

WIWYNN CORPORATION AND SUBSIDIARIES**CONSOLIDATED FINANCIAL STATEMENTS**

**With Independent Auditors' Review Report
for the Three Months Ended March 31, 2021 and 2020**

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

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安侯建業聯合會計師事務所

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Independent Auditors' Review Report

To the Board of Directors Wiwynn Corporation:

Introduction

We have reviewed the accompanying consolidated balance sheets of Wiwynn Corporation (“the Company”) and its subsidiaries (“the Group”) as of March 31, 2021 and 2020, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the three months ended March 31, 2021 and 2020, and notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standards 34, “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

Scope of Review

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

Conclusion

Based on our reviews, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Group as of March 31, 2021 and 2020, and of its consolidated financial performance and its consolidated cash flows for the three months ended March 31, 2021 and 2020 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standards 34, “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.



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

KPMG

Taipei, Taiwan (Republic of China)
May 7, 2021

Notes to Readers

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

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

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
Reviewed only, not audited in accordance with the generally accepted auditing standards as of March 31, 2021 and 2020

Wiwynn Corporation and Subsidiaries

Consolidated Balance Sheets

March 31, 2021, December 31, and March 31, 2020

(Expressed in Thousands of New Taiwan dollars)

Assets		March 31, 2021		December 31, 2020		March 31, 2020		Liabilities and Equity		March 31, 2021		December 31, 2020		March 31, 2020	
		Amount	%	Amount	%	Amount	%			Amount	%	Amount	%	Amount	%
Current assets:								Current liabilities:							
1100	Cash and cash equivalents (note 6(a))	\$ 21,567,859	34	23,169,231	42	12,467,486	26	2100	Short-term borrowings (note 6(k))	\$ 16,462,387	26	5,359,504	10	9,657,847	20
1110	Financial assets at fair value through profit or loss-current (note 6(b))	46,908	-	-	-	14,444	-	2120	Financial liabilities at fair value through profit or loss-current (note 6(b))	35,954	-	-	-	4,278	-
1170	Accounts receivable, net (notes 6(c)(s))	10,194,314	16	7,827,082	14	6,114,059	12	2130	Contract liabilities-current (note 6(s))	2,616,011	4	2,297,417	4	1,069,029	2
1180	Accounts receivable-related parties, net (notes 6(c)(s) and 7)	103,466	-	340,218	1	795,986	2	2170	Notes payable and accounts payable	7,761,971	12	2,761,327	5	8,228,360	17
1200	Other receivables (note 6(d))	3,030	-	3,166	-	9,668	-	2180	Accounts payable-related parties (note 7)	209,237	-	9,758,171	18	2,964,927	6
1210	Other receivables-related parties (notes 6(d) and 7)	658,384	1	588,047	1	60,332	-	2200	Other payables (note 6(t))	2,284,643	4	2,516,597	4	2,214,706	5
130X	Inventories (note 6(e))	27,980,782	44	19,827,729	36	26,538,085	55	2220	Other payables-related parties (note 7)	171,239	-	148,666	-	231,204	-
1479	Other current assets (notes 6(j) and 7)	882,184	1	1,011,905	2	409,222	1	2230	Current tax liabilities	1,961,595	3	1,509,458	3	1,381,491	4
	Total current assets	<u>61,436,927</u>	<u>96</u>	<u>52,767,378</u>	<u>96</u>	<u>46,409,282</u>	<u>96</u>	2280	Lease liabilities-current (notes 6(m) and 7)	110,257	-	105,132	-	99,826	-
	Non-current assets:							2399	Other current liabilities	461,964	1	343,433	1	209,785	-
1550	Investments accounted for using equity method (note 6(f))	276,609	-	-	-	-	-		Total current liabilities	<u>32,075,258</u>	<u>50</u>	<u>24,799,705</u>	<u>45</u>	<u>26,061,453</u>	<u>54</u>
1600	Property, plant and equipment (note 6(g))	966,392	2	951,781	2	722,118	2		Non-current liabilities:						
1755	Right-of-use assets (notes 6(h) and 7)	396,897	1	377,227	1	335,712	1	2530	Bonds payable (note 6(l))	4,992,208	8	4,991,783	9	-	-
1780	Intangible assets (note 6(i))	60,499	-	64,602	-	31,314	-	2570	Deferred tax liabilities	134,642	-	134,642	-	104,534	-
1840	Deferred tax assets	419,093	1	419,083	1	494,398	1	2580	Lease liabilities-non-current (notes 6(m) and 7)	283,079	1	275,205	1	249,786	1
1990	Other non-current assets (notes 6(j) and 8)	140,138	-	144,094	-	121,969	-	2640	Net defined benefit liabilities-non-current	8,908	-	8,907	-	2,920	-
	Total non-current assets	<u>2,259,628</u>	<u>4</u>	<u>1,956,787</u>	<u>4</u>	<u>1,705,511</u>	<u>4</u>		Total non-current liabilities	<u>5,418,837</u>	<u>9</u>	<u>5,410,537</u>	<u>10</u>	<u>357,240</u>	<u>1</u>
	Total assets	<u>\$ 63,696,555</u>	<u>100</u>	<u>54,724,165</u>	<u>100</u>	<u>48,114,793</u>	<u>100</u>		Total liabilities	<u>37,494,095</u>	<u>59</u>	<u>30,210,242</u>	<u>55</u>	<u>26,418,693</u>	<u>55</u>
									Equity (note 6(p)):						
								3110	Common shares	1,748,408	2	1,748,408	3	1,748,318	4
								3200	Capital surplus	8,817,380	14	8,817,380	16	8,817,315	18
								3300	Retained earnings	15,885,051	25	14,186,029	26	11,064,905	23
								3400	Other equity	(248,379)	-	(237,894)	-	65,562	-
									Total equity	<u>26,202,460</u>	<u>41</u>	<u>24,513,923</u>	<u>45</u>	<u>21,696,100</u>	<u>45</u>
									Total liabilities and equity	<u>\$ 63,696,555</u>	<u>100</u>	<u>54,724,165</u>	<u>100</u>	<u>48,114,793</u>	<u>100</u>

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

Wiwynn Corporation and Subsidiaries

Consolidated Statement of Comprehensive Income

For the three months ended March 31, 2021 and 2020

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

		For the three months ended March 31			
		2021		2020	
		Amount	%	Amount	%
4000	Operating revenue (notes 6(s) and 7)	\$ 39,290,292	100	35,137,124	100
5000	Operating costs (notes 6(e)(g)(h)(i)(m)(n)(t), 7 and 12)	<u>36,065,300</u>	<u>92</u>	<u>32,493,414</u>	<u>93</u>
	Gross profit from operations	<u>3,224,992</u>	<u>8</u>	<u>2,643,710</u>	<u>7</u>
	Operating expenses (notes 6(c)(g)(h)(i)(m)(n)(t), 7 and 12):				
6100	Selling expenses	180,537	-	243,507	1
6200	Administrative expenses	182,927	1	131,382	-
6300	Research and development expenses	581,895	2	458,642	1
6450	Expected credit loss (gain)	<u>(1,980)</u>	<u>-</u>	<u>(32)</u>	<u>-</u>
	Total operating expenses	<u>943,379</u>	<u>3</u>	<u>833,499</u>	<u>2</u>
	Net operating income	<u>2,281,613</u>	<u>5</u>	<u>1,810,211</u>	<u>5</u>
	Non-operating income and expenses (notes 6(l)(m)(u) and 7):				
7100	Interest income	13,343	-	12,373	-
7010	Other income	15	-	15	-
7020	Other gains and losses	(68,987)	-	123,748	-
7050	Finance costs	<u>(58,155)</u>	<u>-</u>	<u>(112,080)</u>	<u>-</u>
	Total non-operating income and expenses	<u>(113,784)</u>	<u>-</u>	<u>24,056</u>	<u>-</u>
7900	Income before tax	2,167,829	5	1,834,267	5
7950	Income tax expense (note 6(o))	<u>468,807</u>	<u>1</u>	<u>371,762</u>	<u>1</u>
	Net income	<u>1,699,022</u>	<u>4</u>	<u>1,462,505</u>	<u>4</u>
8300	Other comprehensive income (note 6(p)):				
8360	Items that may be reclassified subsequently to profit or loss				
8361	Exchange differences on translation of foreign financial statements	(10,485)	-	11,648	-
8399	Income tax related to items that may be reclassified to profit or loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	Total items that may be reclassified subsequently to profit or loss	<u>(10,485)</u>	<u>-</u>	<u>11,648</u>	<u>-</u>
8300	Other comprehensive income (net of tax)	<u>(10,485)</u>	<u>-</u>	<u>11,648</u>	<u>-</u>
8500	Total comprehensive income	<u>\$ 1,688,537</u>	<u>4</u>	<u>1,474,153</u>	<u>4</u>
	Profit attributable to:				
8610	Owners of parent	<u>\$ 1,699,022</u>	<u>4</u>	<u>1,462,505</u>	<u>4</u>
	Comprehensive income attributable to:				
8710	Owners of parent	<u>\$ 1,688,537</u>	<u>4</u>	<u>1,474,153</u>	<u>4</u>
	Earnings per share (expressed in New Taiwan dollars) (note 6(r))				
9750	Basic earnings per share	<u>\$ 9.72</u>		<u>8.37</u>	
9850	Diluted earnings per share	<u>\$ 9.68</u>		<u>8.34</u>	

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
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Wiwynn Corporation and Subsidiaries
Consolidated Statement of Changes in Equity
For the three months ended March 31, 2021 and 2020
(Expressed in Thousands of New Taiwan dollars)

	Retained earnings				Other equity		Total equity
	Common shares	Capital surplus	Legal reserve	Unappropriated retained earnings	Total	Exchange differences on translation of foreign financial statements	
Balance on January 1, 2020	\$ 1,746,368	8,816,183	752,956	8,849,444	9,602,400	53,914	20,218,865
Net income	-	-	-	1,462,505	1,462,505	-	1,462,505
Other comprehensive income	-	-	-	-	-	11,648	11,648
Total comprehensive income	-	-	-	1,462,505	1,462,505	11,648	1,474,153
Issue of common shares-employee stock options	1,950	1,132	-	-	-	-	3,082
Balance on March 31, 2020	\$ 1,748,318	8,817,315	752,956	10,311,949	11,064,905	65,562	21,696,100
Balance on January 1, 2021	\$ 1,748,408	8,817,380	1,369,881	12,816,148	14,186,029	(237,894)	24,513,923
Net income	-	-	-	1,699,022	1,699,022	-	1,699,022
Other comprehensive income	-	-	-	-	-	(10,485)	(10,485)
Total other comprehensive income	-	-	-	1,699,022	1,699,022	(10,485)	1,688,537
Balance on March 31, 2021	\$ 1,748,408	8,817,380	1,369,881	14,515,170	15,885,051	(248,379)	26,202,460

See accompanying notes to consolidated financial statements.

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

Consolidated Statement of Cash Flows

For the three months ended March 31, 2021 and 2020

(Expressed in Thousands of New Taiwan dollars)

	For the three months ended March 31	
	2021	2020
Cash flows from (used in) operating activities:		
Income before tax	\$ 2,167,829	1,834,267
Adjustments:		
Adjustments to reconcile profit:		
Depreciation expense	107,765	83,472
Amortization expense	7,223	2,652
Expected credit gain	(1,980)	(32)
Net losses (gains) on financial assets or liabilities at fair value through profit or loss	11,014	(107,219)
Interest expense	58,155	112,080
Interest income	(13,343)	(12,373)
Total adjustments to reconcile profit	168,834	78,580
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	(57,922)	92,774
Decrease (increase) in accounts receivable, net	(2,370,582)	7,558,392
Decrease (increase) in accounts receivable-related parties, net	236,752	(380,054)
Decrease (increase) in other receivable	135	(3,595)
Decrease (increase) in other receivable-related parties	(69,267)	2,296,038
Increase in inventories	(8,101,968)	(8,981,343)
Decrease in other current assets	121,601	124,955
Total changes in operating assets	(10,241,251)	707,167
Changes in operating liabilities:		
Increase in held-for-trading financial liabilities	35,954	4,278
Increase in contract liabilities-current	318,594	207,526
Increase in notes and accounts payable	4,972,016	1,229,410
Decrease in accounts payable-related parties	(9,548,934)	(4,288,982)
Increase (decrease) in other payable	(171,771)	6,893
Increase (decrease) in other payable-related parties	14,639	(30,078)
Increase (decrease) in other current liabilities	119,016	(50,631)
Increase in net defined benefit liabilities	1	50
Total changes in operating liabilities	(4,260,485)	(2,921,534)
Total changes in operating assets and liabilities	(14,501,736)	(2,214,367)
Total adjustments	(14,332,902)	(2,135,787)
Cash inflow generated used in operations	(12,165,073)	(301,520)
Interest received	12,438	12,124
Interest paid	(45,927)	(110,778)
Income taxes paid	(8,031)	(3,928)
Net cash flows used in operating activities	(12,206,593)	(404,102)
Cash flows from (used in) investing activities:		
Acquisition of investments accounted for using equity method	(276,609)	-
Acquisition of property, plant and equipment	(73,160)	(46,749)
Proceeds from disposal of property, plant and equipment	27	-
Acquisition of intangible assets	(3,120)	(14,860)
Increase in other non-current assets	(262)	(177)
Increase in prepayments for equipment	(22,897)	(26,581)
Net cash used in investing activities	(376,021)	(88,367)
Cash flows from (used in) financing activities:		
Increase in short-term borrowings	37,992,221	18,389,876
Decrease in short-term borrowings	(26,948,454)	(17,409,477)
Exercise of employee stock options	-	3,082
Payment of lease liabilities	(28,767)	(20,368)
Net cash from financing activities	11,015,000	963,113
Effect of exchange rate changes on cash and cash equivalents	(33,758)	4,703
Net increase (decrease) in cash and cash equivalents	(1,601,372)	475,347
Cash and cash equivalents at beginning of period	23,169,231	11,992,139
Cash and cash equivalents at end of period	\$ 21,567,859	12,467,486

See accompanying notes to consolidated financial statements.

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

Wiwynn Corporation and Subsidiaries

Notes to the Consolidated Financial Statements

For the three months ended March 31, 2021 and 2020

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

(1) Company history

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

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

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

The consolidated financial statements were authorized for issuance by the board of directors on May 7, 2021.

(3) New standards, amendments and interpretations adopted:

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

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

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

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

(Continued)

WIWYNN CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(4) Summary of significant accounting policies:

(a) Statement of compliance

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

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

(b) Basis of consolidation

(i) List of subsidiaries in the consolidated financial statements

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

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

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

(Continued)

WIWYNN CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(c) Investment in associates

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

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

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

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

(d) Income taxes

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

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

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

(e) Employee benefits

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

(Continued)

WIWYNN CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

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

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

(6) Explanation of significant accounts

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

(a) Cash and cash equivalents

	<u>March 31, 2021</u>	<u>December 31, 2020</u>	<u>March 31, 2020</u>
Cash on hand	\$ 565	562	597
Demand and checking deposits	12,567,294	18,168,669	12,383,349
Time deposits	<u>9,000,000</u>	<u>5,000,000</u>	<u>83,540</u>
	<u>\$ 21,567,859</u>	<u>23,169,231</u>	<u>12,467,486</u>

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

	<u>March 31, 2021</u>	<u>December 31, 2020</u>	<u>March 31, 2020</u>
Mandatorily measured at fair value through profit or loss:			
Foreign currency forward contracts	\$ 46,428	-	8,786
Foreign currency swap contracts	<u>480</u>	<u>-</u>	<u>5,658</u>
	<u>\$ 46,908</u>	<u>-</u>	<u>14,444</u>

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	<u>March 31, 2021</u>	<u>December 31, 2020</u>	<u>March 31, 2020</u>
Held-for-trading financial liabilities:			
Foreign currency forward contracts	\$ 20,835	-	4,004
Foreign currency swap contracts	<u>15,119</u>	<u>-</u>	<u>274</u>
	<u>\$ 35,954</u>	<u>-</u>	<u>4,278</u>

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

	<u>March 31, 2021</u>		
	<u>Contract amount (in thousand)</u>	<u>Currency</u>	<u>Maturity date</u>
Foreign currency swap contracts:			
Foreign currency swap sold	USD\$ <u>40,000</u>	USD to NTD	2021/4/6~2021/5/6
Foreign currency forward contracts:			
Foreign currency forward purchased	USD\$ <u>127,000</u>	NTD to USD	2021/4/6~2021/9/30
Foreign currency forward sold	USD\$ <u>58,000</u>	USD to NTD	2021/4/6~2021/9/27
	<u>March 31, 2020</u>		
	<u>Contract amount (in thousand)</u>	<u>Currency</u>	<u>Maturity date</u>
Foreign currency swap contracts:			
Foreign currency swap sold	USD\$ <u>95,000</u>	NTD to USD	2020/4/6~2020/4/27
Foreign currency forward contracts:			
Foreign currency forward purchased	USD\$ <u>146,000</u>	USD to NTD	2020/4/6~2020/4/30
Foreign currency forward sold	USD\$ <u>2,000</u>	NTD to USD	2020/4/6

(c) Accounts receivable

	<u>March 31, 2021</u>	<u>December 31, 2020</u>	<u>March 31, 2020</u>
Accounts receivable — measured at amortized cost	\$ 7,528,801	6,655,061	3,852,648
Accounts receivable-related parties — measured at amortized cost	103,466	340,218	795,986
Accounts receivable — measured at fair value through other comprehensive income	2,665,718	1,174,206	2,270,173
Less: loss allowance	<u>(205)</u>	<u>(2,185)</u>	<u>(8,762)</u>
	<u>\$ 10,297,780</u>	<u>8,167,300</u>	<u>6,910,045</u>

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

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

	March 31, 2021		
	Gross carrying amount	Weighted - average loss rate	Loss allowance provision
Current	\$ 9,903,294	-	-
Past due under 30 days	245,494	-	-
Past due 31 to 60 days	146,812	-	-
Past due 61 to 90 days	2,296	5%	116
Past due 91 to 180 days	17	100%	17
Past due 181 to 270 days	<u>72</u>	100%	<u>72</u>
Total	<u><u>\$ 10,297,985</u></u>		<u><u>205</u></u>
	December 31, 2020		
	Gross carrying amount	Weighted - average loss rate	Loss allowance provision
Current	\$ 8,121,956	-	-
Past due under 30 days	36,051	-	-
Past due 31 to 60 days	1,755	-	-
Past due 61 to 90 days	7,127	5%	343
Past due 91 to 180 days	<u>2,596</u>	71%	<u>1,842</u>
Total	<u><u>\$ 8,169,485</u></u>		<u><u>2,185</u></u>

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	March 31, 2020		
	Gross carrying amount	Weighted - average loss rate	Loss allowance provision
Current	\$ 6,875,453	-	-
Past due under 30 days	28,769	-	-
Past due 31 to 60 days	5,925	2%	102
Past due 61 to 90 days	-	-	-
Past due 91 to 180 days	7	100%	7
Past due 181 to 270 days	31	100%	31
Past due over 271 days	8,622	100%	8,622
Total	\$ 6,918,807		8,762

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

	For the three months ended March 31	
	2021	2020
Balance on January 1	\$ 2,185	8,794
Impairment losses recognized	-	8,767
Impairment losses reversed	(1,980)	(8,799)
Balance on March 31	\$ 205	8,762

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

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

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

Unit: USD in thousands

March 31, 2021						
Purchaser	Assignment Facility	Amount Advanced Unpaid	Amount Advanced Paid	Amount Recognized in Other Receivables	Range of Interest Rate	Collateral
ING, Taipei branch	\$ 256,868	143,132	256,868	-	0.56%-0.82%	None
CITI, New York branch	158,529	<Note>	158,529	-	0.75%-0.85%	None
	\$ 415,397		415,397	-		

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December 31, 2020						
Purchaser	Assignment Facility	Amount Advanced Unpaid	Amount Advanced Paid	Amount Recognized in Other Receivables	Range of Interest Rate	Collateral
ING, Taipei branch	\$ 176,352	223,648	176,352	-	0.62%-3.65%	None
CITI, New York branch	<u>249,102</u>	<Note>	<u>249,102</u>	-	0.63%-2.40%	None
	<u>\$ 425,454</u>		<u>425,454</u>	<u>-</u>		

March 31, 2020						
Purchaser	Assignment Facility	Amount Advanced Unpaid	Amount Advanced Paid	Amount Recognized in Other Receivables	Range of Interest Rate	Collateral
ING, Taipei branch	\$ 156,876	182,899	156,876	-	1.35%~1.55%	None
CITI, New York branch	<u>162,119</u>	<Note>	<u>162,119</u>	-	1.14%~2.40%	None
	<u>\$ 318,995</u>		<u>318,995</u>	<u>-</u>		

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

(d) Other receivables

	March 31, 2021	December 31, 2020	March 31, 2020
Other receivables	\$ 3,030	3,166	9,668
Other receivables - related parties	658,384	588,047	60,332
Less: loss allowance	-	-	-
	<u>\$ 661,414</u>	<u>591,213</u>	<u>70,000</u>

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

(e) Inventories

	March 31, 2021	December 31, 2020	March 31, 2020
Raw materials	\$ 17,728,310	10,012,269	18,009,374
Finished goods	9,371,557	7,912,712	6,953,803
Inventory in transit	<u>880,915</u>	<u>1,902,748</u>	<u>1,574,908</u>
	<u>\$ 27,980,782</u>	<u>19,827,729</u>	<u>26,538,085</u>

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

	For the three months ended	
	March 31	
	2021	2020
Losses on valuation of inventories	\$ -	90,213
Royalty	10,740	10,351
Others	-	(899)
	\$ 10,740	99,665

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

(f) Investments accounted for using equity method

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

	March 31,	December 31,	March 31,
	2021	2020	2020
Associates	\$ 276,609	-	-

(i) Associates

During March 2021, the Group acquired 20% (1,000 thousand shares) of LiquidStack Holding B.V. amounted to \$276,609 thousand (USD 10,000 thousand), resulting in the Group had 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>March 31, 2021</u>	<u>December 31, 2020</u>	<u>March 31, 2020</u>
LiquidStack Holding B.V.	Sales and R&D of data storage equipment	Netherlands	20 %	-	%
			-	%	-

(ii) Pledge

The investments accounted for using equity method were not pledged.

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(g) Property, plant and equipment

The cost and accumulated depreciation of the property, plant and equipment of the Group for the three months ended March 31, 2021 and 2020, were as follows:

	Research and development equipment	Machinery and equipment	Office equipment	Lease improvements	Other equipment	Construction in progress	Total
Cost or deem cost:							
Balance on January 1, 2021	\$ 143,104	739,973	107,132	226,819	282,361	13,968	1,513,357
Additions	6,240	12,372	11,854	33,076	5,498	4,120	73,160
Disposals	-	-	(27)	(1,575)	-	-	(1,602)
Reclassification (Note)	-	5,541	959	3,160	24,995	(7,609)	27,046
Effect of changes in foreign exchange rates	-	45	74	-	161	(8)	272
Balance on March 31, 2021	<u>\$ 149,344</u>	<u>757,931</u>	<u>119,992</u>	<u>261,480</u>	<u>313,015</u>	<u>10,471</u>	<u>1,612,233</u>
Balance on January 1, 2020	\$ 120,084	455,663	63,214	186,061	176,293	-	1,001,315
Additions	-	21,076	5,246	9,149	9,659	1,619	46,749
Reclassification (Note)	3,000	11,589	2,429	-	521	-	17,539
Effect of changes in foreign exchange rates	-	167	97	-	89	6	359
Balance on March 31, 2020	<u>\$ 123,084</u>	<u>488,495</u>	<u>70,986</u>	<u>195,210</u>	<u>186,562</u>	<u>1,625</u>	<u>1,065,962</u>
Accumulated depreciation:							
Balance on January 1, 2021	\$ 99,573	124,079	42,538	102,635	192,751	-	561,576
Depreciation	10,514	32,281	5,763	19,628	17,545	-	85,731
Disposals	-	-	-	(1,575)	-	-	(1,575)
Effect of changes in foreign exchange rates	-	27	22	-	60	-	109
Balance on March 31, 2021	<u>\$ 110,087</u>	<u>156,387</u>	<u>48,323</u>	<u>120,688</u>	<u>210,356</u>	<u>-</u>	<u>645,841</u>
Balance on January 1, 2020	\$ 84,640	20,297	29,074	40,209	108,928	-	283,148
Depreciation	3,808	20,382	3,213	14,629	18,560	-	60,592
Effect of changes in foreign exchange rates	-	47	36	-	21	-	104
Balance on March 31, 2020	<u>\$ 88,448</u>	<u>40,726</u>	<u>32,323</u>	<u>54,838</u>	<u>127,509</u>	<u>-</u>	<u>343,844</u>
Carrying value:							
Balance on January 1, 2021	<u>\$ 43,531</u>	<u>615,894</u>	<u>64,594</u>	<u>124,184</u>	<u>89,610</u>	<u>13,968</u>	<u>951,781</u>
Balance on March 31, 2021	<u>\$ 39,257</u>	<u>601,544</u>	<u>71,669</u>	<u>140,792</u>	<u>102,659</u>	<u>10,471</u>	<u>966,392</u>
Balance on January 1, 2020	<u>\$ 35,444</u>	<u>435,366</u>	<u>34,140</u>	<u>145,852</u>	<u>67,365</u>	<u>-</u>	<u>718,167</u>
Balance on March 31, 2020	<u>\$ 34,636</u>	<u>447,769</u>	<u>38,663</u>	<u>140,372</u>	<u>59,053</u>	<u>1,625</u>	<u>722,118</u>

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

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

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(h) Right-of-use assets

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

	<u>Buildings</u>	<u>Other equipment</u>	<u>Total</u>
Cost:			
Balance on January 1, 2021	\$ 528,712	5,620	534,332
Acquisitions	45,743	-	45,743
Effect of changes in foreign exchange rates	<u>(4,519)</u>	<u>1</u>	<u>(4,518)</u>
Balance on March 31, 2021	<u>\$ 569,936</u>	<u>5,621</u>	<u>575,557</u>
Balance on January 1, 2020	\$ 471,846	5,664	477,510
Effect of changes in foreign exchange rates	<u>(30,985)</u>	<u>4</u>	<u>(30,981)</u>
Balance on March 31, 2020	<u>\$ 440,861</u>	<u>5,668</u>	<u>446,529</u>
Accumulated depreciation:			
Balance on January 1, 2021	\$ 155,469	1,636	157,105
Depreciation for the year	21,725	309	22,034
Effect of changes in foreign exchange rates	<u>(480)</u>	<u>1</u>	<u>(479)</u>
Balance on March 31, 2021	<u>\$ 176,714</u>	<u>1,946</u>	<u>178,660</u>
Balance on January 1, 2020	\$ 88,285	410	88,695
Depreciation for the year	22,567	313	22,880
Effect of changes in foreign exchange rates	<u>(760)</u>	<u>2</u>	<u>(758)</u>
Balance on March 31, 2020	<u>\$ 110,092</u>	<u>725</u>	<u>110,817</u>
Carrying amount:			
Balance on January 1, 2021	<u>\$ 373,243</u>	<u>3,984</u>	<u>377,227</u>
Balance on March 31, 2021	<u>\$ 393,222</u>	<u>3,675</u>	<u>396,897</u>
Balance at January 1, 2020	<u>\$ 383,561</u>	<u>5,254</u>	<u>388,815</u>
Balance on March 31, 2020	<u>\$ 330,769</u>	<u>4,943</u>	<u>335,712</u>

(i) Intangible assets

	<u>Software</u>	<u>Other</u>	<u>Total</u>
Carrying amount:			
Balance on January 1, 2021	<u>\$ 63,562</u>	<u>1,040</u>	<u>64,602</u>
Balance on March 31, 2021	<u>\$ 59,459</u>	<u>1,040</u>	<u>60,499</u>
Balance on January 1, 2020	<u>\$ 18,066</u>	<u>1,040</u>	<u>19,106</u>
Balance on March 31, 2020	<u>\$ 30,274</u>	<u>1,040</u>	<u>31,314</u>

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

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

	<u>March 31, 2021</u>	<u>December 31, 2020</u>	<u>March 31, 2020</u>
Other current assets:			
Tax refundable	\$ 167,689	868,072	246,049
Prepayments for purchase	577,359	-	-
Other prepayments	107,122	107,482	105,805
Others	<u>30,014</u>	<u>36,351</u>	<u>57,368</u>
	<u>\$ 882,184</u>	<u>1,011,905</u>	<u>409,222</u>
Other non-current assets:			
Refundable deposits	\$ 37,752	37,602	34,784
Restricted deposits	27,485	27,463	29,145
Prepayments for equipment	<u>74,901</u>	<u>79,029</u>	<u>58,040</u>
	<u>\$ 140,138</u>	<u>144,094</u>	<u>121,969</u>

(k) Short-term borrowings

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

	<u>March 31, 2021</u>			
	<u>Currency</u>	<u>Interest rate collars</u>	<u>Expiration</u>	<u>Amount</u>
Unsecured bank borrowings	USD	0.61%~0.78%	2021/4/1~2021/6/25	<u>\$ 16,462,387</u>
Unused credit line				<u>\$ 14,524,780</u>
	<u>December 31, 2020</u>			
	<u>Currency</u>	<u>Interest rate collars</u>	<u>Expiration</u>	<u>Amount</u>
Unsecured bank borrowings	USD	0.58%~0.76%	2021/1/11~2021/3/26	<u>\$ 5,359,504</u>
Unused credit line				<u>\$ 21,302,194</u>
	<u>March 31, 2020</u>			
	<u>Currency</u>	<u>Interest rate collars</u>	<u>Expiration</u>	<u>Amount</u>
Unsecured bank borrowings	USD	1.29%~2.86%	2020/4/7~2020/5/29	<u>\$ 9,657,847</u>
Unused credit line				<u>\$ 10,339,920</u>

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(l) Bonds payable

The details of unsecured ordinary bonds were as follows:

	March 31, 2021	December 31, 2020	March 31, 2020
Total ordinary corporate bonds issued	\$ 5,000,000	5,000,000	-
Unamortized discounted bonds payable	(7,792)	(8,217)	-
Bonds payable balance at year-end	<u>\$ 4,992,208</u>	<u>4,991,783</u>	<u>-</u>
			For the three months ended March 31, 2021
Interest expense			<u>\$ 10,658</u>

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

(m) Lease liabilities

The carrying amounts of lease liabilities were as follows:

	March 31, 2021	December 31, 2020	March 31, 2020
Current	<u>\$ 110,257</u>	<u>105,132</u>	<u>99,826</u>
Non-current	<u>\$ 283,079</u>	<u>275,205</u>	<u>249,786</u>

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

The amounts recognized in profit or loss were as follows:

	For the three months ended March 31	
	2021	2020
Interest expenses on lease liabilities	<u>\$ 3,621</u>	<u>4,279</u>
Expenses relating to short-term leases	<u>\$ 8,632</u>	<u>5,091</u>

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

	For the three months ended March 31	
	2021	2020
Total cash outflow for leases	<u>\$ 41,020</u>	<u>29,738</u>

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(i) Real estate leases

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

(ii) Other leases

The Group leases other equipment, with lease terms of 2 to 5 years. In some cases, the Group has options to purchase the assets at the end of the contract term.

(n) Employee benefits

(i) Defined benefit plans

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

	For the three months ended	
	March 31	
	2021	2020
Operating expense	\$ 206	93

(ii) Defined contribution plans

The Group's expenses under the pension plan for the three months ended March 31, 2021 and 2020 were as follows:

	For the three months ended	
	March 31	
	2021	2020
Operating cost	\$ 12,001	7,719
Operating expenses	9,281	7,958
	\$ 21,282	15,677

(o) Income taxes

(i) Income tax expense

The components of income tax were as follows:

	For the three months ended	
	March 31	
	2021	2020
Current tax expense		
Income tax expense	\$ 468,807	371,762

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- (ii) There were no income tax expense recognized in other comprehensive income for the three months ended March 31, 2021 and 2020.
- (iii) The ROC income tax authorities have examined the Company's income tax returns for all years through 2019.

(p) Capital and other equity

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

(i) Common shares

The Company issued 195 thousand new shares of common shares with the amounts of \$3,082 thousand for the execution of employee stock options for the three months ended March 31, 2020. All proceeds from outstanding shares have been collected and all related registration procedures had been completed. There was no such transaction for the three months ended March 31, 2021.

(ii) Capital surplus

The balances of capital surplus were as follows:

	March 31, 2021	December 31, 2020	March 31, 2020
A premium issuance of common shares for cash\$	8,436,510	8,436,510	8,436,510
Employee stock options	364,685	364,685	364,620
others	<u>16,185</u>	<u>16,185</u>	<u>16,185</u>
	<u>\$ 8,817,380</u>	<u>8,817,380</u>	<u>8,817,315</u>

(iii) Retained earnings

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

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

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1) Legal reserve

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

2) Earnings distribution

On March 8, 2021, the Company's board of directors resolved to appropriate the 2020 earnings. On June 15, 2020, the shareholder's meetings resolved to distribute the 2019 earnings. These earnings were appropriated as follows:

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

(iv) Other equity (net of tax)

	Exchange differences on translation of foreign financial statements
Balance on January 1, 2021	\$ (237,894)
Exchange differences on translation of foreign financial statements	(10,485)
Balance on March 31, 2021	\$ (248,379)
	Exchange differences on translation of foreign financial statements
Balance on January 1, 2020	\$ 53,914
Exchange differences on translation of foreign financial statements	11,648
Balance on March 31, 2020	\$ 65,562

(q) Share-based payment

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

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(r) Earnings per share

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

	For the three months ended March 31	
	2021	2020
Basic earnings per share:		
Profit attributable to common shareholders of the Company	\$ 1,699,022	1,462,505
Weighted-average common stock outstanding (in thousands)	174,841	174,727
	\$ 9.72	8.37
Diluted earnings per share:		
Profit attributable to common shareholders of the Company	\$ 1,699,022	1,462,505
Weighted-average common stock outstanding (in thousands)	174,841	174,727
Effect of potentially dilutive common stock (in thousands):		
Employee compensation	647	724
Employee stock option	-	2
Weighted average common stock outstanding plus the effect of potentially dilutive common stock (in thousands)	175,488	175,453
	\$ 9.68	8.34

(s) Revenue from contracts with customers

(i) Disaggregation of revenue

	For the three months ended March 31	
	2021	2020
<u>Primary geographical markets</u>		
America	\$ 28,448,024	28,712,724
Europe	7,740,664	5,192,403
Asia	2,564,926	595,829
Other	536,678	636,168
	\$ 39,290,292	35,137,124
<u>Major products</u>		
Hyperscale data center	\$ 39,290,292	35,137,124

(Continued)

WIWYNN CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) Contract balance

	March 31, 2021	December 31, 2020	March 31, 2020
Accounts receivable	\$ 10,194,519	7,829,267	6,122,821
Accounts receivable – related parties	103,466	340,218	795,986
Less: loss allowance	<u>(205)</u>	<u>(2,185)</u>	<u>(8,762)</u>
	<u>\$ 10,297,780</u>	<u>8,167,300</u>	<u>6,910,045</u>
	March 31, 2021	December 31, 2020	March 31, 2020
Contract liabilities – provisions for warranty	<u>\$ 2,616,011</u>	<u>2,297,417</u>	<u>1,069,029</u>

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

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

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

(t) Employee's and directors' compensation

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

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

The Company accrued and recognized employees' compensation amounted to \$114,500 thousand and \$97,000 thousand, respectively, and directors' compensation amounted to \$6,863 thousand and \$3,750 thousand, respectively, based on the net income before tax which excluding the amounts of employees' and directors' compensation and the ratio stipulated in the Company's Article of Incorporation. The above are both accounted for under operating cost or operating expense for the three months ended March 31, 2021 and 2020. If there would be any changes after the reporting date in the following year, the changes would be treated as changes in accounting estimates and recognized as profit or loss in following year.

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WIWYNN CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

(u) Non-operating income and expenses

(i) Interest income

The details of interest income were as follows:

	For the three months ended March 31	
	2021	2020
Interest income from bank deposits	\$ 13,343	12,373

(ii) Other income

The details of other income were as follows:

	For the three months ended March 31	
	2021	2020
Others	\$ 15	15

(iii) Other gains and losses

The details of other gains and losses were as follows:

	For the three months ended March 31	
	2021	2020
Foreign exchange gains (losses), net	\$ (58,623)	24,474
Gains (losses) on valuation of financial assets and liabilities at fair value	(11,014)	107,219
Others	650	(7,945)
Total	\$ (68,987)	123,748

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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:

	For the three months ended March 31	
	2021	2020
Interest expenses		
Bank loans	\$ (43,876)	(107,801)
Bonds payable	(10,658)	-
Others	(3,621)	(4,279)
Total	\$ (58,155)	(112,080)

(v) Financial instruments

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

(i) Credit risk

1) Credit risk exposure

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

2) Concentration of credit risk

As of March 31, 2021, December 31 and March 31, 2020, 86.48%, 87.83% and 83.32% of the Group's accounts receivable were concentrated on 4, 2 and 3 specific customers, respectively. Accordingly, concentrations of credit risk exist.

3) Receivable and debt securities

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

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

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

(ii) Liquidity risk

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

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WIWYNN CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	<u>Carrying amount</u>	<u>Contractual cash flow</u>	<u>Within 1 year</u>	<u>1-2 years</u>	<u>2-5 years</u>	<u>More than 5 years</u>
March 31, 2021						
Non-derivative financial liabilities						
Short-term borrowings	\$ 16,462,387	16,473,724	16,473,724	-	-	-
Bonds payable	4,992,208	5,189,081	41,500	41,500	5,106,081	-
Notes and accounts payable (including related parties)	7,971,208	7,971,208	7,971,208	-	-	-
Other payables (including related parties)	2,446,193	2,446,193	2,446,193	-	-	-
Lease liabilities (including current and non-current)	393,336	417,728	114,994	116,785	184,927	1,022
Subtotal	<u>32,265,332</u>	<u>32,497,934</u>	<u>27,047,619</u>	<u>158,285</u>	<u>5,291,008</u>	<u>1,022</u>
Derivative financial liabilities						
Foreign currency swap contacts:						
Outflow	1,126,032	1,126,032	1,126,032	-	-	-
Inflow	1,110,913	1,110,913	1,110,913	-	-	-
Carrying amount	15,119	15,119	15,119	-	-	-
Foreign currency forward contracts:						
Outflow	20,835	20,835	20,835	-	-	-
Carrying amount	20,835	20,835	20,835	-	-	-
Subtotal	35,954	35,954	35,954	-	-	-
Total	<u>\$ 32,301,286</u>	<u>32,533,888</u>	<u>27,083,573</u>	<u>158,285</u>	<u>5,291,008</u>	<u>1,022</u>
December 31, 2020						
Non-derivative financial liabilities						
Short-term borrowings	\$ 5,359,504	5,363,050	5,363,050	-	-	-
Bonds payable	4,991,783	5,199,200	41,500	41,500	5,116,200	-
Notes and accounts payable (including related parties)	12,519,498	12,519,498	12,519,498	-	-	-
Other payables (including related parties)	2,660,263	2,660,263	2,660,263	-	-	-
Lease liabilities (including current and non-current)	380,337	398,021	109,365	109,684	176,438	2,534
Total	<u>\$ 25,911,385</u>	<u>26,140,032</u>	<u>20,693,676</u>	<u>151,184</u>	<u>5,292,638</u>	<u>2,534</u>
March 31, 2020						
Non-derivative financial liabilities						
Short-term borrowings	\$ 9,657,847	9,672,066	9,672,066	-	-	-
Notes and accounts payable (including related parties)	11,193,287	11,193,287	11,193,287	-	-	-
Other payables (including related parties)	2,442,201	2,442,201	2,442,201	-	-	-
Lease liabilities (including current and non-current)	349,612	388,617	103,529	82,428	198,929	3,731
Subtotal	<u>23,642,947</u>	<u>23,696,171</u>	<u>23,411,083</u>	<u>82,428</u>	<u>198,929</u>	<u>3,731</u>
Foreign currency swap contacts:						
Outflow	755,200	755,200	755,200	-	-	-
Inflow	754,926	754,926	754,926	-	-	-
Carrying amount	274	274	274	-	-	-
Foreign currency forward contracts:						
Outflow	4,004	4,004	4,004	-	-	-
Carrying amount	4,004	4,004	4,004	-	-	-
Subtotal	4,278	4,278	4,278	-	-	-
Total	<u>\$ 23,647,225</u>	<u>23,700,449</u>	<u>23,415,361</u>	<u>82,428</u>	<u>198,929</u>	<u>3,731</u>

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

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WIWYNN CORPORATION AND SUBSIDIARIES
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(iii) Market risk

1) Currency risk

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

	March 31, 2021			December 31, 2020			March 31, 2020		
	Foreign currency	Exchange rate	TWD	Foreign currency	Exchange rate	TWD	Foreign currency	Exchange rate	TWD
<u>Financial assets</u>									
<u>Monetary items</u>									
USD	\$ 524,925	28.531	14,976,640	665,825	28.508	18,981,330	502,885	30.254	15,214,289
<u>Financial liabilities</u>									
<u>Monetary items</u>									
USD	249,717	28.531	7,124,681	539,019	28.508	15,366,366	218,400	30.254	6,607,464

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 three months ended March 31, 2021 and 2020, the net income would be changed by \$314,078 thousand and \$344,273 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 March 31, 2021 and 2020, foreign exchange gains (losses) (including realized and unrealized portions) amounted to \$(58,623) thousand and \$24,474 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 \$3,402 thousand and \$4,863 thousand, respectively, for the three months ended March 31, 2021 and 2020, with all other variable factors that remain constant. This is mainly due to the Group's borrowings at floating variable rate.

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WIWYNN CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(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.

		March 31, 2021				
		Carrying amount	Fair value			
			Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss						
Derivative financial assets	\$ 46,908	-	46,908	-	46,908	
Financial assets at fair value through other comprehensive income						
Accounts receivable	2,665,718	-	-	-	-	
Financial assets measured at amortized cost						
Cash and cash equivalents	21,567,859	-	-	-	-	
Accounts receivable (including related parties)	7,632,062	-	-	-	-	
Other receivable (including related parties)	661,414	-	-	-	-	
Other non-current assets	65,237	-	-	-	-	
Subtotal	<u>\$ 29,926,572</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	
Financial liabilities at fair value through profit or loss						
Derivative financial liabilities	\$ 35,954	-	35,954	-	35,954	
Financial liabilities measured at amortized cost						
Short-term borrowings	\$ 16,462,387	-	-	-	-	
Bonds payable	4,992,208	-	-	-	-	
Notes and accounts payable (including related parties)	7,971,208	-	-	-	-	
Other payables (including related parties)	2,446,193	-	-	-	-	
Lease liabilities (including current and non-current)	393,336	-	-	-	-	
Subtotal	<u>\$ 32,265,332</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	
		December 31, 2020				
		Carrying amount	Fair value			
			Level 1	Level 2	Level 3	Total
Financial assets at fair value through other comprehensive income						
Accounts receivable	\$ 1,174,206	-	-	-	-	
Financial assets measured at amortized cost						
Cash and cash equivalents	23,169,231	-	-	-	-	
Accounts receivable (including related parties)	6,993,094	-	-	-	-	
Other receivable (including related parties)	591,213	-	-	-	-	
Other non-current assets	65,065	-	-	-	-	
Subtotal	<u>\$ 30,818,603</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	

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WIWYNN CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	December 31, 2020				
	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
Financial liabilities measured at amortized cost					
Short-term borrowings	\$ 5,359,504	-	-	-	-
Bonds payable	4,991,783	-	-	-	-
Notes and accounts payable (including related parties)	12,519,498	-	-	-	-
Other payables (including related parties)	2,660,263	-	-	-	-
Lease liabilities (including current and non-current)	380,337	-	-	-	-
Subtotal	<u>\$ 25,911,385</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
March 31, 2020					
	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss					
Derivative financial assets	<u>\$ 14,444</u>	<u>-</u>	<u>14,444</u>	<u>-</u>	<u>14,444</u>
Financial assets at fair value through other comprehensive income					
Accounts receivable	<u>2,270,173</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Financial assets measured at amortized cost					
Cash and cash equivalents	12,467,486	-	-	-	-
Accounts receivable (including related parties)	4,639,872	-	-	-	-
Other receivable (including related parties)	70,000	-	-	-	-
Other non-current assets	63,929	-	-	-	-
Subtotal	<u>\$ 17,241,287</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Financial liabilities at fair value through profit or loss					
Derivative financial liabilities	<u>\$ 4,278</u>	<u>-</u>	<u>4,278</u>	<u>-</u>	<u>4,278</u>
Financial liabilities measured at amortized cost					
Short-term borrowings	9,657,847	-	-	-	-
Accounts payable (including related parties)	11,193,287	-	-	-	-
Other payables (including related parties)	2,442,201	-	-	-	-
Lease liabilities (including current and non-current)	349,612	-	-	-	-
Subtotal	<u>\$ 23,642,947</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

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

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

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Notes to the Consolidated Financial Statements

- 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.

March 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	\$ 150,148	150,148	-	-	-	-

March 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	\$ 150,148	150,148	-	-	-	-

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

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

March 31, 2020						
Financial assets that are offset which have an exercisable master netting arrangement or similar agreement						
	Gross amounts of recognized financial assets (a)	Gross amounts of financial liabilities offset in the balance sheet (b)	Net amount of financial assets presented in the balance sheet (c)=(a)-(b)	Amounts not offset in the balance sheet (d)		Net amounts (e)=(c)-(d)
				Financial instruments	Cash collateral received	
Other receivable	\$ 1,045,912	1,045,912	-	-	-	-

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March 31, 2020						
Financial liabilities that are offset which have an exercisable master netting arrangement or similar agreement						
	Gross amounts of recognized financial liabilities (a)	Gross amounts of financial assets offset in the balance sheet (b)	Net amount of financial liabilities presented in the balance sheet (c)=(a)-(b)	Amounts not offset in the balance sheet (d)		
				Financial instruments	Cash collateral received	Net amounts (e)=(c)-(d)
Note payable and accounts payable	\$ 3,794,268	1,045,912	2,748,356	-	-	2,748,356

(w) Financial risk management

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

(x) Capital management

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

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

The Group's financing activities which did not affect the current cash flow in the three months ended March 31, 2021 and 2020, were as follows:

	January 1, 2021	Cash flows	Non-cash changes			March 31, 2021
			Addition	Interest expenses	Foreign exchange movement	
Short-term borrowings	\$ 5,359,504	11,043,767	-	-	59,116	16,462,387
Bonds payable	4,991,783	-	-	425	-	4,992,208
Lease liabilities	380,337	(28,767)	45,743	-	(3,977)	393,336
Total liabilities from financing activities	\$ 10,731,624	11,015,000	45,743	425	55,139	21,847,931

	January 1, 2020	Cash flows	Non-cash changes			March 31, 2020
			Addition	Foreign exchange movement	March 31, 2020	
Short-term borrowings	\$ 8,638,393	980,399	-	39,055	9,657,847	
Lease liabilities	398,535	(20,368)	-	(28,555)	349,612	
Total liabilities from financing activities	\$ 9,036,928	960,031	-	10,500	10,007,459	

(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 March 31, 2021, December 31 and March 31, 2020. It own 44.85% of all shares outstanding of the Company.

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WIWYNN CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(b) Names and relationship with related parties

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

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

(c) Significant transactions with related parties

(i) Sales

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

	<u>Sales</u>		<u>Receivables from related parties</u>		
	<u>For the three months ended March 31</u>		<u>March 31,</u>	<u>December 31,</u>	<u>March 31,</u>
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2020</u>
WHQ	\$ 2,668	39	3,070	3,075	-
Other related parties	98,218	792,454	100,396	337,143	795,986
	<u>\$ 100,886</u>	<u>792,493</u>	<u>103,466</u>	<u>340,218</u>	<u>795,986</u>

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Notes to the Consolidated Financial Statements

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

(ii) Purchases

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

	<u>Purchases</u>		<u>Payables to related parties</u>		
	<u>For the three months ended March 31</u>		<u>March 31,</u>	<u>December 31,</u>	<u>March 31,</u>
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2020</u>
WHQ	\$ 12,059,986	7,110,098	85,741	9,638,211	2,748,356
Other related parties	14,058	887	14,429	94	891
	<u>\$ 12,074,044</u>	<u>7,110,985</u>	<u>100,170</u>	<u>9,638,305</u>	<u>2,749,247</u>

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

(iii) Prepayment for purchases

The carrying amounts of prepayment for purchases were as follow:

<u>Account</u>	<u>Name of related party</u>	<u>March 31,</u>	<u>December 31,</u>	<u>March 31,</u>
		<u>2021</u>	<u>2020</u>	<u>2020</u>
Other current assets	WHQ	<u>\$ 577,359</u>	<u>-</u>	<u>-</u>

(iv) Processing Fee

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

	<u>Processing Fee</u>		<u>Payables to related parties</u>		
	<u>For the three months ended March 31</u>		<u>March 31,</u>	<u>December 31,</u>	<u>March 31,</u>
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2020</u>
WMX	<u>\$ 298,124</u>	<u>214,841</u>	<u>109,067</u>	<u>119,866</u>	<u>215,680</u>

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

(Continued)

WIWYNN CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(v) Operating Expense

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

	For the three months ended March 31,	
	2021	2020
WHQ	\$ 57,337	106,043
Other related parties	35,373	32,002
	\$ 92,710	138,045

Trading terms of operating expense 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:

	Other receivables from related parties		
	March 31, 2021	December 31, 2020	March 31, 2020
WHQ	\$ 224,164	238,815	-
Other related parties:			
WMX	23,758	29,149	43,965
COWIN	-	-	13,156
WZS	410,462	312,583	-
Others related parties	-	7,500	3,211
Total	\$ 658,384	588,047	60,332

(vii) Other payable

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

	Other payables to related parties		
	March 31, 2021	December 31, 2020	March 31, 2020
WHQ	\$ 147,805	135,802	163,825
Other related parties	23,434	12,864	67,379
Total	\$ 171,239	148,666	231,204

(Continued)

WIWYNN CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(viii) Leases

The Group signed a lease contract for two year with WNC during January 2019, and recognized the right-of-use assets and liabilities amounted to \$168,400 thousand. For the three months ended March 31, 2021 and 2020, the Group recognized its interest expense amounted to \$497 thousand and \$685 thousand, respectively. As of March 31, 2021, December 31 and March 31, 2020, the balance of lease liabilities was \$96,676 thousand, \$105,204 thousand and \$134,779 thousand.

(d) Key management personnel compensation

Key management personnel compensation comprised:

	For the three months ended March 31,	
	2021	2020
Short-term employee benefits	\$ 22,148	18,348
Post-employment benefits	232	213
	\$ 22,380	18,561

(8) Pledged assets:

The carrying amounts of pledged assets were as follow:

		March 31, 2021	December 31, 2020	March 31, 2020
Pledged assets	Object			
Other non-current assets	Guarantee	\$ 27,485	27,463	29,145

(9) Commitments and contingencies:

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

(10) Losses due to major disasters: None.

(11) Subsequent events:None.

(Continued)

WIWYNN CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(12) Other:

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

By item	For the three months ended March 31					
	2021			2020		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits						
Salary	168,094	374,285	542,379	104,801	281,334	386,135
Labor and health insurance	21,098	25,069	46,167	12,648	19,506	32,154
Pension	12,001	9,487	21,488	7,719	8,051	15,770
Remuneration of directors	-	6,863	6,863	-	3,750	3,750
Others	9,528	5,967	15,495	4,846	5,432	10,278
Depreciation	66,736	41,029	107,765	48,248	35,224	83,472
Amortization	2,850	4,373	7,223	1,141	1,511	2,652

(b) Seasonality of operations

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

(13) Other disclosures:

(a) Information on significant transactions:

The following were the information on significant transactions required by the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" for the Group for the three months ended March 31, 2021:

- (i) Loans to other parties: None.
- (ii) Guarantees and endorsements for other parties: Table 1 attached.
- (iii) Securities held as of March 31, 2021 (excluding investment in subsidiaries, associates and joint ventures): None.
- (iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20% of the capital stock: None.
- (v) Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None.
- (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 2 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 3 attached.

(ix) Trading in derivative instruments: Please refer to the note 6(b).

(x) Significant intercompany transactions and business relationships between parent company and its subsidiaries: Table 4 attached.

(b) Information on investments:

The following are the information on investments for the three months ended March 31, 2021 (excluding information on investments in mainland China): Table 5 attached.

(c) Information on investment in mainland China: Table 6 attached.

(d) Major shareholders:

Unit: Share

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

(14) Segment information:

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

WIWYNN CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Table 1 Guarantees and endorsements for other parties:

(March 31, 2021)

No.	Name of guarantor	Counter - party of guarantee and endorsement		Limitation on amount of guarantees and endorsements for a specific enterprise (Note 2)	Highest balance for guarantees and endorsements during the period	Balance of guarantees and endorsements as of reporting date	Actual usage amount during the period	Property pledged for guarantees and endorsements	Ratio of accumulated amounts of endorsements to net worth of the latest financial statements	Maximum amount for guarantees and endorsements (Note 1)	Parent company endorsements/guarantees to subsidiary	Subsidiary endorsement s/guarantees to parent company	Endorsements/ guarantees to subsidiary in Mainland China
		Name	Relationship with the company (Note 3)										
0	The Company	WYUS	2	7,860,738	123,883	123,883	123,883	-	0.47%	13,101,230	Y	N	N
0	The Company	WYMX	2	7,860,738	185,345	155,638	155,638	-	0.59%	13,101,230	Y	N	N

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

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

(Note 3) Relationship with the Company:

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

WIWYNN CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Table 2 Related-party transactions for purchases and sales with amounts exceeding the lower of NT\$100 million or 20% of the capital stock:
(March 31, 2021)

Name of company	Related Party	Nature of relationship	Transaction details				Transaction with terms different from others		Notes/ Accounts receivable (payable)		Note
			Purchase/Sales	Amount	Percentage of total purchases / sales	Payment terms	Unit price	Payment Terms	Ending balance	Percentage of total notes / accounts receivable (payable)	
The Company	WYUS	The Company's subsidiary	Sale	5,201,957	32.74%	OA120	-	-	7,783,628	52.72%	(note)
"	WYJP	The Company's subsidiary	Sale	614,833	3.87%	OA90	-	-	629,720	4.26%	(note)
"	WYKR	The Company's subsidiary	Sale	525,557	3.31%	OA90	-	-	531,842	3.60%	(note)
"	WYKS	The Company's subsidiary	Sale	206,971	1.30%	OA90	-	-	210,365	1.42%	(note)
"	WYUS	The Company's subsidiary	Purchase	275,116	2.01%	OA90	-	-	(309,051)	20.71%	(note)
"	WHQ	The Company's parent company	Purchase	12,024,844	87.66%	OA45	-	-	-	-	-
WYUS	The Company	WYUS's parent company	Sale	275,116	1.07%	OA90	-	-	309,051	7.31%	(note)
"	The Company	WYUS's parent company	Purchase and Service cost	5,201,957	14.53%	OA120	-	-	(7,783,628)	(53.40%)	(note)
"	WMX	WYUS's other related company	Processing fee	298,124	0.82%	OA90	-	-	(109,067)	(0.75%)	-
WYJP	The Company	WYJP's parent company	Purchase	614,833	100.00%	OA90	-	-	(629,720)	(100%)	(note)
WYKR	The Company	WYKR's parent company	Purchase	525,557	100.00%	OA90	-	-	(531,842)	(100%)	(note)
WYKS	The Company	WYKS's parent company	Purchase	206,971	100.00%	OA90	-	-	(210,365)	(100%)	(note)

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

WIWYNN CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Table 3 Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of the capital stock:
(March 31, 2021)

Name of company	Counter-party	Nature of relationship	Ending balance	Turnover rate	Overdue		Amounts received in subsequent period	Loss allowance	Notes
					Amount	Action taken			
The Company	WYUS	The Company's subsidiary	7,783,628	218.72%	-	-	62	-	(note)
"	WYJP	The Company's subsidiary	629,720	363.77%	-	-	-	-	(note)
"	WYKR	The Company's subsidiary	531,842	665.36%	-	-	-	-	(note)
"	WYKS	The Company's subsidiary	210,365	751.19%	-	-	-	-	(note)
WYUS	The Company	WYUS's parent company	309,051	502.01%	-	-	214	-	(note)
Other Receivables									
The Company	WYUS	The Company's subsidiary	239,459	-	-	-	-	-	(note)
	WHQ	The Company's parent company	174,844	-	-	-	174,660	-	-
"	WZS	The Company's other related company	410,462	-	-	-	410,435	-	-
WYUS	The Company	WYUS's parent company	524,235	-	-	-	162,747	-	(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 Significant intercompany transactions and business relationships between parent company and its subsidiaries:

(March 31, 2021)

No.	Name of company	Name of counter-party	Nature of relationship (Note 1)	Intercompany transactions			
				Account name	Amount	Trading Terms	Percentage of the consolidated net revenue or total assets (Note 3)
0	The Company	WYUS	1	Sale	5,201,957	OA120	13.24%
0	"	WYJP	1	Sale	614,833	OA90	1.56%
0	"	WYKR	1	Sale	525,557	OA90	1.34%
0	"	WYKS	1	Sale	206,971	OA90	0.53%
1	WYUS	WYHQ	2	Sale	275,116	OA90	0.70%
0	The Company	WYUS	1	Account receivable	7,783,628	OA120	12.22%
0	"	WYJP	1	Account receivable	629,720	OA90	0.99%
0	"	WYKR	1	Account receivable	531,842	OA90	0.83%
0	"	WYKS	1	Account receivable	210,365	OA90	0.33%
1	WYUS	WYHQ	2	Account receivable	309,051	OA90	0.49%

Note 1: relationship:

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

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

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

WIWYNN CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Table 5 Information on investments (excluding investees in mainland China):

The following are the information on investees for January 1 to March 31, 2021 (excluding information on investees in mainland China):

Name of the investor	Name of investee	Location	Main business and products	Original investment amount		Balance as of March 31, 2021			Net income (losses) of the investee	Share of profits/losses of investee	Notes
				March 31, 2021	December 31, 2020	Shares	Percentage of ownership	Carrying value			
The Company	WYJP	Japan	Sales of data storage equipment	6,620	6,620	-	100.00%	139,163	(7,535)	(7,535)	(Note)
"	WYUS	U.S.A	Sales of data storage equipment	5,021,581	5,021,581	169,010	100.00%	5,101,314	37,801	37,801	(Note)
"	WYHK	Hong Kong	Investing activities and sale of data storage equipment	12,181	12,181	400	100.00%	197,559	6,706	6,706	(Note)
"	WYKR	South Korea	Sales of data storage equipment	2,903	2,903	20	100.00%	90,279	9,730	9,730	(Note)
"	WYMY	Malaysia	Sales of data storage equipment	15,109	15,109	2,050	100.00%	13,412	(81)	(81)	(Note)
"	WYMX	Mexico	Human resources service provision	49,285	49,285	31,053	100.00%	41,941	4,606	4,606	(Note)
"	LiquidStack Holding B.V.	Netherlands	Sales and R&D of electronic products	276,609	-	1,000	20.00%	276,609	-	-	-

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

WIWYNN CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Table 6 Information on investment in mainland China:

(i) Information on investment in mainland China

Name of investee	Main businesses and products	Total amount of paid-in capital	Method of investment (Note 2)	Accumulated outflow of investment from Taiwan as of January 1, 2021	Investment Flows		Accumulated Outflow of Investment from Taiwan as of March 31, 2021	Net income (loss) of the investee	Percentage of ownership	Investment income (losses) (Note 3)2.	Book value	Accumulated remittance of earnings in current period	Note
					Outflow	Inflow							
WYKS	Sales of data storage equipment	10,659	2	10,659 (Note 1)	-	-	10,659	5,297	100.00%	5,297	83,170	-	(Note 5)

(ii) Limitation on investment in mainland China

Accumulated Investment in mainland China as of March 31, 2021 (Note 1)	Investment Amounts Authorized by Investment Commission, MOEA(Note 6)	Upper Limit on Investment (Note 4)
10,659(USD 350,000)	9,986(USD 350,000)	15,721,476

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

(Note 2) Ways to invest in mainland China:

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

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

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

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

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

(Note 6) Translated using the ending rates on March 31, 2021.

(iii) Significant transactions

For the year ended March 31, 2021, the significant inter-company transactions with the subsidiary in mainland China, which were eliminated in the preparation of consolidated financial statements, are disclosed in "Information on significant transactions".