former Standing Interpretations Committee ("SIC") endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

### Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for The Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Professional Ethics for Certified Public Account of Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirement. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

#### 1. Revenue recognition

Refer to note 4(n) "Revenue" and note 6(q) to the consolidated financial statements for the disclosure of revenue recognition.

#### Description of key audit matter

The Group is a listed Company in related to public interest, and the investors are highly expecting the financial performance, resulting in revenue recognition is one of the key judgmental areas of our audit.

#### How the matter was addressed in our audit

Our principal audit procedures included testing of the design and implement of controls over sales and collection of receivable transactions; evaluate if there is any significant abnormal changes through performing trend analysis on top 10 customers by comparing the related changes or differences; assessing and testing if the management obtained sufficient external evidence showing that the control of the products have been transferred to the customers to support the timing of revenue recognition; evaluating the adequacy of revenues recognition by testing the sale transactions during the period before and after the balance sheets date.

## 2. Inventory valuation

Refer to note 4(h) "Inventories", note 5 "Significant accounting assumptions and judgments, and major sources of estimation uncertainty" and note 6(d) to the consolidated financial statements for the disclosure of valuation of inventory.

#### Description of key audit matter

Inventories are stated at the lower of cost or net realizable value. With the rapid development of technology, the advance of new electronic products may significantly change consumer demands, which leads to product obsolescence that may result in the cost of inventory to be higher than the net realizable value. Consequently, the valuation of inventories has been identified as one of the key Judgmental areas of our audit.

#### How the matter was addressed in our audit

Our principal audit procedures included analyze the change of inventory aging by assessing and testing the inventory aging report, understanding the sales price which is used to evaluate the inventory valuation by management and the subsequent market price information as well as selecting the original transition documentation in order to test the appropriateness of the net realize values reviewing if the estimation and assumption used for inventory valuation and other disclosure for inventories made by management were appropriateness.

## Other Matter

Wiyynn Corporation has prepared its parent-company-only financial statements as of and for the years ended December 31, 2022 and 2021, on which we have issued an unmodified opinion.

## Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs, IASs, IFRC, SIC endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance (including the Audit Committee) are responsible for overseeing the Group's financial reporting process.

### **Auditors' Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Standards on Auditing of the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the Standards on Auditing of the Republic of China, we exercise professional judgment and professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

KPMG

Taipei, Taiwan (Republic of China)

February 22, 2023

#### **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 audit such consolidated financial statements are those generally accepted and applied in the Republic of China.

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

Consolidated Balance Sheets

December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan dollars)

Assets		December 31, 2022		December 31, 2021		Liabilities and Equity		December 31, 2022		December 31, 2021	
		Amount	%	Amount	%			Amount	%	Amount	%
<b>Current assets:</b>						<b>Current liabilities:</b>					
1100	Cash and cash equivalents (note 6(a))	\$ 26,231,920	30	22,672,892	27	2100	Short-term borrowings (note 6(j))	\$ -	-	21,265,920	25
1170	Accounts receivable, net (notes 6(b) and (q))	18,690,495	21	12,722,591	15	2130	Contract liabilities-current (note 6(q))	5,296,970	6	3,360,972	4
1180	Accounts receivable-related parties, net (notes 6(b), (q) and 7)	1,090,375	1	443,538	1	2170	Notes payable and accounts payable	15,083,798	17	8,972,367	11
1200	Other receivables (note 6(c))	2,493	-	3,819	-	2180	Accounts payable-related parties (note 7)	11,381,122	13	9,306,964	11
1210	Other receivables-related parties (notes 6(c) and 7)	1,307,048	1	381,301	-	2200	Other payables (note 6(r))	3,104,403	3	2,374,998	3
130X	Inventories (notes 6(d) and 8)	36,011,736	41	45,383,451	54	2220	Other payables-related parties (note 7)	45,770	-	79,652	-
1479	Other current assets (note 6(i))	717,023	1	417,411	-	2230	Current tax liabilities	2,912,316	3	999,370	1
	<b>Total current assets</b>	<u>84,051,090</u>	<u>95</u>	<u>82,025,003</u>	<u>97</u>	2280	Lease liabilities-current (notes 6(l) and 7)	211,343	-	138,700	-
<b>Non-current assets:</b>						2399	Other current liabilities	526,716	1	666,890	1
1550	Investments accounted for using equity method (note 6(e))	198,890	-	250,091	-		<b>Total current liabilities</b>	<u>38,562,438</u>	<u>43</u>	<u>47,165,833</u>	<u>56</u>
1600	Property, plant and equipment (notes 6(f), 7 and 9)	2,156,578	2	1,038,420	2		<b>Non-current liabilities:</b>				
1755	Right-of-use assets (notes 6(g) and 7)	995,434	1	671,526	1	2530	Bonds payable (note 6(k))	9,439,683	11	9,436,448	11
1780	Intangible assets (notes 6(h) and 7)	137,551	-	98,732	-	2570	Deferred tax liabilities (note 6(n))	286,411	-	219,246	-
1840	Deferred tax assets (note 6(n))	639,799	1	304,534	-	2580	Lease liabilities-non-current (notes 6(l) and 7)	801,865	1	532,315	1
1990	Other non-current assets (notes 6(i) and 8)	658,440	1	349,152	-	2640	Net defined benefit liabilities-non-current (note 6(m))	8,431	-	13,590	-
	<b>Total non-current assets</b>	<u>4,786,692</u>	<u>5</u>	<u>2,712,455</u>	<u>3</u>	2645	Guarantee deposits received	951,948	1	-	-
							<b>Total non-current liabilities</b>	<u>11,488,338</u>	<u>13</u>	<u>10,201,599</u>	<u>12</u>
							<b>Total liabilities</b>	<u>50,050,776</u>	<u>56</u>	<u>57,367,432</u>	<u>68</u>
							<b>Equity (notes 6(e), (m), (n) and (o)):</b>				
						3110	Common shares	1,748,408	2	1,748,408	2
						3200	Capital surplus	8,817,380	10	8,817,380	10
						3300	Retained earnings	27,039,558	31	17,235,258	20
						3400	Other equity	1,181,660	1	(431,020)	-
							<b>Total equity</b>	<u>38,787,006</u>	<u>44</u>	<u>27,370,026</u>	<u>32</u>
							<b>Total liabilities and equity</b>	<u>\$ 88,837,782</u>	<u>100</u>	<u>\$ 84,737,458</u>	<u>100</u>
	<b>Total assets</b>	<u>\$ 88,837,782</u>	<u>100</u>	<u>84,737,458</u>	<u>100</u>						



(English Translation of Consolidated Financial Statements Originally Issued in Chinese)  
**Wiwynn Corporation and Subsidiaries**  
**Consolidated Statements of Comprehensive Income**  
**For the years ended December 31, 2022 and 2021**  
**(Expressed in Thousands of New Taiwan dollars, Except for Earnings Per Common Share)**

		2022		2021	
		Amount	%	Amount	%
4000	<b>Operating revenue (notes 6(q) and 7)</b>	\$ 292,876,040	100	192,625,942	100
5000	<b>Operating costs (notes 6(d), (f), (g), (h), (l), (m), (r), 7 and 12)</b>	<u>268,896,763</u>	<u>92</u>	<u>177,004,761</u>	<u>92</u>
	<b>Gross profit from operations</b>	<u>23,979,277</u>	<u>8</u>	<u>15,621,181</u>	<u>8</u>
	<b>Operating expenses (notes 6(b), (f), (g), (h), (l), (m), (r), 7 and 12):</b>				
6100	Selling expenses	1,305,756	-	936,512	1
6200	Administrative expenses	1,307,577	1	835,779	-
6300	Research and development expenses	3,528,532	1	2,459,313	1
6450	Expected credit loss	<u>3,132</u>	<u>-</u>	<u>2,501</u>	<u>-</u>
	<b>Total operating expenses</b>	<u>6,144,997</u>	<u>2</u>	<u>4,234,105</u>	<u>2</u>
	<b>Net operating income</b>	<u>17,834,280</u>	<u>6</u>	<u>11,387,076</u>	<u>6</u>
	<b>Non-operating income and expenses (notes 6(e), (f), (g), (k), (l), (s) and 7):</b>				
7100	Interest income	155,871	-	61,593	-
7010	Other income	809	-	48	-
7020	Other gains and losses	855,905	-	(64,374)	-
7050	Finance costs	(881,614)	-	(356,154)	-
7370	Share of associates and joint ventures accounted for using equity method	<u>(67,968)</u>	<u>-</u>	<u>(32,120)</u>	<u>-</u>
	<b>Total non-operating income and expenses</b>	<u>63,003</u>	<u>-</u>	<u>(391,007)</u>	<u>-</u>
7900	<b>Income before tax</b>	17,897,283	6	10,996,069	6
7950	<b>Income tax expense (note 6(n))</b>	<u>3,722,574</u>	<u>1</u>	<u>2,348,057</u>	<u>1</u>
	<b>Net income</b>	<u>14,174,709</u>	<u>5</u>	<u>8,648,012</u>	<u>5</u>
8300	<b>Other comprehensive income (loss) (notes 6(e), (m), (n) and (o)):</b>				
8310	<b>Items that may not be reclassified subsequently to profit or loss</b>				
8311	Gains (losses) on remeasurements of defined benefits plans	764	-	(4,848)	-
8349	Income tax related to items that may not be reclassified to profit or loss	<u>(153)</u>	<u>-</u>	<u>970</u>	<u>-</u>
	<b>Total items that may not be reclassified subsequently to profit or loss</b>	<u>611</u>	<u>-</u>	<u>(3,878)</u>	<u>-</u>
8360	<b>Items that may be reclassified subsequently to profit or loss</b>				
8361	Exchange differences on translation of foreign financial statements	1,612,680	-	(193,126)	-
8399	Income tax related to items that may be reclassified to profit or loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<b>Total items that may be reclassified subsequently to profit or loss</b>	<u>1,612,680</u>	<u>-</u>	<u>(193,126)</u>	<u>-</u>
8300	<b>Other comprehensive income (net of tax)</b>	<u>1,613,291</u>	<u>-</u>	<u>(197,004)</u>	<u>-</u>
8500	<b>Total comprehensive income</b>	<u>15,788,000</u>	<u>5</u>	<u>8,451,008</u>	<u>5</u>
	<b>Profit attributable to:</b>				
8610	Owners of parent	<u>\$ 14,174,709</u>	<u>5</u>	<u>8,648,012</u>	<u>5</u>
	<b>Comprehensive income attributable to:</b>				
8710	Owners of parent	<u>\$ 15,788,000</u>	<u>5</u>	<u>8,451,008</u>	<u>5</u>
	<b>Earnings per share (expressed in New Taiwan dollars) (note 6(p))</b>				
9750	<b>Basic earnings per share</b>	<u>\$ 81.07</u>		<u>49.46</u>	
9850	<b>Diluted earnings per share</b>	<u>\$ 80.49</u>		<u>49.28</u>	

See accompanying notes to financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

**Wiwynn Corporation and Subsidiaries**

**Consolidated Statements of Changes in Equity**

**For the years ended December 31, 2022 and 2021**

**(Expressed in Thousands of New Taiwan dollars)**

	Retained earnings					Total	Other equity	Total equity
	Common shares	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings		Exchange differences on translation of foreign financial statements	
<b>Balance on January 1, 2021</b>	\$ 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	-	-	-	-	8,648,012	8,648,012	-	8,648,012
Other comprehensive income	-	-	-	-	(3,878)	(3,878)	(193,126)	(197,004)
Total comprehensive income	-	-	-	-	8,644,134	8,644,134	(193,126)	8,451,008
<b>Balance on December 31, 2021</b>	<u>1,748,408</u>	<u>8,817,380</u>	<u>2,230,357</u>	<u>237,894</u>	<u>14,767,007</u>	<u>17,235,258</u>	<u>(431,020)</u>	<u>27,370,026</u>
Appropriation and distribution of retain earnings:								
Legal reserve	-	-	864,413	-	(864,413)	-	-	-
Special reserve	-	-	-	193,126	(193,126)	-	-	-
Cash dividends	-	-	-	-	(4,371,020)	(4,371,020)	-	(4,371,020)
Net income	-	-	-	-	14,174,709	14,174,709	-	14,174,709
Other comprehensive income	-	-	-	-	611	611	1,612,680	1,613,291
Total comprehensive income	-	-	-	-	14,175,320	14,175,320	1,612,680	15,788,000
<b>Balance on December 31, 2022</b>	<u>\$ 1,748,408</u>	<u>8,817,380</u>	<u>3,094,770</u>	<u>431,020</u>	<u>23,513,768</u>	<u>27,039,558</u>	<u>1,181,660</u>	<u>38,787,006</u>

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)  
**Wiwynn Corporation and Subsidiaries**  
**Consolidated Statements of Cash Flows**  
**For the years ended December 31, 2022 and 2021**  
**(Expressed in Thousands of New Taiwan dollars)**

	2022	2021
<b>Cash flows from (used in) operating activities:</b>		
Income before tax	\$ 17,897,283	10,996,069
<b>Adjustments:</b>		
<b>Adjustments to reconcile profit:</b>		
Depreciation expense	676,513	505,835
Amortization expense	85,072	41,946
Expected credit loss	3,132	2,501
Net loss (profit) on financial assets or liabilities at fair value through profit or loss	100,986	(35,697)
Interest expense	881,614	356,154
Interest income	(155,871)	(61,593)
Share of loss of associates and joint ventures accounted for using equity method	67,968	32,120
Losses (gains) on disposal of property, plant and equipment	711	(503)
Prepayments for equipment reclassified as expenses	66	2,181
Lease modification gains	(395)	(3,119)
Total adjustments to reconcile profit	1,659,796	839,825
Changes in operating assets and liabilities:		
Changes in operating assets:		
Decrease (increase) in financial assets mandatorily measured at fair value through profit or loss-current	(100,986)	35,697
Increase in accounts receivable, net	(5,297,511)	(5,053,598)
Increase in accounts receivable-related parties, net	(646,837)	(103,320)
Decrease (increase) in other receivable	1,169	(653)
Decrease (increase) in other receivable-related parties	(1,094,203)	186,630
Decrease (increase) in inventories	13,408,726	(26,689,003)
Decrease (increase) in other current assets	(58,998)	596,814
Total changes in operating assets	6,211,360	(31,027,433)
Changes in operating liabilities:		
Increase in contract liabilities-current	1,935,998	1,063,555
Increase in notes and accounts payable	5,164,163	6,320,769
Increase (decrease) in accounts payable-related parties	369,381	(21,824)
Increase in other payable	742,375	333,116
Decrease in other payable-related parties	(33,882)	(69,014)
Increase (decrease) in other current liabilities	(183,926)	334,872
Decrease in net defined benefit liabilities	(4,395)	(165)
Total changes in operating liabilities	7,989,714	7,961,309
Total changes in operating assets and liabilities	14,201,074	(23,066,124)
Total adjustments	15,860,870	(22,226,299)
Cash inflow (outflow) generated from operations	33,758,153	(11,230,230)
Interest received	150,636	60,808
Interest paid	(886,260)	(334,181)
Income taxes paid	(2,344,928)	(2,708,854)
<b>Net cash flows from (used in) operating activities</b>	30,677,601	(14,212,457)
<b>Cash flows from (used in) investing activities:</b>		
Acquisition of investments accounted for using equity method	-	(276,609)
Acquisition of property, plant and equipment	(1,270,869)	(333,376)
Proceeds from disposal of property, plant and equipment	109	4,562
Acquisition of intangible assets	(123,220)	(76,076)
Increase in other non-current assets	(340,843)	(180,716)
Increase in prepayments for equipment	(194,782)	(177,278)
<b>Net cash used in investing activities</b>	(1,929,605)	(1,039,493)
<b>Cash flows from (used in) financing activities:</b>		
Increase in short-term borrowings	114,696,533	125,641,712
Decrease in short-term borrowings	(137,257,215)	(109,510,172)
Proceeds from issuing bonds	-	4,442,325
Increase in guarantee deposits received	924,953	-
Cash dividends paid	(4,371,020)	(5,594,905)
Payment of lease liabilities	(173,881)	(124,407)
<b>Net cash flows from (used in) financing activities</b>	(26,180,630)	14,854,553
Effect of exchange rate changes on cash and cash equivalents	991,662	(98,942)
<b>Net increase (decrease) in cash and cash equivalents</b>	3,559,028	(496,339)
<b>Cash and cash equivalents at beginning of period</b>	22,672,892	23,169,231
<b>Cash and cash equivalents at end of period</b>	\$ 26,231,920	22,672,892

See accompanying notes to consolidated financial statements.

**(English Translation of Consolidated Financial Statements Originally Issued in Chinese)**  
**Wiwynn Corporation and Subsidiaries**  
**Notes to the Consolidated Financial Statements**  
**For the years ended December 31, 2022 and 2021**  
**(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 below 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 issuance by the Board of Directors on February 22, 2023.

**(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, 2022.

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

The Group assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2023, would not have a significant impact on its consolidated financial statements.

(Continued)

**WIWYNN CORPORATION AND SUBSIDIARIES**  
**Notes to the 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.

**(4) Summary of significant accounting policies:**

The significant accounting policies presented in the consolidated financial statements are summarized below. The following accounting policies were applied consistently throughout the periods presented in the consolidated financial statements.

- (a) Statement of compliance

These consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (hereinafter referred to as “the Regulations” ) and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations endorsed and issued into effect by the Financial Supervisory Commission, R.O.C..

- (b) Basis of preparation

- (i) Basis of measurement

Except for the following significant accounts, the consolidated financial statements have been prepared on a historical cost basis:

- 1) Financial instruments at fair value through profit or loss are measured at fair value;
- 2) The defined benefit liabilities are measured at fair value of the plan assets less the present value of the defined benefit obligation.

- (ii) Functional and presentation currency

The functional currency of each Group entity is determined based on the primary economic environment in which the entity operates. The consolidated financial statements are presented in New Taiwan dollars, which is the Company’s functional currency. All financial information presented in New Taiwan dollars has been rounded to the nearest thousand.

- (c) Basis of consolidation

- (i) Principles of preparation of the consolidated financial statements

The consolidated financial statements comprise the Company and subsidiaries. Subsidiaries are entities controlled by the Group. The Group ‘controls’ an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

(Continued)

**WIWYNN CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases. Intragroup balances and transactions, and any unrealized income and expenses arising from Intragroup transactions are eliminated in preparing the consolidated financial statements. The Group attributes the profit or loss and each component of other comprehensive income to the owners of the parent and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

The Group prepares consolidated financial statements using uniform accounting policies for like transactions and other events in similar circumstances.

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received will be recognized directly in equity, and the Group will attribute it to the owners of the parent.

(ii) List of subsidiaries in the consolidated financial statements

Name of investor	Name of subsidiary	Principal activity	Shareholding		Description
			December 31, 2022	December 31, 2021	
The Company	Wiwynn Technology Service Japan, Inc. (WYJP)	Sales of cloud data center equipment	100 %	100 %	-
The Company	Wiwynn International Corporation (WYUS)	Sales of cloud data center equipment	100 %	100 %	-
The Company	Wiwynn Technology Service Hong Kong Limited (WYHK)	Investment activities and sale of cloud data center equipment	100 %	100 %	-
The Company	Wiwynn Korea Ltd. (WYKR)	Sales of cloud data center equipment	100 %	100 %	-
The Company	Wiwynn Technology Service Malaysia SDN. BHD. (WYMY)	Sales of cloud data center equipment	100 %	100 %	-
The Company	Wiwynn Mexico, S.A.de C.V. (WYMX)	Human resource service provision and cloud data center equipment manufacturing	100 %	100 %	-
The Company	Wiwynn Technology Service Mexico, S.A. de C.V. (WYSMX)	Sales of cloud data center equipment	100 %	-	(Note 1)
WYHK	Wiwynn Technology Service KunShan Ltd. (WYKS)	Sales of cloud data center equipment	100 %	100 %	-

Note 1: WYSMX was incorporated on May 6, 2022.

Note 2: The financial statements of the aforementioned subsidiaries were audited by KPMG Taiwan.

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

(Continued)

**WIWYNN CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(d) Foreign currency

(i) Foreign currency transaction

Transactions in foreign currencies are translated into the respective functional currencies of Group entities at the exchange rates at the dates of the transactions. At the end of each subsequent reporting period, monetary items denominated in foreign currencies are translated into the functional currencies using the exchange rate at that date. Non-monetary items denominated in foreign currencies that are measured at fair value are translated into the functional currencies using the exchange rate at the date that the fair value was determined. Non-monetary items denominated in foreign currencies that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

Exchange differences are generally recognized in profit or loss, except for those differences relating to the following, which are recognized in other comprehensive income:

- an investment in equity securities designated as at fair value through other comprehensive income;
- a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; or
- qualifying cash flow hedges to the extent that the hedges are effective.

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into the presentation currency at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into the presentation currency at the average exchange rate. Exchange differences are recognized in other comprehensive income.

When a foreign operation is disposed of such that control, significant influence, or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to noncontrolling interests. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, exchange differences arising from such a monetary item that are considered to form part of the net investment in the foreign operation are recognized in other comprehensive income.

(Continued)

**WIWYNN CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(e) Classification of current and non-current assets and liabilities

An asset is classified as current under one of the following criteria, and all other assets are classified as non-current.

- (i) It is expected to be realized, or intended to be sold or consumed, in the normal operating cycle;
- (ii) It is held primarily for the purpose of trading;
- (iii) It is expected to be realized within twelve months after the reporting period; or
- (iv) The asset is cash or a cash equivalent (as defined in IAS 7) unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

A liability is classified as current under one of the following criteria, and all other liabilities are classified as noncurrent. An entity shall classify a liability as current when:

- (i) It is expected to be settled in the normal operating cycle;
- (ii) It is held primarily for the purpose of trading;
- (iii) It is due to be settled within twelve months after the reporting period; or
- (iv) The Group does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by issuing equity instruments do not affect its classification.

(f) Cash and cash equivalents

Cash comprises cash on hand and cash in bank. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. Time deposits which meet the above definition and are held for the purpose of meeting short term cash commitments rather than for investment or other purposes should be recognized as cash equivalents.

(g) Financial instruments

Accounts receivable and debt securities issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Group becomes a party to the contractual provisions of the instrument. A financial asset (unless it is a accounts receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. An accounts receivable without a significant financing component is initially measured at the transaction price.

(Continued)



**WIWYNN CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(i) Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

On initial recognition, a financial asset is classified as measured at amortized cost; fair value through other comprehensive income (FVOCI) – equity investment; or FVTPL. Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

1) Financial assets measured at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These assets are subsequently measured at amortized cost, which is the amount at which the financial asset is measured at initial recognition, plus/minus, the cumulative amortization using the effective interest method, adjusted for any loss allowance. Interest income, foreign exchange gains and losses, as well as impairment, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

2) Fair value through other comprehensive income (FVOCI )

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Some accounts receivables are held within a business model whose objective is achieved by both collecting contractual cash flows and selling by the Group; therefore, those receivables are measured at FVOCI. However, they are included in the ‘ accounts receivable’ line item.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment’s fair value in other comprehensive income. This election is made on an instrument-by-instrument basis.

(Continued)

**WIWYNN CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

Debt investments at FVOCI are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

Equity investments at FVOCI are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in other comprehensive income and are never reclassified to profit or loss.

Dividend income is recognized in profit or loss on the date on which the Group's right to receive payment is established, which is normally the ex-dividend date.

3) Fair value through profit or loss (FVTPL)

All financial assets not classified as amortized cost or FVOCI described as above are measured at FVTPL, including derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset, which meets the requirements to be measured at amortized cost or at FVOCI, as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.

4) Impairment of financial assets

The Group recognizes loss allowances for expected credit losses (ECL) on financial assets measured at amortized cost (including cash and cash equivalents, accounts receivable, other receivable, refundable deposits and other financial assets), debt investments measured at FVOCI.

The Group measures loss allowances at an amount equal to lifetime expected credit loss (ECL), except for the following which are measured as 12-month ECL:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowance for accounts receivable and contract assets are always measured at an amount equal to lifetime ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Group's historical experience and informed credit assessment as well as forward-looking information.

(Continued)

**WIWYNN CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

The Group holds time deposits for domestic financial institutions, and it is considered to be low credit risk.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 60 days past due.

The Group considers a financial asset to be in default when the financial asset is more than 180 days past due or the borrower is unlikely to pay its credit obligations to the Group in full.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

At each reporting date, the Group assesses financial assets carried at amortized cost credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. For debt securities at FVOCI, the loss allowance is charged to profit or loss and is recognized in other comprehensive income instead of reducing the carrying amount of the asset.

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. The Group individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

5) Derecognition of financial assets

The Group derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

(Continued)

**WIWYNN CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

The Group enters into transactions whereby it transfers assets recognized in its statement of balance sheet, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

(ii) Financial liabilities and equity instruments

1) Classification of debt or equity

Debt and equity instruments issued by the Group are classified as financial liabilities or equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

2) Equity instrument

An equity instrument is any contract that evidences residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued are recognized as the amount of consideration received, less the direct cost of issuing.

3) Financial liabilities

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

4) Derecognition of financial liabilities

The Group derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

On derecognition of a financial liability, the difference between the carrying amount of a financial liability extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

5) Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount presented in the statement of balance sheet when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

(Continued)

**WIWYNN CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(iii) Derivative financial instruments

The Group holds derivative financial instruments to hedge its foreign currency exposures. Embedded derivatives are separated from the host contract and accounted for separately if the host contract is not a financial asset and certain criteria are met.

Derivatives are initially measured at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognized in profit or loss.

(h) Inventories

Inventories are measured individually at the lower of cost and net realizable value. The standard cost method is adopted for inventory costing and the difference between standard cost and actual cost is allocated proportionately to inventory except for an unfavorable variance from normal capacity. Net realizable value is determined based on the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses at the end of the period.

(i) 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.

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 proportionate share.

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.

(j) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost, which includes capitalized borrowing costs, less accumulated depreciation and any accumulated impairment losses.

(Continued)

**WIWYNN CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognized in profit or loss.

(ii) Subsequent cost

Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Group.

(iii) Depreciation

Depreciation is calculated on the cost of an asset less its residual value and is recognized in profit or loss on a straightline basis over the estimated useful lives of each component of an item of property, plant and equipment.

The estimated useful lives of property, plant and equipment for current and comparative periods are as follows:

- 1) Research and developments equipment: 4 years
- 2) Machinery and equipment: 4~10 years
- 3) Office equipment: 4 years
- 4) Lease improvements: 3~10 years
- 5) Other equipment: 4~10 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(k) Lease

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

(i) As a lessee

The Group recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

(Continued)

**WIWYNN CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be reliably determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including substantively fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- payments for purchase or termination options that are reasonably certain to be exercised.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when:

- there is a change in future lease payments arising from the change in an index or rate; or
- there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee; or
- there is a change in the lease term resulting from a change of its assessment on whether it will exercise an option to purchase the underlying asset, or
- there is a change of its assessment on whether it will exercise a extension or termination option; or
- there is any lease modifications

When the lease liability is remeasured, other than lease modifications, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or in profit and loss if the carrying amount of the right-of-use asset has been reduced to zero.

When the lease liability is remeasured to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease, the Group accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognize in profit or loss any gain or loss relating to the partial or full termination of the lease.

The Group presents right-of-use assets that do not meet the definition of investment and lease liabilities as a separate line item respectively in the statement of financial position.

(Continued)

**WIWYNN CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

The Group has elected not to recognize right-of-use assets and lease liabilities for short-term leases of short-term lease that have a lease term of 12 months or less and leases of low-value assets. The Group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(l) Intangible assets

(i) Recognition and measurement

Intangible assets that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortization and any accumulated impairment losses.

(ii) Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognized in profit or loss as incurred.

(iii) Amortization

Amortization is calculated over the cost of the asset, less its residual value, and is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use.

Intangible assets is software. Amortization is recognized in profit or loss on a straight-line basis 1~3 years for the estimated useful lives of intangible assets, from the date that they are available for use.

Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(m) Impairment of non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount.

(Continued)



**WIWYNN CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

Impairment losses are recognized in profit or loss. They are reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(n) Revenue

(i) Revenue from contracts with customers

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring goods or services to a customer. The Group recognizes revenue when it satisfies a performance obligation by transferring control of a good or a service to a customer. The accounting policies for the Group's main types of revenue are explained below.

1) Sale of goods

The Group manufactures and sells data storage equipment to customer. The Group recognizes revenue when control of the products has been transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

The Group provides customers with the extended warranty. This kind of contract contains two performance obligations and, therefore, the transaction price is allocated to each performance obligation on a relative stand-alone selling price basis. Management estimates the stand-alone selling prices at contract inception based on the observable prices at which the Group would sell the product and the extended warranty separately in similar circumstances and to similar customers.

A receivable is recognized when the goods are delivered as this is the point in time that the Group has a right to an amount of consideration that is unconditional.

2) Financing components

The Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

(Continued)

**WIWYNN CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(o) Employee benefits

(i) Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided.

(ii) Defined benefit plan

The Group's net obligation in respect of defined benefit plans is calculated separately for each the plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Group, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income, and accumulated in retained earnings within equity. The Group determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset). Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Group recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

(iii) Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(p) Income taxes

Income taxes comprise current taxes and deferred taxes. Except for expenses related to business combinations or recognized directly in equity or other comprehensive income, all current and deferred taxes shall be recognized in profit or loss.

The Group has determined that interest and penalties related to income taxes, including uncertain tax treatment, do not meet the definition of income taxes, and therefore accounted for them under IAS37.

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**WIWYNN CORPORATION AND SUBSIDIARIES**  
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Current taxes comprise the expected tax payables or receivables on the taxable profits (losses) for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payables or receivables are the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date.

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred taxes shall not be recognized for the below exceptions:

- (i) temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profits (losses) at the time of the transaction;
- (ii) temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- (iii) taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognized for the carry forward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realized; such reductions are reversed when the probability of future taxable profits improves.

Deferred taxes are measured at tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date, and reflect uncertainty related to income taxes, if any.

Deferred tax assets and liabilities are offset if the following criteria are met:

- (i) The Group has a legally enforceable right to set off current tax assets against current tax liabilities; and
- (ii) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:
  - 1) the same taxable entity; or
  - 2) different taxable entities which intend to settle current tax assets and liabilities on a net basis, or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

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**WIWYNN CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(q) Earnings per share

The Group discloses the Company's basic and diluted earnings per share attributable to ordinary shareholders of the Company. Basic earnings per share is calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding. Diluted earnings per share is calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding after adjustment for the effects of all potentially dilutive ordinary shares, such as employee stock options and employee compensation.

(r) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Group). Operating results of the operating segment are regularly reviewed by the Group's chief operating decision maker to make decisions about resources to be allocated to the segment and to assess its performance. Each operating segment consists of standalone financial information.

**(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 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 management continues to monitor the accounting estimates and assumptions. The management recognizes any changes in accounting estimates during the period and the impact of those changes in accounting estimates in the following period.

Information about judgments made in applying accounting policies do not have significant effects on the amounts recognized in the consolidated financial statements.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year is as follows. Those assumptions and estimation have been updated to reflect the impact of COVID-19 pandemic:

Valuation of inventories

The Group estimates the net realizable value of inventories for obsolescence and unmarketable items at the end of the reporting period and then writes down the cost of inventories to net realizable value. The net realizable value of the inventory is mainly determined based on assumptions as to future demand within a specific time horizon. Due to the rapid industrial transformation, there may be significant changes in the net realizable value of inventories. Refer to note 6(d) for further description of the valuation of inventories.

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**WIWYNN CORPORATION AND SUBSIDIARIES**  
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**(6) Explanation of significant accounts**

(a) Cash and cash equivalents

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Cash on hand	\$ 325	580
Demand and checking deposits	17,178,555	14,672,312
Time deposits	<u>9,053,040</u>	<u>8,000,000</u>
	<b><u>\$ 26,231,920</u></b>	<b><u>22,672,892</u></b>

Please refer to note 6(t) for the sensitivity analysis and interest rate risk of the financial assets and liabilities of the Group.

(b) Accounts receivable

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Accounts receivable—measured at amortized cost	\$ 18,463,307	12,447,844
Accounts receivable—related parties—measured at amortized cost	1,090,375	443,538
Accounts receivable—measured at fair value through other comprehensive income	235,006	279,433
Less: loss allowance	<u>(7,818)</u>	<u>(4,686)</u>
	<b><u>\$ 19,780,870</u></b>	<b><u>13,166,129</u></b>

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. The loss allowance were determined as follows:

	<b>December 31, 2022</b>		
	<b>Gross carrying amount</b>	<b>Weighted - average loss rate</b>	<b>Loss allowance</b>
Current	\$ 19,160,799	-	-
Past due under 30 days	97,603	-	-
Past due 31 to 60 days	504,913	1%	3,877
Past due 61 to 90 days	10,818	22%	2,388
Past due 91 to 180 days	<u>14,555</u>	11%	<u>1,553</u>
Total	<b><u>\$ 19,788,688</u></b>		<b><u>7,818</u></b>

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**WIWYNN CORPORATION AND SUBSIDIARIES**  
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	<b>December 31, 2021</b>		
	<b>Gross carrying amount</b>	<b>Weighted - average loss rate</b>	<b>Loss allowance</b>
Current	\$ 13,008,275	-	-
Past due under 30 days	69,838	-	-
Past due 31 to 60 days	4	-	-
Past due 61 to 90 days	92,669	5%	4,657
Past due over 361 days	29	100%	29
Total	<b>\$ 13,170,815</b>		<b>4,686</b>

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

	<b>2022</b>	<b>2021</b>
Balance on January 1	\$ 4,686	2,185
Impairment losses recognized	12,431	41,686
Impairment losses reversed	(9,299)	(39,185)
Balance on December 31	<b>\$ 7,818</b>	<b>4,686</b>

As of December 31, 2022 and 2021, the accounts receivable were not pledged.

For further credit risk information, please refer to note 6(t).

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 December 31, 2022 and 2021, the Group sold its accounts receivable without recourse as follows:

Unit: USD in thousands

<b>December 31, 2022</b>						
<b>Purchaser</b>	<b>Assignment Facility</b>	<b>Amount Advanced Unpaid</b>	<b>Amount Advanced Paid</b>	<b>Amount Recognized in Other Receivables</b>	<b>Range of Interest Rate</b>	<b>Collateral</b>
Financial institutions	\$ <u>841,848</u>	<u>202,080</u> (Note)	<u>841,848</u>	-	4.87%~5.37%	None

(Continued)

**WIWYNN CORPORATION AND SUBSIDIARIES**  
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December 31, 2021						
Purchaser	Assignment Facility	Amount Advanced Unpaid	Amount Advanced Paid	Amount Recognized in Other Receivables	Range of Interest Rate	Collateral
Financial institutions	\$ <u>908,329</u>	<u>44</u> (Note)	<u>908,329</u>	-	0.50%~0.98%	None

(Note): For vender financing transactions, the factoring credit limit was the credit line that the financial institution provided to the Group's client.

(c) Other receivables

	December 31, 2022	December 31, 2021
Other receivables	\$ 2,493	3,819
Other receivables - related parties	1,307,048	381,301
Less: loss allowance	-	-
	<b>\$ 1,309,541</b>	<b>385,120</b>

As of December 31, 2022 and 2021, the other receivables were not pledged.

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

(d) Inventories

	December 31, 2022	December 31, 2021
Raw materials	\$ 12,131,458	31,420,396
Finished goods	19,540,141	12,450,813
Inventory in transit	4,340,137	1,512,242
	<b>\$ 36,011,736</b>	<b>45,383,451</b>

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

	2022	2021
Losses on valuation of inventories	\$ 1,197,700	144,052
Royalty	47,541	33,901
Others	(6,901)	(8,656)
	<b>\$ 1,238,340</b>	<b>169,297</b>

As of December 31, 2022, the inventories of the Company had pledged, please refer to note 8. There were no such transaction for the year ended December 31, 2021.

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**WIWYNN CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(e) Investments accounted for using equity method

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

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Associates	<b>\$ <u>198,890</u></b>	<b><u>250,091</u></b>

(i) Associates

On March, 2021, the Group acquired 20% amounted to 1,000 thousand shares of LiquidStack Holding B.V. (LiquidStack) 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 Relationship with the Group</u>	<u>Main operating location / Registered Country of the Company</u>	<u>Proportion of Shareholding and voting rights</u>	
			<u>December 31, 2022</u>	<u>December 31, 2021</u>
LiquidStack Holding B.V.	R&D of liquid cooling technology	Netherlands	20 %	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.

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Carrying amount of individually insignificant associates' equity	<b>\$ <u>198,890</u></b>	<b><u>250,091</u></b>
	<b><u>2022</u></b>	<b><u>2021</u></b>
Attributable to the Group:		
Net loss from continuing operations	\$ (67,968)	(32,120)
Other comprehensive income	<u>16,767</u>	<u>5,602</u>
Comprehensive income	<b>\$ <u>(51,201)</u></b>	<b><u>(26,518)</u></b>

(ii) Pledge

As of December 31, 2022 and 2021, the investments accounted for using equity method were not pledged.

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**WIWYNN CORPORATION AND SUBSIDIARIES**  
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(f) Property, plant and equipment

The cost and accumulated depreciation of the property, plant and equipment of the Group for the years ended December 31, 2022 and 2021, were as follows:

	<u>Land</u>	<u>Research and development equipment</u>	<u>Machinery and equipment</u>	<u>Office equipment</u>	<u>Lease improvements</u>	<u>Other equipment</u>	<u>Construction in progress</u>	<u>Total</u>
Cost or deemed cost:								
Balance on January 1, 2022	\$ -	185,806	784,754	168,602	275,357	510,047	40,056	1,964,622
Additions	159,233	40,645	25,537	50,230	17,333	130,145	847,746	1,270,869
Disposals	-	(3,056)	-	(4,743)	-	(2,150)	-	(9,949)
Reclassification (Note)	-	2,059	24,237	6,319	134,039	157,565	(74,264)	249,955
Effect of changes in foreign exchange rates	9,696	-	5,126	11,504	2,433	38,663	37,485	104,907
Balance on December 31, 2022	<u>\$ 168,929</u>	<u>225,454</u>	<u>839,654</u>	<u>231,912</u>	<u>429,162</u>	<u>834,270</u>	<u>851,023</u>	<u>3,580,404</u>
Balance on January 1, 2021	\$ -	143,104	739,973	107,132	226,819	282,361	13,968	1,513,357
Additions	-	23,542	29,767	58,013	52,030	119,802	50,222	333,376
Disposals	-	(244)	(815)	(3,026)	(8,803)	(5,584)	-	(18,472)
Reclassification (Note)	-	19,404	17,101	8,338	5,311	118,341	(23,062)	145,433
Effect of changes in foreign exchange rates	-	-	(1,272)	(1,855)	-	(4,873)	(1,072)	(9,072)
Balance on December 31, 2021	<u>\$ -</u>	<u>185,806</u>	<u>784,754</u>	<u>168,602</u>	<u>275,357</u>	<u>510,047</u>	<u>40,056</u>	<u>1,964,622</u>
Accumulated depreciation:								
Balance on January 1, 2022	\$ -	118,683	256,576	68,784	173,911	308,248	-	926,202
Depreciation	-	29,313	139,849	43,175	99,149	173,693	-	485,179
Disposals	-	(3,054)	-	(4,543)	-	(1,532)	-	(9,129)
Effect of changes in foreign exchange rates	-	-	3,056	3,677	82	14,759	-	21,574
Balance on December 31, 2022	<u>\$ -</u>	<u>144,942</u>	<u>399,481</u>	<u>111,093</u>	<u>273,142</u>	<u>495,168</u>	<u>-</u>	<u>1,423,826</u>
Balance on January 1, 2021	\$ -	99,573	124,079	42,538	102,635	192,751	-	561,576
Depreciation	-	19,353	133,534	29,661	80,079	119,363	-	381,990
Disposals	-	(243)	(475)	(2,917)	(8,803)	(1,975)	-	(14,413)
Effect of changes in foreign exchange rates	-	-	(562)	(498)	-	(1,891)	-	(2,951)
Balance on December 31, 2021	<u>\$ -</u>	<u>118,683</u>	<u>256,576</u>	<u>68,784</u>	<u>173,911</u>	<u>308,248</u>	<u>-</u>	<u>926,202</u>
Carrying value:								
Balance on December 31, 2022	<u>\$ 168,929</u>	<u>80,512</u>	<u>440,173</u>	<u>120,819</u>	<u>156,020</u>	<u>339,102</u>	<u>851,023</u>	<u>2,156,578</u>
Balance on December 31, 2021	<u>\$ -</u>	<u>67,123</u>	<u>528,178</u>	<u>99,818</u>	<u>101,446</u>	<u>201,799</u>	<u>40,056</u>	<u>1,038,420</u>
Balance on January 1, 2021	<u>\$ -</u>	<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>

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

As of December 31, 2022 and 2021, the property, plant and equipment were not pledged.

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**WIWYNN CORPORATION AND SUBSIDIARIES**  
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(g) Right-of-use assets

The cost and accumulated depreciation of the Group leases buildings and other equipment for the years ended December 31, 2022 and 2021, were as follows:

	<u>Buildings</u>	<u>Other equipment</u>	<u>Total</u>
Cost:			
Balance on January 1, 2022	\$ 916,328	5,309	921,637
Acquisitions	424,054	430	424,484
Disposals	(21,437)	(3,042)	(24,479)
Effect of changes in foreign exchange rates	<u>108,555</u>	<u>50</u>	<u>108,605</u>
Balance on December 31, 2022	<u><b>\$ 1,427,500</b></u>	<u><b>2,747</b></u>	<u><b>1,430,247</b></u>
Balance on January 1, 2021	\$ 528,712	5,620	534,332
Acquisitions	444,965	-	444,965
Disposals	(36,114)	(292)	(36,406)
Effect of changes in foreign exchange rates	<u>(21,235)</u>	<u>(19)</u>	<u>(21,254)</u>
Balance on December 31, 2021	<u><b>\$ 916,328</b></u>	<u><b>5,309</b></u>	<u><b>921,637</b></u>
Accumulated depreciation:			
Balance on January 1, 2022	\$ 247,566	2,545	250,111
Depreciation	189,323	2,011	191,334
Disposals	(21,437)	(3,042)	(24,479)
Effect of changes in foreign exchange rates	<u>17,814</u>	<u>33</u>	<u>17,847</u>
Balance on December 31, 2022	<u><b>\$ 433,266</b></u>	<u><b>1,547</b></u>	<u><b>434,813</b></u>
Balance on January 1, 2021	\$ 155,469	1,636	157,105
Depreciation	122,650	1,195	123,845
Disposals	(27,978)	(273)	(28,251)
Effect of changes in foreign exchange rates	<u>(2,575)</u>	<u>(13)</u>	<u>(2,588)</u>
Balance on December 31, 2021	<u><b>\$ 247,566</b></u>	<u><b>2,545</b></u>	<u><b>250,111</b></u>
Carrying amount:			
Balance on December 31, 2022	<u><b>\$ 994,234</b></u>	<u><b>1,200</b></u>	<u><b>995,434</b></u>
Balance on December 31, 2021	<u><b>\$ 668,762</b></u>	<u><b>2,764</b></u>	<u><b>671,526</b></u>
Balance on January 1, 2021	<u><b>\$ 373,243</b></u>	<u><b>3,984</b></u>	<u><b>377,227</b></u>

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**WIWYNN CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(h) Intangible assets

The cost and accumulated amortization of the intangible assets for the years ended December 31, 2022 and 2021, were as follows:

	<u>Software</u>	<u>Other</u>	<u>Total</u>
Costs:			
Balance on January 1, 2022	\$ 158,004	1,040	159,044
Additions	123,220	-	123,220
Effect of changes in foreign exchange rates	1,616	-	1,616
Balance on December 31, 2022	<u>\$ 282,840</u>	<u>1,040</u>	<u>283,880</u>
Balance on January 1, 2021	\$ 112,685	1,040	113,725
Additions	76,076	-	76,076
Disposals	(30,750)	-	(30,750)
Effect of changes in foreign exchange rates	(7)	-	(7)
Balance on December 31, 2021	<u>\$ 158,004</u>	<u>1,040</u>	<u>159,044</u>
Accumulated amortization:			
Balance on January 1, 2022	\$ 60,312	-	60,312
Amortization	85,072	-	85,072
Effect of changes in foreign exchange rates	945	-	945
Balance on December 31, 2022	<u>\$ 146,329</u>	<u>-</u>	<u>146,329</u>
Balance on January 1, 2021	\$ 49,123	-	49,123
Amortization	41,946	-	41,946
Disposals	(30,750)	-	(30,750)
Effect of changes in foreign exchange rates	(7)	-	(7)
Balance on December 31, 2021	<u>\$ 60,312</u>	<u>-</u>	<u>60,312</u>
Carrying value:			
Balance on December 31, 2022	<u>\$ 136,511</u>	<u>1,040</u>	<u>137,551</u>
Balance on December 31, 2021	<u>\$ 97,692</u>	<u>1,040</u>	<u>98,732</u>
Balance on January 1, 2021	<u>\$ 63,562</u>	<u>1,040</u>	<u>64,602</u>

(i) Amortization

For the years ended December 31, 2022 and 2021, the amortization of intangible assets is included in the statement of comprehensive income:

	<u>2022</u>	<u>2021</u>
Operating costs	\$ 33,093	12,812
Operating expense	51,979	29,134
	<u>\$ 85,072</u>	<u>41,946</u>

(ii) Pledge

As of December 31, 2022 and 2021, the intangible assets were not pledged.

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**WIWYNN CORPORATION AND SUBSIDIARIES**  
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## (i) Other current assets and other non-current assets

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Other current assets:		
Tax refundable	\$ 236,445	234,473
Other prepayments	210,875	151,869
Others	269,703	31,069
	<b>\$ 717,023</b>	<b>417,411</b>
Other non-current assets:		
Refundable deposits	\$ 334,990	41,319
Restricted deposits	29,582	26,675
Prepayments for equipment	55,700	107,191
Prepayments for land	238,168	113,710
Others	-	60,257
	<b>\$ 658,440</b>	<b>349,152</b>

## (j) Short-term borrowings

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

	<b>December 31, 2022</b>			
	<b>Currency</b>	<b>Interest rate collars</b>	<b>Expiration</b>	<b>Amount</b>
Unsecured bank borrowings	-	-	-	\$ -
Unused credit line				\$ <b>57,658,356</b>
	<b>December 31, 2021</b>			
	<b>Currency</b>	<b>Interest rate collars</b>	<b>Expiration</b>	<b>Amount</b>
Unsecured bank borrowings	USD	0.58%~1.01%	2022/1/3~2022/3/4	\$ <b>21,265,920</b>
Unused credit line				\$ <b>17,953,409</b>

## (k) Bonds payable

The details of unsecured ordinary bonds were as follows:

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Total ordinary corporate bonds issued	\$ 9,450,000	9,450,000
Unamortized discounted bonds payable	(10,317)	(13,552)
Bonds payable balance at period-end	<b>\$ 9,439,683</b>	<b>9,436,448</b>
	<b>2022</b>	<b>2021</b>
Interest expense	<b>\$ 72,770</b>	<b>55,130</b>

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**WIWYNN CORPORATION AND SUBSIDIARIES**  
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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.

(l) Lease liabilities

The carrying amounts of lease liabilities were as follow:

	<u>December 31,</u> <u>2022</u>	<u>December 31,</u> <u>2021</u>
Current	\$ <u>211,343</u>	<u>138,700</u>
Non-current	\$ <u>801,865</u>	<u>532,315</u>

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

The amounts recognized in profit or loss were as follows:

	<u>2022</u>	<u>2021</u>
Interest expenses on lease liabilities	\$ <u>60,491</u>	<u>30,285</u>
Expenses relating to short-term leases	\$ <u>161,081</u>	<u>78,887</u>

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

	<u>2022</u>	<u>2021</u>
Total cash outflow for leases	\$ <u>395,453</u>	<u>233,579</u>

(i) Real estate leases

The Group leases land and buildings for its office space and factory. The leases of office space typically run for a period of 1 to 7 years, and of factory for 2 to 10 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 2 to 3 years. In some cases, the Group has options to purchase the assets at the end of the contract term.

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**WIWYNN CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(m) Employee benefits

(i) Defined benefit plans

Reconciliation of defined benefit obligation at present value and plan asset at fair value is as follows:

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Present value of defined benefit obligations	\$ 67,182	67,270
Fair value of plan assets	<u>(58,751)</u>	<u>(53,680)</u>
Net defined benefit liabilities	<u><b>\$ 8,431</b></u>	<u><b>13,590</b></u>

The Group makes defined benefit plan contributions to the pension fund account with Bank of Taiwan and Taipei Fubon commercial bank that provides pensions for employees upon retirement. Plans (covered by the Labor Standards Law) entitle a retired employee to receive retirement benefits based on years of service and average monthly salary for the six months prior to retirement.

1) Composition of plan assets

The Group allocates pension funds in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, and such funds are managed by the Bureau of Labor Funds, Ministry of Labor. With regard to the utilization of the funds, minimum earnings shall be no less than the earnings attainable from two-year time deposits with interest rates offered by local banks.

The Group's Bank of Taiwan and Taipei Fubon commercial bank labor pension reserve account balance amounted to \$58,751 thousand and \$53,680 thousand, respectively, as of December 31, 2022 and 2021. For information on the utilization of the labor pension fund assets, including the asset allocation and yield of the fund, please refer to the website of the Bureau of Labor Funds, Ministry of Labor.

2) Movements in present value of the defined benefit obligations

The movements in the present value of the defined benefit obligations for the Group were as follows:

	<b>2022</b>	<b>2021</b>
Defined benefit obligations at January 1	\$ 67,270	63,480
Current service cost	401	286
Interest expenses	370	389
Net remeasurements of defined benefit liability	(859)	4,921
Benefit paid by the plan	<u>-</u>	<u>(1,806)</u>
Defined benefit obligations at December 31	<u><b>\$ 67,182</b></u>	<u><b>67,270</b></u>

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**WIWYNN CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

3) Movements of defined benefit plan assets

The movements in the present value of the defined benefit plan assets for the Group were as follows:

	<u>2022</u>	<u>2021</u>
Fair value of plan assets at January 1	\$ 53,680	54,573
Interest income	288	8
Net remeasurements of defined benefit assets	(95)	73
Amounts contributed to plan	4,878	832
Benefit paid by the plan	-	(1,806)
Fair value of plan assets at December 31	<u>\$ 58,751</u>	<u>53,680</u>

4) Expenses recognized in profit or loss

The expenses recognized in profit or loss for the Group were as follow:

	<u>2022</u>	<u>2021</u>
Current service cost	\$ 401	286
Net interest of net liabilities for defined benefit obligations	82	381
	<u>\$ 483</u>	<u>667</u>
Operating expense	<u>\$ 483</u>	<u>667</u>

5) Remeasurements of the net defined benefit liability recognized in other comprehensive income

The Group's remeasurement of the net defined benefit liability recognized in other comprehensive income for the years ended December 31, 2022 and 2021, was as follows:

	<u>2022</u>	<u>2021</u>
Accumulated amount at January 1	\$ 13,281	8,433
Recognized during the period	(764)	4,848
Accumulated amount at December 31	<u>\$ 12,517</u>	<u>13,281</u>

6) Actuarial assumptions

The principal actuarial assumptions at the reporting date were as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Discount rate	1.750 %	0.625 %
Future salary increases	4.000 %	4.000 %

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**WIWYNN CORPORATION AND SUBSIDIARIES**  
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The expected allocation payment to be made by the Group to the defined benefit plans for the one-year period after the reporting date is \$1,293 thousand.

The weighted-average lifetime of the defined benefits plans is 14.88 years.

7) Sensitivity analysis

If the actuarial assumptions had changed, the impact on the present value of the defined benefit obligation shall be as follows:

	<u>Effects to the defined benefit obligation</u>	
	<u>Increase 0.25%</u>	<u>Decrease 0.25%</u>
December 31, 2022:		
Discount rate (change in 0.25%)	\$ (1,437)	1,497
Future salary increases (change in 0.25%)	1,441	(1,386)
December 31, 2021:		
Discount rate (change in 0.25%)	(1,633)	1,700
Future salary increases (change in 0.25%)	1,617	(1,565)

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown above.

The method used in the sensitivity analysis is consistent with the calculation of pension liabilities in the balance sheets.

(i) Defined contribution plans

The Company allocates 6% of each employee's monthly wages to the labor pension personal account at the Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. Under these defined contribution plans, the Company allocates a fixed amount to the Bureau of Labor Insurance without additional legal or constructive obligation.

The subsidiaries of the Group are under defined contribution plan in accordance with local regulations, and they recognized pension cost and were made to local government.

The Group's pension costs under the defined contribution plan were \$216,759 thousand and \$119,507 thousand for the years 2022 and 2021, respectively. Payments were made to the Bureau of Labor Insurance and to local government for the overseas subsidiaries.

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**WIWYNN CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

## (n) Income taxes

## (i) Income tax expense

The components of income tax were as follows:

	<u>2022</u>	<u>2021</u>
Current tax expense		
Current period	\$ 4,018,745	2,147,817
Adjustments for prior periods	<u>(27,918)</u>	<u>117</u>
	<u>3,990,827</u>	<u>2,147,934</u>
Deferred tax expense (profit)		
Origination and reversal of temporary different	<u>(268,253)</u>	<u>200,123</u>
Income tax expense	<u>\$ 3,722,574</u>	<u>2,348,057</u>

## (ii) The amount of income tax recognized in other comprehensive income (loss) for 2022 and 2021 were as follows:

	<u>2022</u>	<u>2021</u>
Items that may not be reclassified subsequently profit or loss:		
Gains (loss) on remeasurements of defined benefit plans	<u>\$ (153)</u>	<u>970</u>

## (iii) Reconciliation of income tax and profit before tax for 2022 and 2021 are as follows:

	<u>2022</u>	<u>2021</u>
Income before tax	<u>\$ 17,897,283</u>	<u>10,996,069</u>
Income tax using the Company's domestic tax rate	3,579,457	2,199,214
Effect of tax rates in foreign jurisdiction	167,178	100,223
Additional tax on undistributed earnings	57,511	90,374
Tax incentives	(67,525)	(42,434)
Prior-period tax adjustments	(27,918)	117
Others	<u>13,871</u>	<u>563</u>
Income tax expense	<u>\$ 3,722,574</u>	<u>2,348,057</u>

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**WIWYNN CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(iv) Deferred tax assets and liabilities

1) Unrecognized deferred tax asset and liability

As of December 31, 2022 and 2021, the details of unrecognized deferred tax assets were as follows:

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Unrecognized deferred tax asset:		
Tax effect of deductible temporary difference	<u>\$ 20,449</u>	<u>18,439</u>

There was no significant unrecognized deferred tax liabilities as of December 31, 2022 and 2021.

2) Recognized deferred tax assets and liabilities

Changes in the amounts of deferred tax assets and liabilities for 2022 and 2021 were as follows:

	<b>Unrealized exchange loss</b>	<b>Unrealized inter-company profits</b>	<b>Accrued expense</b>	<b>Other</b>	<b>Total</b>
<b>Deferred tax assets:</b>					
Balance at January 1, 2022	\$ 27,422	99,257	140,645	37,210	304,534
Recognized in profit or loss	19,868	51,568	225,341	38,641	335,418
Recognized in other comprehensive income	-	-	-	(153)	(153)
Balance at December 31, 2022	<u>\$ 47,290</u>	<u>150,825</u>	<u>365,986</u>	<u>75,698</u>	<u>639,799</u>
Balance at January 1, 2021	47,883	167,702	185,293	18,205	419,083
Recognized in profit or loss	\$ (20,461)	(68,445)	(44,648)	18,035	(115,519)
Recognized in other comprehensive income	-	-	-	970	970
Balance at December 31, 2021	<u>\$ 27,422</u>	<u>99,257</u>	<u>140,645</u>	<u>37,210</u>	<u>304,534</u>
		<b>Recognized share of gain of subsidiaries and associates accounted for equity method</b>		<b>Other</b>	<b>Total</b>
<b>Deferred tax liabilities:</b>					
Balance at January 1, 2022	\$	199,143		20,103	219,246
Recognized in profit or loss		84,930		(17,765)	67,165
Balance at December 31, 2022	<u>\$</u>	<u>284,073</u>		<u>2,338</u>	<u>286,411</u>
Balance at January 1, 2021	\$	134,642		-	134,642
Recognized in profit or loss		64,501		20,103	84,604
Balance at December 31, 2021	<u>\$</u>	<u>199,143</u>		<u>20,103</u>	<u>219,246</u>

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**WIWYNN CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(v) Assessment of tax

The ROC income tax authorities have examined the Company's income tax returns for all years through 2020.

(o) Capital and other equity

As of December 31, 2022 and 2021, the Company's authorized common shares consisted of 250,000 thousand shares with a par value of \$10 per share, amounted to \$2,500,000 thousands, of which 174,841 thousand shares, were issued and outstanding.

(i) Capital surplus

The balances of capital surplus were as follows:

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
A premium issuance of common shares for cash	\$ 8,436,510	8,436,510
Employee stock options	364,685	364,685
Others	16,185	16,185
	<b>\$ 8,817,380</b>	<b>8,817,380</b>

According to the R.O.C. Company Act, capital surplus can only be used to offset a deficit, and only the realized capital surplus can be used to increase the common stock or be distributed as cash dividends. The aforementioned realized capital surplus includes capital surplus resulting from premium on issuance of capital stock and earnings from donated assets received. According to the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, capital increases by transferring capital surplus in excess of par value should not exceed 10% of the total common stock outstanding.

(ii) Retained earnings

The Company's Articles 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.

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**WIWYNN CORPORATION AND SUBSIDIARIES**  
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2) Special reserve

In accordance with regulations by the FSC, a special reserve equal to the contra account of other shareholders' equity is appropriated from current and prior period earnings. For the year 2021 and 2020 earnings distribution in 2022 and 2021, the amount to be reclassified to special reserve shall be a portion of current-period after-tax net profit plus items other than current-period after-tax net profit in the undistributed retained earnings and undistributed prior-period earning. 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 2021 and 2020 earnings that were approved by the shareholders' meeting on May 31, 2022 and July 8, 2021, respectively, were as follows:

	<u>2021</u>	<u>2020</u>
Dividends distributed to ordinary shareholders		
Cash	\$ <u>4,371,020</u>	<u>5,594,905</u>

The amount of cash dividends for 2022 has been approved during the board meeting held on February 22, 2023. The relevant dividend distributions to shareholder was as follow:

	<u>2022</u>
Dividends distributed to ordinary shareholders	
Cash	\$ <u>8,742,040</u>

(iii) Other equity (net of tax)

	<u>Exchange differences on translation of foreign financial statements</u>
Balance on January 1, 2022	\$ (431,020)
Exchange differences on translation of foreign financial statements	<u>1,612,680</u>
Balance on December 31, 2022	\$ <u>1,181,660</u>
Balance on January 1, 2021	\$ (237,894)
Exchange differences on translation of foreign financial statements	<u>(193,126)</u>
Balance on December 31, 2021	\$ <u>(431,020)</u>

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**WIWYNN CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

## (p) Earnings per share

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

	<u>2022</u>	<u>2021</u>
Basic earnings per share:		
Profit attributable to common shareholders of the Company	\$ <u>14,174,709</u>	<u>8,648,012</u>
Weighted-average common stock outstanding (in thousands)	<u>174,841</u>	<u>174,841</u>
	\$ <u>81.07</u>	<u>49.46</u>
Diluted earnings per share:		
Profit attributable to common shareholders of the Company	\$ <u>14,174,709</u>	<u>8,648,012</u>
Weighted-average common stock outstanding (in thousands)	174,841	174,841
Effect of potentially dilutive common stock (in thousands):		
Employee compensation	<u>1,263</u>	<u>641</u>
Weighted average common stock outstanding plus the effect of potentially dilutive common stock (in thousands)	<u>176,104</u>	<u>175,482</u>
	\$ <u>80.49</u>	<u>49.28</u>

## (q) Revenue from contracts with customers

## (i) Disaggregation of revenue

	<u>2022</u>	<u>2021</u>
<u>Primary geographical markets</u>		
America	\$ 233,994,036	145,456,042
Europe	36,285,287	31,064,576
Asia	19,456,058	14,156,309
Other	<u>3,140,659</u>	<u>1,949,015</u>
	\$ <u>292,876,040</u>	<u>192,625,942</u>
<u>Major products</u>		
Hyperscale data center	\$ <u>292,876,040</u>	<u>192,625,942</u>

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**WIWYNN CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

## (ii) Contract balance

	<u>December 31,</u> <u>2022</u>	<u>December 31,</u> <u>2021</u>	<u>January 1,</u> <u>2021</u>
Accounts receivable	\$ 18,698,313	12,727,277	7,829,267
Accounts receivable – related parties	1,090,375	443,538	340,218
Less: loss allowance	<u>(7,818)</u>	<u>(4,686)</u>	<u>(2,185)</u>
	<u><b>\$ 19,780,870</b></u>	<u><b>13,166,129</b></u>	<u><b>8,167,300</b></u>
	<u>December 31,</u> <u>2022</u>	<u>December 31,</u> <u>2021</u>	<u>January 1,</u> <u>2021</u>
Contract liabilities – provisions for warranty	<u><b>\$ 5,296,970</b></u>	<u><b>3,360,972</b></u>	<u><b>2,297,417</b></u>

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

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.

## (iii) Transaction price allocated to the remaining performance obligations

The Group recognizes revenue related to warranty service in the amount to which the Group has a right to invoice, thus the Group applies the practical expedient of IFRS 15 and does not disclose information about the transaction price allocated to the remaining performance obligations of the contract.

## (r) 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.

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**WIWYNN CORPORATION AND SUBSIDIARIES**  
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The Company estimated its employees' and directors' compensation as follows:

	<b>For the years ended</b>	
	<b>December 31,</b>	
	<b>2022</b>	<b>2021</b>
Employees' compensation	\$ 935,000	574,000
Directors' compensation	36,000	27,450
	<b>\$ 971,000</b>	<b>601,450</b>

The amount of employees' and directors' compensation were estimated based on profit before tax, net of the amount of compensation, and multiplied by the rule of Company's Article of Incorporation. The amounts were accounted for under cost of sales and operating expenses. The differences between the estimated amounts in the financial statements and the actual amounts approved by the Board of Directors, if any, shall be accounted for as a change in accounting estimate and recognized in next year.

The amounts, as stated in the financial statements, are identical to those of the actual distributions for 2022 and 2021. Related information would be available at the Market Observation Post System website.

(s) Non-operating income and expenses

(i) Interest income

The details of Interest income were as follows:

	<b>2022</b>	<b>2021</b>
Interest income from bank deposits	\$ <u>155,871</u>	<u>61,593</u>

(ii) Other income

The details of other income were as follows:

	<b>2022</b>	<b>2021</b>
Others	\$ <u>809</u>	<u>48</u>

(iii) Other gains and losses

The details of other gains and losses were as follows:

	<b>2022</b>	<b>2021</b>
Foreign exchange gains (losses), net	\$ 930,598	(111,063)
Gains (losses) on valuation of financial assets and liabilities at fair value	(100,986)	35,697
Others	<u>26,293</u>	<u>10,992</u>
Total	<b>\$ <u>855,905</u></b>	<b><u>(64,374)</u></b>

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**WIWYNN CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

- (iv) Finance costs  
The details of finance costs were as follows:

	<b>2022</b>	<b>2021</b>
Interest expenses		
Bank loans	\$ (748,353)	(270,739)
Bonds payable	(72,770)	(55,130)
Others	(60,491)	(30,285)
Total	<b>\$ (881,614)</b>	<b>(356,154)</b>

- (t) Financial instruments

- (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

The Group's majority customers are in Cloud Infrastructure and Hyperscale Data Center industries. To reduce concentration of credit risk, the Group evaluates customers' financial positions periodically and requires customers to provide collateral, if necessary. In addition, the Group evaluates the aging of accounts receivable periodically, accrue allowance for doubtful accounts and purchasing insurance contracts of accounts receivable, if necessary. Historically, impairment losses has always been under management's expectation. As of December 31, 2022 and 2021, 92.18% and 84.27% of the Group's accounts receivable were concentrated on 5 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(b). 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 (Regarding how the financial instruments are considered to have low credit risk, please refer to note 4(g)).

As of December 31, 2022 and 2021, the other receivables were not accrue any loss allowance.

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**WIWYNN CORPORATION AND SUBSIDIARIES**  
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(ii) Liquidity risk

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

	Carrying amount	Contractual cash flow	Within 1 year	1-2 years	2-5 years	More than 5 years
<b>December 31, 2022</b>						
Non-derivative financial liabilities						
Bonds payable	\$ 9,439,683	9,632,396	69,535	2,565,442	6,997,419	-
Notes and accounts payable (including related parties)	26,464,920	26,464,920	26,464,920	-	-	-
Other payables (including related parties)	3,132,145	3,132,145	3,132,145	-	-	-
Lease liabilities (including current and non-current)	1,013,208	1,223,825	261,489	245,769	344,374	372,193
Guarantee deposits received	951,948	951,948	951,948	-	-	-
Total	<u>\$ 41,001,904</u>	<u>41,405,234</u>	<u>30,880,037</u>	<u>2,811,211</u>	<u>7,341,793</u>	<u>372,193</u>
<b>December 31, 2021</b>						
Non-derivative financial liabilities						
Short-term borrowings	\$ 21,265,920	21,282,809	21,282,809	-	-	-
Bonds payable	9,436,448	9,701,930	69,535	69,535	9,562,860	-
Notes and accounts payable (including related parties)	18,279,331	18,279,331	18,279,331	-	-	-
Other payables (including related parties)	2,443,127	2,443,127	2,443,127	-	-	-
Lease liabilities (including current and non-current)	671,015	866,517	176,293	171,708	259,460	259,056
Total	<u>\$ 52,095,841</u>	<u>52,573,714</u>	<u>42,251,095</u>	<u>241,243</u>	<u>9,822,320</u>	<u>259,056</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:

	December 31, 2022			December 31, 2021		
	Foreign currency	Exchange rate	TWD	Foreign currency	Exchange rate	TWD
<u>Financial assets</u>						
<u>Monetary items</u>						
USD	1,054,486	30.708	32,381,171	902,027	27.690	24,977,131
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD	435,066	30.708	13,360,014	575,314	27.690	15,930,456

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**WIWYNN CORPORATION AND SUBSIDIARIES**  
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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 years ended December 31, 2022 and 2021, the net income would be changed by \$760,846 thousand and \$361,867 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 years ended December 31, 2022 and 2021, foreign exchange gains (losses) (including realized and unrealized portions) amounted to \$930,598 thousand and \$(111,063) 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 \$6,845 thousand and \$11,309 thousand, respectively, for the years ended December 31, 2022 and 2021, 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**  
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- 2) Valuation techniques for financial instruments measured at fair value: none.
- 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.

December 31, 2022						
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	\$ 169,444	169,444	-	-	-	-

December 31, 2022						
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	\$ 9,965,364	169,444	9,795,920	-	-	9,795,920

December 31, 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	\$ 224,932	224,932	-	-	-	-

December 31, 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	\$ 8,501,168	224,932	8,276,236	-	-	8,276,236

(Continued)

**WIWYNN CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(u) Financial risk management

(i) Overview

- 1) Credit risk
- 2) Liquidity risk
- 3) Market risk

The following likewise discusses the Group's objectives, policies and processes for measuring and managing the above mentioned risks. For more disclosures about the quantitative effects of these risks exposures, please refer to the respective notes in the accompanying consolidated financial statements.

(ii) Structure of risk management

The Group's finance management department provides business services for the overall internal department. It sets the objectives, policies and processes for managing the risk and the methods used to measure the risk arising from both the domestic and international financial market operations.

The Group's Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Group Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

(iii) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to financial instruments fails to meet its contractual obligations that arise principally from the Group's accounts receivable and investment.

1) Accounts and other receivable

The Group's credit policy is transacting with creditworthy customers, and obtains collateral to mitigate risks arising from financial loss due to default. The Group will transact with corporations of credit ratings equivalent to investment grade and such ratings are provided by independent rating agencies. Where it is not possible to obtain such information, the Group will assess the ratings based on other publicly available financial information and transactions records with its major customers. The Group continues to monitor the exposure to credit risk and counterparty credit rating, and evaluate the customers' credit rating and credit limit via automatic finance system to manage the credit exposure.

(Continued)

**WIWYNN CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

The Group did not have any collateral or other credit enhancements to avoid credit risk of financial assets.

2) Investment

The credit risk exposure in the bank deposits and other financial instruments are measured and monitored by the Group's finance department. Since the Group's transactions resulted from the external parties with good credit standing and investment grade above financial institutions, publicly-traded stocks companies and non publicly-traded stocks companies, with good credit ratings, there are no incompliance issues and therefore no significant credit risk.

3) Guarantee

According to the Group's policy, the Group can only provide guarantee to which is listed under the regulation. The Group did not provide guarantees to any other company as of December 31, 2022 and 2021.

(iv) Liquidity risk

The Group maintains sufficient cash and cash equivalents so as to cope with its operations and mitigate the effects of fluctuations in cash flows. The Group's management supervises the bank loan facilities and ensures in compliance with the terms of the loan agreements.

The loan was an important source of liquidity for the Group. As of December 31, 2022 and 2021, the Group has unused credit lines for bank loans of \$57,658,356 thousand and \$17,953,409 thousand, respectively.

(v) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

1) Currency risk

The Group is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of the Group's entities. The currencies used in these transactions are denominated in USD.

The foreign currency assets and liabilities might lead to the interest risk since the fluctuation of the market exchange rate influence the Group's future cash flow. The Group entering into forward and swap contracts are intended to manage the exchange rate risk due to the Group's current and future demand for foreign currency.

The contract periods are decided in consideration of the Group's foreseeable assets and liabilities and expected cash flow. At the maturity date of the derivative contract, the Group will settle these contracts using the foreign currencies arising from the assets denominated in foreign currency.

(Continued)

**WIWYNN CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

2) Interest risk

The Group's short-term borrowings, bear floating interest rates. The changes in effective rate along with the fluctuation of the market interest rate influence the Group's future cash flow. The Group reduces the interest risks by negotiating the loan interest rates frequently with banks.

3) Other market price risk

The Group monitors the risk arising from its FVOCI security instruments, which are held for monitoring cash flow requirements and unused capital. The management of the Group monitors the combination of equity securities and open-market funds in its investment portfolio based on cash flow requirements. Material investments within the portfolio are managed on an individual basis, and all buy-and-sell decisions are approved by the Board of directors.

(v) Capital management

The Group's meets its objectives for managing capital to safeguard the capacity to continue to operate, and provide a return to the shareholders, also, to benefit other related parties, at the same time, to maintain an optional capital structure to reduce the cost of capital. Capital includes common share, capital surplus and retained earnings. In order to maintain or adjust the capital structure, the Group may adjust the dividend payment to the shareholders, reduce the capital for redistribution to shareholders, issue new shares or sell assets to settle any liabilities.

For the year ended December 31, 2022, the Group's capital management strategy is consistent with 2021. The Group's debt to asset ratio and debt to capital ratio at the end of the reporting period as of December 31, 2022 and 2021, were as follows:

	<u>December 31,</u> <u>2022</u>	<u>December 31,</u> <u>2021</u>
Debt to asset ratio	<u>56%</u>	<u>68%</u>
Debt to capital ratio	<u>129%</u>	<u>210%</u>

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

For the years ended December 31, 2022 and 2021, reconciliations of liabilities arising from financing activities were as follows:

	<u>January 1,</u> <u>2022</u>	<u>Cash flows</u>	<u>Non-cash changes</u>				<u>December</u> <u>31, 2022</u>
			<u>Change in</u> <u>lease</u> <u>payments</u>	<u>Addition</u>	<u>Interest</u> <u>expenses</u>	<u>Foreign</u> <u>exchange</u> <u>movement</u>	
Short-term borrowings	\$ 21,265,920	(22,560,682)	-	-	-	1,294,762	-
Bonds payable	9,436,448	-	-	-	3,235	-	9,439,683
Lease liabilities	671,015	(173,881)	(395)	424,484	-	91,985	1,013,208
Guarantee deposits received	-	924,953	-	-	-	26,995	951,948
Total liabilities from financing activities	<u>\$ 31,373,383</u>	<u>(21,809,610)</u>	<u>(395)</u>	<u>424,484</u>	<u>3,235</u>	<u>1,413,742</u>	<u>11,404,839</u>

(Continued)

**WIWYNN CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

	January 1, 2021	Cash flows	Non-cash changes				December 31, 2021
			Change in lease payments	Addition	Interest expense	Foreign exchange movement	
Short-term borrowings	\$ 5,359,504	16,131,540	-	-	-	(225,124)	21,265,920
Bonds payable	4,991,783	4,442,325	-	-	2,340	-	9,436,448
Lease liabilities	380,337	(124,407)	(11,274)	444,965	-	(18,606)	671,015
Total liabilities from financing activities	\$ <u>10,731,624</u>	<u>20,449,458</u>	<u>(11,274)</u>	<u>444,965</u>	<u>2,340</u>	<u>(243,730)</u>	<u>31,373,383</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 December 31, 2022 and 2021, it owns 37.68% and 42.26%, respectively, of all shares outstanding of the Company.

(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
ICT Service Management Solutions (India) Private Limited (WIN)	Other related parties
International Standards Laboratory Corp. (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 InfoComm Technology (Texas) Corporation (WITT)	Other related parties
Wistron InfoComm 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 and 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 InfoComm Mexico S.A. de C.V. (WIMX)	Other related parties
Wistron Technology (Malaysia) Sdn. Bhd. (WMMY)	Other related parties
WIEDU CORPORATION (WETW)	Other related parties
Wuhan Wistron Virgin Technology & Service INC. (WIWZ)	Other related parties

(Continued)



**WIWYNN CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(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:

	Sales		Receivables from related parties	
	2022	2021	December 31, 2022	December 31, 2021
WHQ	\$ 47,874	45,728	15,683	41,598
Other related parties	<u>2,326,369</u>	<u>908,104</u>	<u>1,074,692</u>	<u>401,940</u>
	<u>\$ 2,374,243</u>	<u>953,832</u>	<u>1,090,375</u>	<u>443,538</u>

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	
	2022	2021	December 31, 2022	December 31, 2021
WHQ	\$ 69,645,165	54,737,558	9,838,681	8,480,074
Other related parties	<u>4,506,107</u>	<u>1,088,860</u>	<u>1,483,242</u>	<u>826,890</u>
	<u>\$ 74,151,272</u>	<u>55,826,418</u>	<u>11,321,923</u>	<u>9,306,964</u>

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

(iii) Processing fee

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

	Processing Fee		Payables to related parties	
	2022	2021	December 31, 2022	December 31, 2021
WMX	\$ <u>545,497</u>	<u>645,955</u>	<u>59,199</u>	<u>-</u>

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

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**WIWYNN CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(iv) Operating Expense

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

	<u>2022</u>	<u>2021</u>
WHQ	\$ 181,312	393,802
Other related parties	<u>305,588</u>	<u>155,981</u>
	<u>\$ 486,900</u>	<u>549,783</u>

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

(v) Acquisitions of assets

The acquisitions of assets from related parties were as follows:

	<u>2022</u>	<u>2021</u>
WHQ	\$ 37,502	-
Other related parties:		
AGI	18,520	19,449
WMX	291	55,416
Other related parties	<u>1,107</u>	<u>89</u>
	<u>\$ 57,420</u>	<u>74,954</u>

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

(vi) 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:

	<u>Other receivables from related parties</u>	
	<u>December 31, 2022</u>	<u>December 31, 2021</u>
WHQ	\$ 1,200,174	138,747
Other related parties:		
WZS	59,868	218,106
Other related parties	<u>47,006</u>	<u>24,448</u>
Total	<u>\$ 1,307,048</u>	<u>381,301</u>

(Continued)

**WIWYNN CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(vii) Other payables

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:

	<b>Other payables to related parties</b>	
	<b>December 31, 2022</b>	<b>December 31, 2021</b>
WHQ	\$ 10,172	54,179
Other related parties	35,598	25,473
Total	<b>\$ 45,770</b>	<b>79,652</b>

(viii) Leases

The Group signed a lease contract for its factory and warehouse with WIMX and WNC, and the total value of the contract was amount to \$703,232 thousand and \$226,502 thousand, respectively. The outstanding balance of lease liabilities and interest expense were as follows:

	<b>Lease liabilities (including current and non-current)</b>	
	<b>December 31, 2022</b>	<b>December 31, 2021</b>
WIMX	\$ 502,283	376,724
WNC	80,037	70,835
	<b>\$ 582,320</b>	<b>447,559</b>

	<b>Interest expense</b>	
	<b>2022</b>	<b>2021</b>
WIMX	\$ 46,486	16,618
WNC	1,672	1,808
	<b>\$ 48,158</b>	<b>18,426</b>

(d) Key management personnel compensation

Key management personnel compensation comprised:

	<b>2022</b>	<b>2021</b>
Short-term employee benefits	\$ 163,288	107,427
Post-employment benefits	960	935
	<b>\$ 164,248</b>	<b>108,362</b>

(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>December 31, 2022</u>	<u>December 31, 2021</u>
Inventory	Inventory guarantee	\$ 951,948	-
Other non-current assets	Guarantee	29,582	26,675
		<u>\$ 981,530</u>	<u>26,675</u>

**(9) Commitments and contingencies:****(a) Unrecognized contractual commitments**

The Group's unrecognized contractual commitments are as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Acquisition of property, plant and equipment	<u>\$ 2,415,953</u>	<u>338,032</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 US Patent trial and Appeal Board had finish reviewed, the court ruled to reopen the litigation, both parties will discuss the schedule after reopening the litigation.
- (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:**

- (a) The Company resolved to cash subscribe the new share contributed by its subsidiary, Wiwynn International Corporation with USD400,000 thousand in cash, proposed in the Board of Director's meeting held on February 22, 2023.
- (b) The Company resolved to cash subscribe the new share contributed by its subsidiary, Wiwynn Technology Service Malaysia SDN. BHD. with USD50,000 thousand in cash, proposed in the Board of Director's meeting held on February 22, 2023.

(Continued)

**WIWYNN CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

**(12) Other:**

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

By item	2022			2021		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits						
Salary	1,940,134	2,159,502	4,099,636	989,775	1,545,097	2,534,872
Labor and health insurance	282,792	121,608	404,400	128,639	98,577	227,216
Pension	166,839	50,403	217,242	79,442	40,732	120,174
Remuneration of directors	-	36,650	36,650	-	25,570	25,570
Others	123,222	33,512	156,734	55,806	27,135	82,941
Depreciation	473,460	203,053	676,513	347,388	158,447	505,835
Amortization	33,093	51,979	85,072	12,812	29,134	41,946

**(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” of the Group for the year ended December 31, 2022:

- (i) Loans to other parties: Table 1 attached.
- (ii) Guarantees and endorsements for other parties: Table 2 attached.
- (iii) Securities held as of December 31, 2022 (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: : Table 3 attached.
- (v) Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: Table 4 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 5 attached.

(Continued)

**WIWYNN CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(viii) Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of the capital stock: Table 6 attached.

(ix) Trading in derivative instruments: None.

(x) Significant intercompany transactions and business relationships between parent company and its subsidiaries: Table 7 attached.

(b) Information on investments:

The following are the information on investments for the year ended December 31, 2022 (excluding information on investments in mainland China): Table 8 attached.

(c) Information on investment in mainland China: Table 9 attached.

(d) Major shareholders:

Unit: Share

Shareholder's Name	Shareholding	Shares	Percentage
Wistron Corporation		65,895,129	37.68 %

**(14) Segment information:**

(a) General information

The Group has one reportable segment. This segment is mainly involved in manufacturing and sale of servers and storage in cloud infrastructure and hyperscale data center.

(b) Profit or loss data of the reporting segment (including specific revenues and expenses), assets and liabilities of the segment, the basis of measurement, and the related eliminations:

The information relating to profit or loss data of the reporting segment (including specific revenues and expenses), assets and liabilities of the segment are the same as those described in the consolidated financial statements. Please refer to the consolidated balance sheets and the consolidated statements of comprehensive income.

(c) Products and services information:

The Group is a single operation segment; therefore, the Group's revenue was not disclosed by categories of products or services.

(Continued)

**WIWYNN CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(d) Geographical information

In presenting information on the basis of geography, segment revenue is based on the geographical location of customers and segment assets that are based on the geographical location of the assets.

Revenue from external customers:

<u>Geography</u>	<u>2022</u>	<u>2021</u>
America	\$ 233,994,036	145,456,042
Europe	36,285,287	31,064,576
Asia	19,456,058	14,156,309
Others	<u>3,140,659</u>	<u>1,949,015</u>
	<u><b>\$ 292,876,040</b></u>	<u><b>192,625,942</b></u>

Non-current assets:

<u>Geography</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Asia	\$ 1,831,733	1,273,167
America	<u>1,751,698</u>	<u>816,669</u>
	<u><b>\$ 3,583,431</b></u>	<u><b>2,089,836</b></u>

Non-current assets include the property, plant and equipment, right-of-use assets, intangible assets and other non-current assets, aside from deferred tax assets, investments accounted for using equity method and financial instruments.

(e) Major customers

The amounts of sales to external customers representing greater than 10% of net revenue were as follows:

<u>Customer</u>	<u>2022</u>	<u>2021</u>
Customer A	\$ 153,624,651	96,202,158
Customer B	<u>99,362,386</u>	<u>75,389,889</u>
	<u><b>\$ 252,987,037</b></u>	<u><b>171,592,047</b></u>

**WIWYNN CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

Table 1 Financing to other parties  
(December 31, 2022)

No.	Creditor	Borrower	Financial statement account	Related party	Maximum outstanding balance for the period	Ending balance	Actual amount drawn down	Interest Rate	Nature of financing (Note 2)	Amount of transaction	Reasons for short-term financing	Allowance for doubtful accounts	Collateral		Limit on financing granted to each borrower (Note 3 and Note 4)	Ceiling on total financing granted (Note 1)	Notes
													Item	Value			
0	The Company	WYUS	Other receivables	Yes	2,241,680	-	-	0.75%	2	-	Working capital	-	-	-	3,878,700	19,393,503	(Note1 - Note3 - Note4 and Note5)

(Note 1) The total amount available for financing purposes shall not exceed 50% of the Company's net worth, which was audited or reviewed by Certified Public Accountant; and the total amount for short-term financing shall not exceed 40% Company's net worth.

(Note 2) Nature of financing:

- 1 For entities that the Company has business transactions with.
- 2 For entities with short-term financing needs.

(Note 3) The limit on financing granted of the entities that the Company has business transactions with:

- (1) For entities in which the Company, directly or indirectly, owned more than 50% of their shares, the amount available for financing shall not exceed 10% of net worth of the Company.
- (2) For entities in which the Company, directly or indirectly, owned below 50% of their shares, the amount available for financing shall not exceed 40% and 5% of net worth of the borrower and the Company, respectively.
- (3) For other borrowers, the amount available for financing shall not exceed 25% of net worth of the borrower and 5% of net worth of the Company.

(Note 4) For entities with short-term financing needs, the amount available for financing shall not exceed 10% of net worth of the Company.

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



**WIWYNN CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

Table 2 Guarantees and endorsements for other parties  
(December 31, 2022)

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 endorsements/ guarantees to parent company	Endorsements/ guarantees to subsidiary in Mainland China	Notes
		Name	Relationship with the company (Note 3)											
0	The Company	WYMX	2	11,636,101	1,458,658	1,390,639	1,390,639	-	3.59%	19,393,503	Y	N	N	Note 4
0	The Company	WYUS	2	11,636,101	111,542	81,875	81,875	-	0.21%	19,393,503	Y	N	N	Note 4
0	The Company	WYMY	2	11,636,101	139	139	139	-	0.00%	19,393,503	Y	N	N	Note 4

(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.

(Note 4) The aforementioned inter - company transactions have been eliminated in the consolidated financial statements.

**WIWYNN CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

Table 3 Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20% of share capital  
(December 31, 2022)

Name of company	Category and name of security		Account name	Name of counter - party	Relationship with the company	Beginning balance		Purchases		Sales				Ending balance		Notes
						Shares	Amount	Shares	Amount	Shares	Price	Cost	Gain (loss) on disposal	Shares	Amount	
The Company	WYUS	Stock	Investment accounted for using equity method	Cash subscription	The company's subsidiary	169,010	5,095,045	400,000	11,432,000	-	-	-	-	569,010	18,136,234	(Note)
The Company	WYMY	Stock	Investment accounted for using equity method	Cash subscription	The company's subsidiary	35,214	232,596	301,550	2,064,385	-	-	-	-	336,764	2,304,502	(Note)
The Company	WYMX	Stock	Investment accounted for using equity method	Cash subscription	The company's subsidiary	180,297	267,790	589,378	869,546	-	-	-	-	769,675	1,410,512	(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 Acquisition of real estate with amount exceeding the lower of NT\$300 million or 20% of share capital  
(December 31, 2022)

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	payment: 50%	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	payment: 50%	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-Building	2022/3	628,723	payment: 56%	HWA HIN SDN. BHD.	non-related party	-	-	-	-	Not applicable because of engaging others to build on its own land	For the Company's future operations	-
WYMY	Property, plant and equipment-Building	2022/8	1,935,677	payment: 6%	HWA HIN SDN. BHD.	non-related party	-	-	-	-	Not applicable because of engaging others to build on its own land	For the Company's future operations	-

## WIWYNN CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

Table 5 Related-party transactions for purchases and sales with amounts exceeding the lower of NT\$100 million or 20% of the capital stock  
(December 31, 2022)

Name of company	Related Party	Nature of relationship	Transaction details				Transaction with terms different from others		Notes/ Accounts receivable (payable)		Notes
			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	43,730,667	43.12%	OA150	-	-	18,506,683	71.04%	(Note)
"	WYJP	The Company's subsidiary	Sale	3,078,534	3.04%	OA90	-	-	738,647	2.84%	(Note)
"	WYKR	The Company's subsidiary	Sale	1,408,518	1.39%	OA90	-	-	92,743	0.36%	(Note)
"	WYHK	The Company's subsidiary	Sale	1,020,728	1.01%	OA90	-	-	307,258	1.18%	(Note)
"	WBR	The Company's other related company	Sale	856,557	0.84%	OA90	-	-	468,216	1.80%	-
"	WYKS	The Company's subsidiary	Sale	452,776	0.45%	OA90	-	-	145,474	0.56%	(Note)
"	WIN	The Company's other related company	Sale	433,505	0.43%	OA90	-	-	107,148	0.41%	-
"	WHQ	The Company's parent company	Purchase	69,270,472	87.77%	OA45	-	-	(9,795,920)	(87.07%)	-
"	WYUS	The Company's subsidiary	Purchase	1,462,484	1.85%	OA90	-	-	(422,290)	(3.75%)	(Note)
"	WSSG	The Company's other related company	Purchase	162,799	0.21%	OA60	-	-	(10,351)	(0.09%)	-
WYUS	The Company	WYUS's parent company	Sale	1,462,484	0.75%	OA90	-	-	422,290	3.42%	(Note)
"	WBR	WYUS's other related company	Sale	1,020,882	0.43%	OA90	-	-	499,328	4.00%	-
"	The Company	WYUS's parent company	Purchase and Service cost	43,730,667	21.00%	OA150	-	-	(18,506,683)	(53.80%)	(Note)
"	WITX	WYUS's other related company	Purchase	4,270,030	1.87%	OA90	-	-	(1,472,759)	(4.28%)	-
"	WYMX	WYUS's affiliate company	Processing fee	2,244,616	0.98%	OA60	-	-	(260,832)	(0.76%)	(Note)
"	WMX	WYUS's other related company	Processing fee	545,497	0.24%	OA90	-	-	(59,199)	(0.17%)	-
"	WHQ	WYUS's parent company	Purchase	374,431	0.16%	OA90	-	-	(42,491)	(0.12%)	-
WYJP	The Company	WYJP's parent company	Purchase	3,078,534	100.00%	OA90	-	-	(738,647)	(100.00%)	(Note)
WYKR	The Company	WYKR's parent company	Purchase	1,408,518	100.00%	OA90	-	-	(92,743)	(100.00%)	(Note)
WYHK	The Company	WYHK's parent company	Purchase	1,020,728	99.97%	OA90	-	-	(307,258)	(99.90%)	(Note)
WYKS	The Company	WYKS's parent company	Purchase	452,776	100.00%	OA90	-	-	(145,474)	(100.00%)	(Note)
WYMX	WYUS	WYMX's affiliate company	Processing income	2,244,616	100.00%	OA60	-	-	260,832	100.00%	(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 6 Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of the capital stock  
(December 31, 2022)

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	18,506,683	259.59%	10,397	Collecting	-	-	(Note)
"	WYJP	The Company's subsidiary	738,647	524.27%	-	-	-	-	(Note)
"	WBR	The Company's other related company	468,216	282.43%	-	-	28,644	-	-
"	WYHK	The Company's subsidiary	307,258	663.50%	-	-	-	-	(Note)
"	WIN	The Company's other related company	107,148	251.80%	-	-	14,105	-	-
"	WYKS	The Company's subsidiary	145,474	216.51%	-	-	-	-	(Note)
WYUS	WBR	WYUS's other related company	499,328	397.74%	-	-	48,726	-	-
"	The Company	WYUS's parent company	422,290	830.01%	-	-	-	-	(Note)
WYMX	WYUS	WYMX's affiliate company	260,832	1059.16%	-	-	260,832	-	(Note)
Other Receivables									
The Company	WYUS	The Company's subsidiary	1,348,896	-	-	-	-	-	(Note)
"	WYJP	The Company's subsidiary	163,841	-	-	-	-	-	(Note)
WYUS	WHQ	WYUS's parent company	1,188,545	-	2,163	Collecting	52,478	-	-
"	The Company	WYUS's parent company	366,774	-	1,687	Collecting	-	-	(Note)

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

**WIWYNN CORPORATION AND SUBSIDIARIES**  
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Table 7 Significant intercompany transactions and business relationships between parent company and its subsidiaries  
(December 31, 2022)

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	43,730,667	OA150	14.93%
0	The Company	WYJP	1	Sale	3,078,534	OA90	1.05%
0	The Company	WYKR	1	Sale	1,408,518	OA90	0.48%
0	The Company	WYHK	1	Sale	1,020,728	OA90	0.35%
0	The Company	WYKS	1	Sale	452,776	OA90	0.15%
1	WYUS	The Company	2	Sale	1,462,484	OA90	0.50%
2	WYMX	WYUS	3	Processing income	2,244,616	OA60	0.77%
0	The Company	WYUS	1	Account receivable	18,506,683	OA150	20.83%
0	The Company	WYJP	1	Account receivable	738,647	OA90	0.83%
0	The Company	WYKR	1	Account receivable	92,743	OA90	0.10%
0	The Company	WYHK	1	Account receivable	307,258	OA90	0.35%
0	The Company	WYKS	1	Account receivable	145,474	OA90	0.16%
1	WYUS	The Company	2	Account receivable	422,290	OA90	0.48%
2	WYMX	WYUS	3	Account receivable	260,832	OA60	0.29%

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**  
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Table 8 Information on investments (excluding investees in mainland China)

The following are the information on investees for January 1 to December 31, 2022 (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 December 31, 2022			The highest percentage of the periods	Net income (losses) of the investee	Share of profits/losses of investee	Notes
				December 31, 2022	December 31, 2021	Shares(In thousands)	Percentage of ownership	Carrying value				
The Company	WYJP	Japan	Sales of cloud data center equipment	6,620	6,620	-	100.00%	285,165	100.00%	101,257	101,257	(Note)
"	WYUS	U.S.A	Sales of cloud data center equipment	16,453,581	5,021,581	569,010	100.00%	18,136,234	100.00%	196,921	196,921	(Note)
"	WYHK	Hong Kong	Investing activities and sales of cloud data center equipment	12,181	12,181	400	100.00%	263,788	100.00%	39,555	39,555	(Note)
"	WYKR	South Korea	Sales of cloud data center equipment	2,903	2,903	20	100.00%	178,738	100.00%	38,127	38,127	(Note)
"	WYMY	Malaysia	Sales of cloud data center equipment	2,300,724	236,340	336,764	100.00%	2,304,502	100.00%	(40,291)	(40,291)	(Note)
"	WYMX	Mexico	Human resources service provision and cloud data center equipment manufacturing	1,126,671	257,125	769,675	100.00%	1,410,512	100.00%	159,177	159,177	(Note)
"	WYSMX	Mexico	Sales of cloud data center equipment	58,025	-	40,444	100.00%	61,438	100.00%	(2,131)	(2,131)	(Note)
"	LiquidStack	Netherlands	R&D of liquid cooling technology	276,609	276,609	1,000	20.00%	198,890	20.00%	(339,839)	(67,968)	-

(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 9 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, 2022	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2022	Net income (loss) of the investee	The highest percentage of the periods	Percentage of ownership	Investment income (losses) (Note 3)2.	Book value	Accumulated remittance of earnings in current period	Notes
					Outflow	Inflow								
WYKS	Sales of cloud data center equipment	10,659	2	10,659 (Note 1)	-	-	10,659	12,696	100.00%	100.00%	12,696	106,694	-	-

(ii) Limitation on investment in mainland China

Accumulated Investment in mainland China as of December 31, 2022 (Note 1)	Investment Amounts Authorized by Investment Commission, MOEA(Note 6)	Upper Limit on Investment (Note 4)
10,659(USD 350,000)	10,748(USD 350,000)	23,272,203

(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 reviewed 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 December 31, 2022.

(iii) Significant transactions

For the year ended December 31, 2022, 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".