

**WISTRON INFORMATION TECHNOLOGY AND
SERVICES CORPORATION**

PARENT COMPANY ONLY FINANCIAL STATEMENTS

**With Independent Auditors' Report
For the Years Ended December 31, 2020 and 2019**

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The independent auditors' report and the accompanying parent company only 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 parent company only financial statements, the Chinese version shall prevail.

Table of contents

Contents	Page
1. Cover Page	1
2. Table of Contents	2
3. Independent Auditors' Report	3
4. Parent Company Only Balance Sheets	4
5. Parent Company Only Statements of Comprehensive Income	5
6. Parent Company Only Statements of Changes in Equity	6
7. Parent Company Only Statements of Cash Flows	7
8. Notes to the Parent Company Only Financial Statements	
(1) Company history	8
(2) Approval date and procedures of the financial statements	8
(3) New standards, amendments and interpretations adopted	8~9
(4) Summary of significant accounting policies	9~22
(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty	22
(6) Explanation of significant accounts	23~47
(7) Related-party transactions	47~50
(8) Pledged assets	50
(9) Significant commitments and contingencies	50
(10) Losses due to major disasters	50
(11) Subsequent events	50
(12) Other	51
(13) Other disclosures	
(a) Information on significant transactions	52
(b) Information on investees	52
(c) Information on investment in mainland China	52
(d) Major shareholders	52
(14) Segment information	52
9. Statements of major accounting items	59~67



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Independent Auditors' Report

To the Board of Directors of Wistron Information Technology and Services Corporation:

Opinion

We have audited the financial statements of Wistron Information Technology And Services Corporation (“the Company”), which comprise the balance sheets as of December 31, 2020 and 2019, the statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

We conducted our audit of the financial statements as of and for the year ended December 31, 2020 in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants, and the auditing standards generally accepted in the Republic of China. Furthermore, we conducted our audit of the financial statements as of and for the year ended December 31, 2019 in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants, Ruling No. 1090360805 issued by the Financial Supervisory Commission, and the auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China (“the Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. 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 financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters to be communicated in our report.

Valuation of accounts receivable

Please refer to Note 4(f) “Financial Instruments” for accounting policy, Note 5 for accounting assumptions, judgments and estimation uncertainty of accounts receivable and Note 6(c) for the disclosure of the valuation of accounts receivable to the parent company only financial statements.

Description of key audit matters

The Company engaged in the information technology service industry. Resulting in significant judgment being applied in the management's assessment of the recoverability of accounts receivable. Consequently, the valuation of accounts receivable is identified as the key matter in our audit.

How the matter was addressed in our audit

Our principal audit procedures included testing the adequacy of the formula of the calculation for expected loss rate; testing the adequacy of aging report by tracing to related vouchers; evaluating the appropriateness of loss allowance and expected credit loss by testing if the loss allowance was made by expected loss rate; assessing if the evaluation document of loss allowance for accounts receivable was compliance with the Company's accounting policy; evaluating the adequacy of the disclosure of loss allowance for accounts receivable prepared by management.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company'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 Company 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 Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 auditing standards generally accepted in 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 financial statements.

As part of an audit in accordance with the auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the 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 Company'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 Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the 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 Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the 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 investment in other entities accounted for using the equity method to express an opinion on this financial statements. We are responsible for the direction, supervision and performance of the 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 financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's 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 Ya-Ling Chen and Ming-Hung Huang.

KPMG

Taipei, Taiwan (The Republic of China)
March 10, 2021

Notes to Readers

The accompanying parent company only financial statements are intended only to present the 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 parent company only financial statements are those generally accepted and applied in the Republic of China.

The independent auditors' audit report and the accompanying parent company only 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' audit report and parent company only financial statements, the Chinese version shall prevail.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)
WISTRON INFORMATION TECHNOLOGY AND SERVICES CORPORATION

Parent Company Only Balance Sheets

December 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars)

		December 31, 2020		December 31, 2019				December 31, 2020		December 31, 2019	
		Amount	%	Amount	%			Amount	%	Amount	%
Assets						Liabilities and Equity					
Current assets:						Current liabilities:					
1100	Cash and cash equivalents (note 6(a))	\$ 167,356	6	291,445	12	2130	Current contract liabilities (notes 6 (n) and 7)	\$ 4,848	-	2,924	-
1140	Current contract assets (note 6(n))	10,970	1	13,015	1	2170	Accounts payable	2,435	-	8,068	-
1170	Accounts receivable, net (notes 6(c)(n))	214,537	8	209,608	9	2180	Accounts payable—related parties (note 7)	-	-	1,518	-
1180	Accounts receivable—related parties, net (notes 6(c)(n) and 7)	27,724	1	32,702	1	2200	Other payables (note 6(o))	269,291	10	227,620	9
1200	Other receivables	62	-	75	-	2220	Other payables—related parties (note 7)	440	-	126	-
1210	Other receivables—related parties (note 7)	3,151	-	9,049	-	2230	Current tax liabilities	16,554	1	19,131	1
1410	Prepayments	1,292	-	1,397	-	2280	Current lease liabilities (note 6(i))	449	-	425	-
1470	Other current assets (note 6(h))	6,662	-	1,221	-	2399	Other current liabilities	5,545	-	6,454	-
	Total current assets	<u>431,754</u>	<u>16</u>	<u>558,512</u>	<u>23</u>		Total current liabilities	<u>299,562</u>	<u>11</u>	<u>266,266</u>	<u>10</u>
Non-current assets:						Non-Current liabilities:					
1517	Non-current financial assets at fair value through other comprehensive income (note 6(b))	-	-	13,212	1	2570	Deferred tax liabilities (note 6(k))	61,976	2	60,137	3
1550	Investments accounted for using equity method (note 6(d))	1,763,445	65	1,336,069	55	2640	Net defined benefit liability, non-current (note 6(j))	16,065	1	15,375	1
1600	Property, plant and equipment (note 6(e))	502,975	19	519,985	21	2580	Non-current lease liabilities (note 6(i))	274	-	722	-
1755	Right-of-use assets (note 6(f))	735	-	1,176	-		Total non-current liabilities	<u>78,315</u>	<u>3</u>	<u>76,234</u>	<u>4</u>
1780	Intangible assets (notes 6(g) and 7)	8,254	-	7,210	-		Total liabilities	<u>377,877</u>	<u>14</u>	<u>342,500</u>	<u>14</u>
1840	Deferred tax assets (note 6(k))	5,932	-	6,233	-	3100	Equity (notes 6(b)(j)(l)):				
1900	Other non-current assets (notes 6(h) and 8)	-	-	9,100	-	3200	Capital stock	667,083	25	664,011	27
	Total non-current assets	<u>2,281,341</u>	<u>84</u>	<u>1,892,985</u>	<u>77</u>	3300	Capital surplus	753,005	28	736,051	30
						3400	Retained earnings	1,069,842	39	834,032	34
						3400	Other equity	(81,212)	(3)	(125,097)	(5)
						3500	Treasury shares	(73,500)	(3)	-	-
							Total equity	<u>2,335,218</u>	<u>86</u>	<u>2,108,997</u>	<u>86</u>
	Total assets	<u>\$ 2,713,095</u>	<u>100</u>	<u>2,451,497</u>	<u>100</u>		Total liabilities and equity	<u>\$ 2,713,095</u>	<u>100</u>	<u>2,451,497</u>	<u>100</u>

See accompanying notes to parent company only financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)
WISTRON INFORMATION TECHNOLOGY AND SERVICES CORPORATION

Parent Company Only Statements of Comprehensive Income

For the years ended December 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars, except for earnings per common share)

		2020		2019	
		Amount	%	Amount	%
4000	Net revenue (notes 6(n) and 7)	\$ 1,006,451	100	912,368	100
5000	Cost of sales (notes 6(e)(g)(i)(j), 7 and 12)	(666,159)	(66)	(568,105)	(62)
	Gross profit	<u>340,292</u>	<u>34</u>	<u>344,263</u>	<u>38</u>
	Operating expenses (notes 6(c)(e)(f)(g)(i)(j)(n)(o), 7 and 12):				
6100	Selling expenses	(24,270)	(2)	(19,810)	(2)
6200	Administrative expenses	(240,348)	(24)	(263,966)	(29)
6450	Reversal of expected credit loss provision	93	-	629	-
6300	Total operating expenses	<u>(264,525)</u>	<u>(26)</u>	<u>(283,147)</u>	<u>(31)</u>
	Net operating income	<u>75,767</u>	<u>8</u>	<u>61,116</u>	<u>7</u>
	Non-operating income and expenses (notes 6(b)(i)(p) and 7):				
7100	Interest income	473	-	1,168	-
7010	Other income	278	-	714	-
7020	Other gains and losses	32,756	3	31,479	3
7070	Recognized share of subsidiaries, associates and joint ventures accounted for using equity method	385,679	38	342,108	38
7050	Finance costs	(218)	-	(306)	-
	Total non-operating income and expenses	<u>418,968</u>	<u>41</u>	<u>375,163</u>	<u>41</u>
	Profit before tax	<u>494,735</u>	<u>49</u>	<u>436,279</u>	<u>48</u>
7951	Income tax expenses (note 6(k))	(28,846)	(3)	(23,156)	(3)
	Net profit	<u>465,889</u>	<u>46</u>	<u>413,123</u>	<u>45</u>
8300	Other comprehensive income (notes 6(j)(k)(l)):				
8310	Items that will not be reclassified subsequently to profit or loss				
8311	Gains (losses) on remeasurements of defined benefit plans	(141)	-	228	-
8312	Unrealized gains from investments in equity instruments measured at fair value through other comprehensive income	4,734	1	140	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	-	-	-	-
	Total items that will not be reclassified subsequently to profit or loss	<u>4,593</u>	<u>1</u>	<u>368</u>	<u>-</u>
8360	Items that may be reclassified subsequently to profit or loss				
8361	Exchange differences on translation of foreign financial statements	(2,808)	-	(1,253)	-
8380	Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using equity method	24,505	2	(48,080)	(5)
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss	-	-	-	-
	Total items that may be reclassified subsequently to profit or loss	<u>21,697</u>	<u>2</u>	<u>(49,333)</u>	<u>(5)</u>
8300	Other comprehensive income (loss)	<u>26,290</u>	<u>3</u>	<u>(48,965)</u>	<u>(5)</u>
	Total comprehensive income	<u>\$ 492,179</u>	<u>49</u>	<u>364,158</u>	<u>40</u>
	Earnings per share (in dollars) (note 6(m))				
9750	Basic earnings per share	<u>\$ 7.06</u>		<u>6.23</u>	
9850	Diluted earnings per share	<u>\$ 6.98</u>		<u>6.17</u>	

See accompanying notes to parent company only financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)
WISTRON INFORMATION TECHNOLOGY AND SERVICES CORPORATION

Parent Company Only Statements of Changes in Equity

For the years ended December 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars)

	Capital stock		Retained earnings				Other equity				Total equity
	Common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Total	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	Treasury shares		
Balance at January 1, 2019	\$ 602,137	717,711	65,186	48,241	469,831	583,258	(53,576)	(22,328)	(75,904)	-	1,827,202
Net profit	-	-	-	-	413,123	413,123	-	-	-	-	413,123
Other comprehensive income	-	-	-	-	228	228	(49,333)	140	(49,193)	-	(48,965)
Total comprehensive income	-	-	-	-	413,351	413,351	(49,333)	140	(49,193)	-	364,158
Appropriation and distribution of retained earnings:											
Legal reserve	-	-	25,319	-	(25,319)	-	-	-	-	-	-
Special reserve	-	-	-	27,663	(27,663)	-	-	-	-	-	-
Cash dividends	-	-	-	-	(102,363)	(102,363)	-	-	-	-	(102,363)
Stock dividends	60,214	-	-	-	(60,214)	(60,214)	-	-	-	-	-
New Share issued through employee's profit sharing bonus	1,660	18,340	-	-	-	-	-	-	-	-	20,000
Balance at December 31, 2019	664,011	736,051	90,505	75,904	667,623	834,032	(102,909)	(22,188)	(125,097)	-	2,108,997
Net profit	-	-	-	-	465,889	465,889	-	-	-	-	465,889
Other comprehensive income	-	-	-	-	(141)	(141)	21,697	4,734	26,431	-	26,290
Total comprehensive income	-	-	-	-	465,748	465,748	21,697	4,734	26,431	-	492,179
Appropriation and distribution of retained earnings:											
Legal reserve	-	-	41,335	-	(41,335)	-	-	-	-	-	-
Special reserve	-	-	-	49,193	(49,193)	-	-	-	-	-	-
Cash dividends	-	-	-	-	(212,484)	(212,484)	-	-	-	-	(212,484)
Purchase of treasury shares	-	-	-	-	-	-	-	-	-	(73,500)	(73,500)
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	(17,454)	(17,454)	-	17,454	17,454	-	-
New Share issued through employee's profit sharing bonus	3,072	16,928	-	-	-	-	-	-	-	-	20,000
Due to donated assets received	-	26	-	-	-	-	-	-	-	-	26
Balance at December 31, 2020	\$ 667,083	753,005	131,840	125,097	812,905	1,069,842	(81,212)	-	(81,212)	(73,500)	2,335,218

See accompanying notes to parent company only financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)
WISTRON INFORMATION TECHNOLOGY AND SERVICES CORPORATION

Parent Company Only Statements of Cash Flows

For the years ended December 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars)

	<u>2020</u>	<u>2019</u>
Cash flows generated from (used in) operating activities:		
Profit before tax	\$ 494,735	436,279
Adjustments:		
Adjustments to reconcile loss:		
Depreciation expense	18,729	14,195
Amortization expense	3,063	4,121
Reversal of expected credit loss provision	(93)	(629)
Interest expense	218	306
Interest income	(473)	(1,168)
Dividend income	(260)	(714)
Recognized share of subsidiaries, associates and joint ventures accounted for using equity method	(385,679)	(342,108)
Loss (gain) on disposal of property, plant and equipment	(41)	1,087
Total adjustments to reconcile loss	<u>(364,536)</u>	<u>(324,910)</u>
Changes in operating assets and liabilities:		
Changes in operating assets:		
Decrease in current contract assets	2,108	6,911
Increase in accounts receivable, net	(4,899)	(58,079)
Decrease in accounts receivable—related parties	4,978	72,511
Increase in other receivable	(61)	-
Decrease (increase) in other receivables—related parties	5,898	(1,818)
Decrease (increase) in prepayments	105	(1,350)
Decrease (increase) in other current assets	337	(591)
Total changes in operating assets	<u>8,466</u>	<u>17,584</u>
Changes in operating liabilities:		
Increase in contract liabilities	1,924	454
Decrease in accounts payable	(5,633)	(15,502)
Increase (decrease) in accounts payable—related parties	(1,518)	36
Increase in other payables	41,671	15,232
Increase in other payables—related parties	314	126
Increase (decrease) in other current liabilities	(909)	363
Increase in net defined benefit liability	549	235
Total changes in operating liabilities	<u>36,398</u>	<u>944</u>
Net changes in operating assets and liabilities	<u>44,864</u>	<u>18,528</u>
Total changes in operating assets and liabilities	<u>(319,672)</u>	<u>(306,382)</u>
Cash generated from operations	175,063	129,897
Interest received	547	1,236
Interest paid	(218)	(306)
Income taxes paid	(29,283)	(1,874)
Net cash flows generated from operating activities	<u>146,109</u>	<u>128,953</u>
Cash flows used in investing activities:		
Proceeds from disposal of financial assets at fair value through other comprehensive income	17,946	-
Acquisition of property, plant and equipment	(1,278)	(451,396)
Proceeds from disposal of property, plant and equipment	41	105
Decrease in refundable deposits	3,322	5,393
Acquisition of intangible assets	(4,107)	(5,776)
Decrease in other financial assets	-	179
Dividends received	260	714
Net cash flows generated from (used in) investing activities	<u>16,184</u>	<u>(450,781)</u>
Cash flows generated from (used in) financing activities:		
Increase in short-term loans	166,276	128,374
Repayments of short-term loans	(166,276)	(128,374)
Repayments of the principle portion of lease liabilities	(424)	(176)
Cash dividends paid	(212,484)	(102,363)
Payments to acquire treasury shares	(73,500)	-
Due to donated assets received	26	-
Net cash flows used in financing activities	<u>(286,382)</u>	<u>(102,539)</u>
Net decrease in cash and cash equivalents	<u>(124,089)</u>	<u>(424,367)</u>
Cash and cash equivalents at beginning of year	<u>291,445</u>	<u>715,812</u>
Cash and cash equivalents at end of year	<u>\$ 167,356</u>	<u>291,445</u>

See accompanying notes to parent company only financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)
WISTRON INFORMATION TECHNOLOGY AND SERVICES CORPORATION

Notes to the Parent Company Only Financial Statements

For the years ended December 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars, unless otherwise specified)

(1) Company history

Mirrors International, Inc. was incorporated on June 1, 1992 as a company limited by shares under the laws of the Republic of China (R.O.C); and in July 2004, it changed its name to Wistron Information Technology and Services Corporation (the “Company”). The Company is primarily engaged in the development and maintenance of the IT system, IT consulting and outsourcing services.

(2) Approval date and procedures of the financial statements

The parent company only financial statements for the years ended December 31, 2020 and 2019 were authorized for issue by the Board of Directors on March 10, 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 Company has initially adopted the following new amendments, which do not have a significant impact on its financial statements, from January 1, 2020:

- Amendments to IFRS 3 “Definition of a Business”
- Amendments to IFRS 9, IAS39 and IFRS7 “Interest Rate Benchmark Reform”
- Amendments to IAS 1 and IAS 8 “Definition of Material”
- Amendments to IFRS 16 “COVID-19-Related Rent Concessions”

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

The Company assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2021, would not have a significant impact on its financial statements:

- Amendments to IFRS 4 “Extension of the Temporary Exemption from Applying IFRS 9”
- Amendments to IFRS 9, IAS39, IFRS7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform—Phase 2”

(Continued)

WISTRON INFORMATION TECHNOLOGY AND SERVICES CORPORATION
Notes to the Parent Company Only Financial Statements

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

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

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”
- IFRS 17 “Insurance Contracts” and amendments to IFRS 17 “Insurance Contracts”
- Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”
- Amendments to IAS 16 “Property, Plant and Equipment – Proceeds before Intended Use”
- Amendments to IAS 37 “Onerous Contracts – Cost of Fulfilling a Contract”
- Annual Improvements to IFRS Standards 2018-2020
- Amendments to IFRS 3 “Reference to the Conceptual Framework”
- Amendments to IAS 1 “Disclosure of Accounting Policies”
- Amendments to IAS 8 “Definition of Accounting Estimates”

(4) Summary of significant accounting policies

The significant accounting policies presented in the parent company only financial statements are summarized as follows. And the accounting policies have been applied consistently to all periods presented in these parent company only financial statements.

- (a) Statement of compliance

These parent company only financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

- (b) Basis of preparation

- (i) Basis of measurement

Except for the following material items in the balance sheets, the parent company only financial statements have been prepared on the historical cost basis:

- 1) Financial assets measured at fair value through other comprehensive income;
- 2) The net defined benefit liabilities are measured at the present value of the defined benefit obligation less fair value of the plan assets, and the effect of the asset ceiling explained in Note 4(n).

- (ii) Functional and presentation currency

The functional currency of the Company is determined based on the primary economic environment in which the Company operates. The parent company only financial statements are presented in New Taiwan Dollars (NTD), which is the Company’s functional currency. All financial information presented in NTD has been rounded to the nearest thousand.

(Continued)

WISTRON INFORMATION TECHNOLOGY AND SERVICES CORPORATION
Notes to the Parent Company Only Financial Statements

(c) Foreign currencies

(i) Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currencies of the Company 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 an investment in equity securities designated as at fair value through other comprehensive income which is recognized in other comprehensive income.

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into NTD at the exchange rates of the reporting date. The income and expenses of foreign operations are translated into NTD at the average 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 Company disposes of only part of investment in an associate of joint venture that includes a foreign operation while retaining significant 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 monetary items that are considered to form part of the net investment in the foreign operation are recognized in other comprehensive income.

(d) 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 unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

(Continued)

WISTRON INFORMATION TECHNOLOGY AND SERVICES CORPORATION
Notes to the Parent Company Only Financial Statements

A liability is classified as current under one of the following criteria, and all other liabilities are classified as non-current.

- (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 Company 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.

(e) Cash and cash equivalents

Cash comprises of cash on hand and demand deposits. 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.

(f) Financial instruments

Accounts receivable is initially recognized when it is originated. All other financial assets and financial liabilities are initially recognized when the Company becomes a party to the contractual provisions of the instrument. A financial asset (unless it is an 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.

(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 or fair value through other comprehensive income-equity investment. Financial assets are not reclassified subsequent to their initial recognition unless the Company 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.

(Continued)

WISTRON INFORMATION TECHNOLOGY AND SERVICES CORPORATION
Notes to the Parent Company Only Financial Statements

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 losses, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

2) Financial assets measured at Fair value through other comprehensive income (FVOCI)

On initial recognition of an equity investment that is not held for trading, the Company 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.

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 Company's right to receive payment is established.

3) Impairment of financial assets

The Company recognizes loss allowances for expected credit losses (ECL) on financial assets measured at amortized cost (including cash and cash equivalents, accounts receivable, other receivables, other financial assets and guarantee deposit), and contract assets.

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

- 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.

(Continued)

WISTRON INFORMATION TECHNOLOGY AND SERVICES CORPORATION
Notes to the Parent Company Only Financial Statements

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Company 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 Company's historical experience and informed credit assessment as well as forward-looking information.

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

12-month ECL are the portion of ECL 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 ECL is the maximum contractual period over which the Company is exposed to credit risk.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 180 days past due.

The Company considers a financial asset to be in default when the debtor is unlikely to pay its credit obligations to the Company in full.

ECL are 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 Company in accordance with the contract and the cash flows that the Company expects to receive). ECL are discounted at the effective interest rate of the financial asset.

At each reporting date, the Company assesses whether financial assets carried at amortized cost are 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 asset.

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

4) Derecognition of financial assets

The Company 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 Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

(Continued)

WISTRON INFORMATION TECHNOLOGY AND SERVICES CORPORATION
Notes to the Parent Company Only Financial Statements

The Company 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) Treasury shares

When shares recognized as equity are repurchased, the amount of the consideration paid, which includes directly attributable costs, is recognized as a deduction from equity. Repurchased shares are classified as treasury shares. When treasury shares are sold or reissued subsequently, the amount received is recognized as an increase in equity, and the resulting surplus or deficit on the transaction is recognized in capital surplus or retained earnings (if the capital surplus is not sufficient to be written down).

2) Other financial liabilities

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.

3) Derecognition of financial liabilities

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company 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.

4) 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 Company 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.

(g) Investment in subsidiaries

When preparing the parent company only financial statements, investment in subsidiaries which are controlled by the Company is accounted for using the equity method. Under the equity method, an investment in a subsidiary is initially recognized at cost and adjusted thereafter to recognize the Company's share of profit or loss and other comprehensive income of the subsidiary as well as the distribution received. The Company also recognized its share in the changes in the equity of subsidiaries.

(Continued)

WISTRON INFORMATION TECHNOLOGY AND SERVICES CORPORATION
Notes to the Parent Company Only Financial Statements

Changes in a parent's ownership interest in a subsidiary that do not result in the loss of control are accounted for within equity.

(h) 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.

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 expenditure

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

(iii) Depreciation

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

Land is not depreciated.

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

- 1) Buildings and structures : 5 to 50 years
- 2) Computers and other equipment : 4 to 6 years
- 3) Office equipment : 6 years
- 4) Lease improvements : 5 years
- 5) Lease equipment : 3 years

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

(Continued)

WISTRON INFORMATION TECHNOLOGY AND SERVICES CORPORATION
Notes to the Parent Company Only Financial Statements

(i) Leases

(i) Identifying a lease

At inception of a contract, the Company 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. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

- 1) the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified; and
- 2) the Company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- 3) the Company has the right to direct the use of the asset throughout the period of use only if either:
 - the Company has the right to direct how and for what purpose the asset is used throughout the period of use; or
 - the relevant decisions about how and for what purpose the asset is used are predetermined and:
 - the Company has the right to operate the asset throughout the period of use, without the supplier having the right to change those operating instructions; or
 - the Company designed the asset in a way that predetermines how and for what purpose the asset will be used throughout the period of use.

At inception or on reassessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

(ii) As a lessee

The Company 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.

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.

(Continued)

WISTRON INFORMATION TECHNOLOGY AND SERVICES CORPORATION
Notes to the Parent Company Only Financial Statements

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 Company's incremental borrowing rate.

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

- 1) fixed payments, including in-substance fixed payments;
- 2) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- 3) amounts expected to be payable under a residual value guarantee; and
- 4) 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:

- 1) there is a change in future lease payments arising from the change in an index or rate; or
- 2) there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee; or
- 3) there is a change in the assessment on whether it will exercise an option to purchase the underlying asset; or
- 4) there is a change in the assessment on lease term as to whether it will exercise an extension or terminated option; or
- 5) there are any lease modifications to the assets, scope and other terms of the lease.

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 Company 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 Company presents right-of-use assets that do not meet the definition of investment and lease liabilities as a separate line item respectively in the balance sheets.

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

(Continued)

WISTRON INFORMATION TECHNOLOGY AND SERVICES CORPORATION
Notes to the Parent Company Only Financial Statements

(j) Intangible assets

Other intangible assets, excluding goodwill, that are acquired by the Company and have finite useful lives are measured at cost less accumulated amortization and any accumulated impairment losses. Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognized in profit or loss as incurred. 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.

The Company's intangible assets are mainly computer software and are recognized in profit or loss on a straight-line basis over the estimated useful lives of 1~6 years.

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

(k) Impairment of non-financial assets

At each reporting date, the Company reviews the carrying amounts of its non-financial assets (other than contract assets 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. Impairment losses are recognized in profit or loss.

For assets other than goodwill, 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.

(l) Revenue from contracts with customers

Revenue is measured based on the consideration to which the Company expects to be entitled in exchange for transferring goods or services to a customer. The Company 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 Company's main types of revenue are explained below:

(i) IT consulting and outsourcing services

The Company provides IT consulting and outsourcing services. Revenue is recognized in the accounting period in which the services are rendered. For fixed-price contracts, revenue is recognized based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided. The proportion of services provided is determined based on the costs incurred to date as a proportion of the total estimated costs of the transaction.

(Continued)

WISTRON INFORMATION TECHNOLOGY AND SERVICES CORPORATION
Notes to the Parent Company Only Financial Statements

Some contracts include multiple deliverables, such as system development and maintenance service. In most cases, an integration service is not included, and the transaction price will be allocated based on the stand-alone selling prices. Where these are not directly observable, they are estimated based on expected cost plus margin. If contracts include the installation of hardware, revenue for the hardware is recognized at a point in time when the hardware is delivered, the legal title has passed, and the customer has accepted the hardware.

Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by management.

In case of fixed-price contracts, the customer pays the fixed amount based on a payment schedule. If the services rendered by the Company exceed the payment, a contract asset is recognized. If the payments exceed the services rendered, a contract liability is recognized.

(ii) Financing components

The Company 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 Company does not adjust any of the transaction prices for the time value of money.

(m) Government grants

In accordance with IAS No. 20 “Accounting for Government Grants and Disclosure of Government Assistance”, the Company recognizes government grants when there is reasonable assurance that the Company will follow the conditions and the grant will be received. The Company recognizes government grants in profit or loss according to a reasonable and systematic method to match its related costs during the period.

(n) Employee benefits

(i) Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in future payments is available.

(ii) Defined benefit plans

The Company’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.

(Continued)

WISTRON INFORMATION TECHNOLOGY AND SERVICES CORPORATION
Notes to the Parent Company Only Financial Statements

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 Company, 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 Company 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 Company 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 Company 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.

(o) Share-based payment

The grant-date fair value of equity-settled share-based payment arrangements granted to employees is generally recognized as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognized is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

For share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between the expected and the actual outcomes.

Grant date of the share-based payment award is the date the Company inform their employees about the exercise price and shares.

(p) Income taxes

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

(Continued)

WISTRON INFORMATION TECHNOLOGY AND SERVICES CORPORATION
Notes to the Parent Company Only Financial Statements

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 Company 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 taxes are measured at the 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.

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

- (i) the Company 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.

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.

(Continued)

WISTRON INFORMATION TECHNOLOGY AND SERVICES CORPORATION
Notes to the Parent Company Only Financial Statements

(q) Earnings per share

The Company discloses the Company's basic and diluted earnings per share attributable to ordinary shareholders of the Company. The calculation of basic earnings per share is based on the profit attributable to the ordinary shareholder of the Company divided by weighted-average number of ordinary shares outstanding. The calculation of diluted earnings per share is based on the profit attributable to ordinary shareholders of the Company, divided by weighted-average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares, such as employee stock option and employees' profit sharing bonus.

(r) Operating segment

The Company discloses the operating segment information in the consolidated financial statements. Therefore, the Company does not disclose the operating segment information in the parent company only financial statements.

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

The preparation of the parent company only financial statements in conformity with "Regulations Governing the Preparation of Financial Reports by Securities Issuers" requires the 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 critical judgments in applying the accounting policies that do not have significant effects on the amounts recognized in the parent company only 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 by valuation of accounts receivable.

The Company has estimated the loss allowance of accounts receivable based on the risk of a default occurring and the rate of expected credit loss. The Company has considered historical experience, current economic conditions and forward-looking information at the reporting date to determine the expected credit loss rate to be used in calculating the impairments.

However, in the face of future economic trends, the Company may cause changes in the expected credit loss rate, and may cause losses in the future or reverse the recognized credit losses.

The allowance loss for accounts receivable please refer to Note 6(c).

(Continued)

WISTRON INFORMATION TECHNOLOGY AND SERVICES CORPORATION
Notes to the Parent Company Only Financial Statements

(6) Explanation of significant accounts

(a) Cash and cash equivalents

	December 31, 2020	December 31, 2019
Cash on hand	\$ 90	120
Demand and checking deposits	107,266	106,534
Time deposits	<u>60,000</u>	<u>184,791</u>
Cash and cash equivalents in the parent company only statement of cash flows	<u>\$ 167,356</u>	<u>291,445</u>

Please refer to Note 6(q) for the currency rate risk and sensitivity analysis of the financial assets of the Company.

(b) Non-current financial assets at fair value through other comprehensive income

	December 31, 2020	December 31, 2019
Unlisted stocks	<u>\$ -</u>	<u>13,212</u>

(i) The Company designated the investments show above as equity securities as at fair value through other comprehensive income because these equity securities represent those investments that the Company intends to hold for long-term for strategic purposes.

(ii) The Company recognized the dividend income of \$260 and \$714 as financial assets at fair value through other comprehensive income in 2020 and 2019, respectively. In addition, the Company sold its shares, with a fair value of \$18,000 (including securities transaction tax) as of September 18, 2020, resulting in the Company to recognize the net loss of \$17,454, which was reclassified from other comprehensive income to retained earnings.

(iii) The aforementioned financial assets were not pledged as collateral.

(c) Notes and accounts receivable (including related parties)

	December 31, 2020	December 31, 2019
Accounts receivable	\$ 214,537	209,638
Accounts receivable-related parties	27,724	32,702
Less: Loss allowance	<u>-</u>	<u>(30)</u>
	<u>\$ 242,261</u>	<u>242,310</u>

The Company applies the simplified approach to provide for its expected credit losses, i.e. the use of lifetime expected loss provision for all receivables. To measure the expected credit losses, accounts receivable has been grouped based on shared credit risk characteristics and days past due, as well as the incorporated forward-looking information.

(Continued)

WISTRON INFORMATION TECHNOLOGY AND SERVICES CORPORATION
Notes to the Parent Company Only Financial Statements

The loss allowance provision was determined as follows:

	December 31, 2020		
	Gross carrying amount	Weighted- average expected credit loss rate	Lifetime expected credit loss allowance
Not overdue	\$ 230,265	-	-
Overdue within 30 days	8,492	-	-
Overdue 31~120 days	3,504	-	-
Overdue 121~180 days	-	-	-
Overdue 181~365 days	-	-	-
Overdue more than 365 days	-	-	-
	\$ 242,261		-

	December 31, 2019		
	Gross carrying amount	Weighted- average expected credit loss rate	Lifetime expected credit loss allowance
Not overdue	\$ 222,231	-	-
Overdue within 30 days	14,360	-	-
Overdue 31~120 days	5,531	-	-
Overdue 121~180 days	75	-	-
Overdue 181~365 days	143	20.85%	30
Overdue more than 365 days	-	-	-
	\$ 242,340		30

The movements in the allowance for accounts receivable were as follow:

	2020	2019
Balance as of January 1	\$ 30	452
Impairment losses reversed	(30)	(422)
Balance as of December 31	\$ -	30

(d) Investments accounted for using equity method

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

	December 31, 2020	December 31, 2019
Subsidiaries	\$ 1,763,445	1,336,069

(Continued)

WISTRON INFORMATION TECHNOLOGY AND SERVICES CORPORATION
Notes to the Parent Company Only Financial Statements

(i) Subsidiaries

Please refer to the consolidated financial statements for the year ended December 31, 2020.

(ii) The investments accounted for using equity method were not pledged.

(e) Property, plant and equipment

The movements in cost and accumulated depreciation of property, plant and equipment were as follows:

	<u>Land</u>	<u>Buildings and structures</u>	<u>Computers and other equipment</u>	<u>Office equipment</u>	<u>Lease improvements</u>	<u>Lease equipment</u>	<u>Total</u>
Cost :							
Balance as of January 1, 2020	\$ 185,913	309,808	47,682	8,849	1,458	504	554,214
Additions	-	-	1,222	56	-	-	1,278
Disposals	-	-	(4,546)	(130)	(1,458)	-	(6,134)
Balance as of December 31, 2020	<u>\$ 185,913</u>	<u>309,808</u>	<u>44,358</u>	<u>8,775</u>	<u>-</u>	<u>504</u>	<u>549,358</u>
Balance as of January 1, 2019	\$ -	-	37,000	4,217	14,847	504	56,568
Additions	158,451	269,848	15,229	7,868	-	-	451,396
Reclassification	27,462	39,960	-	-	-	-	67,422
Disposals	-	-	(4,547)	(3,236)	(13,389)	-	(21,172)
Balance as of December 31, 2019	<u>\$ 185,913</u>	<u>309,808</u>	<u>47,682</u>	<u>8,849</u>	<u>1,458</u>	<u>504</u>	<u>554,214</u>
Accumulated depreciation :							
Balance as of January 1, 2020	\$ -	3,958	26,988	1,321	1,458	504	34,229
Depreciation	-	9,500	7,395	1,393	-	-	18,288
Disposals	-	-	(4,546)	(130)	(1,458)	-	(6,134)
Balance as of December 31, 2020	<u>\$ -</u>	<u>13,458</u>	<u>29,837</u>	<u>2,584</u>	<u>-</u>	<u>504</u>	<u>46,383</u>
Balance as of January 1, 2019	\$ -	-	24,631	2,968	12,058	504	40,161
Depreciation	-	3,958	6,882	947	2,261	-	14,048
Disposals	-	-	(4,525)	(2,594)	(12,861)	-	(19,980)
Balance as of December 31, 2019	<u>\$ -</u>	<u>3,958</u>	<u>26,988</u>	<u>1,321</u>	<u>1,458</u>	<u>504</u>	<u>34,229</u>
Carrying value :							
Balance as of December 31, 2020	<u>\$ 185,913</u>	<u>296,350</u>	<u>14,521</u>	<u>6,191</u>	<u>-</u>	<u>-</u>	<u>502,975</u>
Balance as of December 31, 2019	<u>\$ 185,913</u>	<u>305,850</u>	<u>20,694</u>	<u>7,528</u>	<u>-</u>	<u>-</u>	<u>519,985</u>
Balance as of January 1, 2019	<u>\$ -</u>	<u>-</u>	<u>12,369</u>	<u>1,249</u>	<u>2,789</u>	<u>-</u>	<u>16,407</u>

As of December 31, 2020 and 2019, the property, plant and equipment were not pledged.

(Continued)

WISTRON INFORMATION TECHNOLOGY AND SERVICES CORPORATION
Notes to the Parent Company Only Financial Statements

(f) Right-of-use assets

The Company leases transportation equipment. The movements in right-of-use assets were as follows:

	Transportation equipment
Cost:	
Balance as of January 1, 2020	\$ <u>1,323</u>
Balance as of December 31, 2020	\$ <u><u>1,323</u></u>
Balance as of January 1, 2019	\$ -
Addition	<u>1,323</u>
Balance as of December 31, 2019	\$ <u><u>1,323</u></u>
Accumulated depreciation:	
Balance as of January 1, 2020	\$ 147
Depreciation	<u>441</u>
Balance as of December 31, 2020	\$ <u><u>588</u></u>
Balance as of January 1, 2019	\$ -
Depreciation	<u>147</u>
Balance as of December 31, 2019	\$ <u><u>147</u></u>
Carrying amount:	
Balance as of December 31, 2020	\$ <u><u>735</u></u>
Balance as of December 31, 2019	\$ <u><u>1,176</u></u>
Balance as of January 1, 2019	\$ <u><u>-</u></u>

(g) Intangible assets

The movements in intangible assets were as follows:

	Software
Cost :	
Balance as of January 1, 2020	\$ 34,443
Additions	4,107
Disposals	<u>(6)</u>
Balance as of December 31, 2020	\$ <u><u>38,544</u></u>
Balance as of January 1, 2019	\$ 28,806
Additions	5,776
Disposals	<u>(139)</u>
Balance as of December 31, 2019	\$ <u><u>34,443</u></u>

(Continued)

WISTRON INFORMATION TECHNOLOGY AND SERVICES CORPORATION
Notes to the Parent Company Only Financial Statements

	Software
Accumulated amortization :	
Balance as of January 1, 2020	\$ 27,233
Amortization	3,063
Disposals	(6)
Balance as of December 31, 2020	<u>\$ 30,290</u>
Balance as of January 1, 2019	\$ 23,251
Amortization	4,121
Disposals	(139)
Balance as of December 31, 2019	<u>\$ 27,233</u>
Carrying value :	
Balance as of December 31, 2020	<u>\$ 8,254</u>
Balance as of December 31, 2019	<u>\$ 7,210</u>
Balance as of January 1, 2019	<u>\$ 5,555</u>

For the years ended December 31, 2020 and 2019, the amortization of intangible assets is included in the cost of sales and operating expenses in the statement of comprehensive income.

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

(i) Other current assets

	December 31, 2020	December 31, 2019
Refundable deposits	\$ 5,778	-
Temporary payments	884	1,221
	<u>\$ 6,662</u>	<u>1,221</u>

(ii) Other non-current assets

	December 31, 2020	December 31, 2019
Refundable deposits	<u>\$ -</u>	<u>9,100</u>

(iii) For the years ended December 31, 2020 and 2019, the other current assets and other non-current assets were pledged, please refer to Note 8.

(Continued)

WISTRON INFORMATION TECHNOLOGY AND SERVICES CORPORATION
Notes to the Parent Company Only Financial Statements

(i) Lease liabilities

The carrying amounts of lease liabilities were as follows:

	December 31, 2020	December 31, 2019
Current	<u>\$ 449</u>	<u>425</u>
Non-current	<u>\$ 274</u>	<u>722</u>

For the maturity analysis, please refer to Note 6(q).

The amounts recognized in profit or loss were as follows:

	2020	2019
Interest expenses on lease liabilities	<u>\$ 53</u>	<u>23</u>
Expenses relating to short-term leases	<u>\$ 401</u>	<u>10,104</u>
Expenses relating to leases of low-value assets	<u>\$ 452</u>	<u>697</u>

The amount recognized in the statement of cash flows for the Company was as follows:

	2020	2019
Total cash outflow for leases	<u>\$ 1,330</u>	<u>11,000</u>

Other leases

The Company leases some office equipment. These leases are short-term or leases of low-value items. The Company has selected not to recognize right-of-use assets and lease liabilities for these leases.

(j) Employee benefits

(i) Defined benefit plans

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

	December 31, 2020	December 31, 2019
Present value of the defined benefit obligations	\$ 43,650	42,954
Fair value of plan assets	<u>(27,585)</u>	<u>(27,579)</u>
Net defined benefit liabilities	<u>\$ 16,065</u>	<u>15,375</u>

The Company makes defined benefit plan contributions to the pension fund account in the Bank of Taiwan 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 salary prior to six months of retirement.

(Continued)

WISTRON INFORMATION TECHNOLOGY AND SERVICES CORPORATION
Notes to the Parent Company Only Financial Statements

1) Composition of plan assets

The Company 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 Company's labor pension reserve account balance in the Bank of Taiwan amounted to \$27,585 as of December 31, 2020. 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 at present value of the defined benefit obligations

For the years ended December 31, 2020 and 2019, the movements at present value of the defined benefit obligations for the Company were as follows:

	<u>2020</u>	<u>2019</u>
Defined benefit obligations at January 1	\$ 42,954	41,173
Current service costs and interest cost	1,280	1,032
Remeasurements of the net defined benefit liability:		
— Actuarial loss arising from changes in financial assumptions	2,458	1,248
— Actuarial gain arising from experience adjustments	(1,499)	(499)
Benefits paid	<u>(1,543)</u>	<u>-</u>
Defined benefit obligations at December 31	<u>\$ 43,650</u>	<u>42,954</u>

3) Movements at fair value of the defined benefit plan assets

For the years ended December 31, 2020 and 2019, the movements at fair value of the defined benefit plan assets for the Company were as follows:

	<u>2020</u>	<u>2019</u>
Fair value of plan assets at January 1	\$ 27,579	25,805
Expected return on plan assets	291	350
Remeasurements of the net defined benefit liability:		
— Return on plan assets	818	977
Amounts contributed to plan	440	447
Benefits paid	<u>(1,543)</u>	<u>-</u>
Fair value of plan assets at December 31	<u>\$ 27,585</u>	<u>27,579</u>

(Continued)

WISTRON INFORMATION TECHNOLOGY AND SERVICES CORPORATION
Notes to the Parent Company Only Financial Statements

4) Expenses recognized in profit or loss

The expenses recognized in profit or loss for the Company were as follows:

	<u>2020</u>	<u>2019</u>
Current service costs	\$ 819	474
Interest cost	461	558
Expected return on plan assets	<u>(291)</u>	<u>(350)</u>
	<u>\$ 989</u>	<u>682</u>
	<u>2020</u>	<u>2019</u>
Cost of sales	\$ 216	331
Selling expenses	34	27
Administration expenses	<u>739</u>	<u>324</u>
	<u>\$ 989</u>	<u>682</u>

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

For the years ended December 31, 2020 and 2019, the remeasurements of the net defined benefit liability recognized in other comprehensive income were as follows:

	<u>2020</u>	<u>2019</u>
Accumulated amount at January 1	\$ 7,018	7,246
Recognized during the period	<u>141</u>	<u>(228)</u>
Accumulated amount at December 31	<u>\$ 7,159</u>	<u>7,018</u>

6) Actuarial assumptions

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

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Discount rate	0.625 %	1.125 %
Future salary increase rate	3.000 %	3.000 %

Expected contribution to the defined benefit pension plan of the Company for the one-year period after the reporting date is \$450. The weighted average lifetime of the defined benefit plans is 15.37 years.

(Continued)

WISTRON INFORMATION TECHNOLOGY AND SERVICES CORPORATION
Notes to the Parent Company Only Financial Statements

7) Sensitivity analysis

As of December 31, 2020, and 2019, the changes in main actuarial assumptions might have an impact on the present value of the defined benefit obligation as follows:

	<u>Influences of defined benefit obligations</u>	
	<u>Increase</u>	<u>Decrease</u>
December 31, 2020		
Discount rate (0.25%)	\$ (1,256)	1,306
Future salary increase rate (0.25%)	1,258	(1,212)
December 31, 2019		
Discount rate (0.25%)	(1,248)	1,298
Future salary increase rate (0.25%)	1,249	(1,211)

There is no change in other assumptions when performing the aforementioned sensitivity analysis. In practice, assumptions may be interactive with each other. The method used on sensitivity analysis is consistent with the calculation on the net pension liabilities.

There is no change in the method and assumptions used in the preparation of sensitivity analysis for 2020 and 2019.

(ii) Defined contribution plans

The Company set aside 6% of the contribution rate of the employee's monthly wages to the Labor Pension personal account of the Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. The Company set aside a fixed amount to the Bureau of Labor Insurance without the payment of additional legal or constructive obligations.

The Company set aside \$33,539 and \$29,244 of the pension under the pension plan costs to the Bureau of Labor Insurance for the years ended December 31, 2020 and 2019, respectively.

(k) Income tax

(i) Income tax expense

The components of income tax expense for the years ended December 31, 2020 and 2019 were as follows:

	<u>2020</u>	<u>2019</u>
Current tax expense	\$ 26,706	21,391
Deferred tax expense	2,140	1,765
Income tax expense	<u>\$ 28,846</u>	<u>23,156</u>

There is no income tax recognized directly in equity or other comprehensive income for the years ended December 31, 2020 and 2019.

(Continued)

WISTRON INFORMATION TECHNOLOGY AND SERVICES CORPORATION
Notes to the Parent Company Only Financial Statements

Reconciliation of income tax expenses and profit before tax for the years ended December 31, 2020 and 2019 were as follows:

	<u>2020</u>	<u>2019</u>
Profit before tax	\$ 494,735	436,279
Estimated income tax calculated using the Company's domestic tax rate	98,947	87,256
Prior-period tax adjustments	123	1,461
Change in unrecognized temporary differences	(75,308)	(66,896)
Additional tax on undistributed earnings	5,252	-
Others	(168)	1,335
	<u>\$ 28,846</u>	<u>23,156</u>

(ii) Deferred tax assets and liabilities

1) Unrecognized deferred tax liabilities

The Company is able to control the timing of the reversal of the temporary differences associated with investments in subsidiaries as of December 31, 2020 and 2019. Also, management considers it probable that the temporary differences will not reverse in the foreseeable future. Hence, such temporary differences are not recognized under deferred tax liabilities. Details are as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Aggregate amount of temporary differences related to investments in subsidiaries	\$ 1,098,294	721,757
Unrecognized deferred tax liabilities	\$ 219,659	144,351

2) Unrecognized deferred tax assets

There are no significant unrecognized deferred tax assets for the years ended December 31, 2020 and 2019.

3) Recognized deferred tax assets and liabilities

The movements in deferred tax assets and liabilities were as follows:

Deferred Tax Assets:

	<u>Tax loss carryforward</u>	<u>Loss allowance</u>	<u>Others</u>	<u>Total</u>
Balance as of January 1, 2020	\$ -	-	6,233	6,233
Recognized in profit or loss	-	-	(301)	(301)
Balance as of December 31, 2020	\$ -	-	5,932	5,932
Balance as of January 1, 2019	\$ 1,826	1,114	3,643	6,583
Recognized in profit or loss	(1,826)	(1,114)	2,590	(350)
Balance as of December 31, 2019	\$ -	-	6,233	6,233

(Continued)

WISTRON INFORMATION TECHNOLOGY AND SERVICES CORPORATION
Notes to the Parent Company Only Financial Statements

Deferred Tax Liabilities:

	Recognized share of gain of subsidiaries accounted for equity method	Others	Total
Balance as of January 1, 2020	\$ 60,137	-	60,137
Recognized in profit or loss	1,839	-	1,839
Balance as of December 31, 2020	<u>\$ 61,976</u>	<u>-</u>	<u>61,976</u>
Balance as of January 1, 2019	\$ 58,644	78	58,722
Recognized in profit or loss	1,493	(78)	1,415
Balance as of December 31, 2019	<u>\$ 60,137</u>	<u>-</u>	<u>60,137</u>

(iii) Assessment of tax

The Company's corporate income tax returns for the year through 2018 were assessed by the local tax authorities.

(l) Capital and other equity

As of December 31, 2020 and 2019, the Company's authorized common stock were 120,000 thousand shares with a par value of \$10 dollars per share, amounting to \$1,200,000, of which 66,708 thousand shares and 66,401 thousand shares, respectively, were issued. And the capital surplus were \$667,083 and \$664,011, respectively. All proceeds from shares issued have been collected.

Reconciliations of shares outstanding for the years ended December 31, 2020 and 2019 were as follows:

	Common stock (in thousands)	
	2020	2019
Balance as of January 1	66,401	60,214
Turning undistributed earning into capital	-	6,021
New share issued through employees' profit sharing bonus	307	166
Balance as of December 31	<u>66,708</u>	<u>66,401</u>

(i) Common stock

On March 27, 2020, the Company's Board of Directors approved a resolution to distribute the employees' profit sharing bonus amounting to \$20,000, consisting of 307 thousand shares. The application of the capital increase was approved by the Financial Supervisory Commission. The date of capital increase was resolved to be May 20, 2020, by the Board of Directors. The relevant registration procedures had been completed.

(Continued)

WISTRON INFORMATION TECHNOLOGY AND SERVICES CORPORATION
Notes to the Parent Company Only Financial Statements

On March 22, 2019, the Company's Board of Directors approved a resolution to distribute the employees' profit sharing bonus amounting to \$20,000, consisting of 166 thousand shares. The application of the capital increase was approved by the Financial Supervisory Commission. The date of capital increase was resolved to be June 19, 2019, by the Board of Directors. The relevant registration procedures had been completed.

On June 24, 2019, the Company's shareholders approved a resolution to distribute the retained earnings amounting to \$60,214 consisting of 6,021 thousand shares, wherein, 100 shares per thousand shares were distributed as stock dividend. However, the Company distributed the employees' profit sharing bonus to new shares. The stock distribution had been adjusted to 99.72510 shares per thousand shares. The date of capital increase was resolved to be August 12, 2019, by the Board of Directors. The relevant registration procedures had been completed.

(ii) Capital surplus

The details of capital surplus at the reporting date were as follows:

	December 31, 2020	December 31, 2019
A premium issuance of common shares for cash	\$ 729,775	712,847
Transaction of treasury shares	23,204	23,204
Earnings from donated assets received	<u>26</u>	<u>-</u>
	<u>\$ 753,005</u>	<u>736,051</u>

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.

On March 27, 2020, and March 22, 2019, the Company's Board of Directors approved a resolution to distribute employees' profit sharing bonus consisting of 307 thousand shares and 166 thousand shares. The amount of stock premium were \$16,928 and \$18,340.

(iii) Retained earning

The Company's Article of Incorporation stipulates that when allocating the net profit for each fiscal year, the Company shall first offset its losses in previous years and then set aside the legal reserve at 10% of net profit until the accumulated legal reserve equals the Company's capital; and also set aside special capital reserve in accordance with relevant regulations or as requested by the authorities. Any balance left over and the beginning balance of retaining earnings shall be distributed by way of cash or stock dividends; and the ratio for all dividends shall exceed 5% of the remaining earnings. The Company's appropriations of earnings are approved in the meeting of the Board of Directors and are presented for approval in the Company's shareholders' meeting.

(Continued)

WISTRON INFORMATION TECHNOLOGY AND SERVICES CORPORATION
Notes to the Parent Company Only Financial Statements

The Company considers that the current industrial development of the Company is in a stage of stable growth. In order to cooperate with the Company's long-term capital planning for sustainable operation and stable growth, the Company adopts the residual dividend policy. The annual cash dividends paid shall not be less than 10% of the total cash dividends and stock dividends.

1) Legal reserve

If the Company experienced profit for the year, the meeting of shareholders may decide on the distribution of the legal reserve either by new shares or by cash of up to 25% of the actual share capital.

2) Special reserve

In accordance with Ruling No. 1010012865 issued by the FSC on April 6, 2012, a portion of current period earnings and undistributed prior period earnings shall be reclassified as a special earnings reserve during earnings distribution. The amount to be reclassified should be equal to the total net reduction of current period of other shareholders' equity. Similarly, a portion of undistributed prior period earnings shall be reclassified as a special earnings reserve (and does not qualify for earnings distribution) to account for cumulative changes to other shareholders' equity pertaining to prior periods. Amounts of subsequent reversals pertaining to the net reduction of other shareholders' equity shall qualify for additional distributions.

3) Appropriations of earnings

The appropriations of earnings for 2019 and 2018 had been approved by the shareholders' meetings held on June 22, 2020 and June 24, 2019, respectively. The appropriations and dividends were as follows:

	2019	2018
Cash dividends	\$ 212,484	102,363
Stock dividends	-	60,214
	\$ 212,484	162,577

4) Treasury shares

a) The Company repurchased its own common stock as treasury shares in order to motivate and improve the operating performance of its employees in accordance with the requirements under section 28(2) of the Securities and Exchange Act.

The repurchase period is from March 30 to May 29, 2020. As of December 31, 2020, the repurchased treasury shares were 958 thousand shares in total. Shares transferred to employees was 0 thousand shares. Therefore, the shares of treasury shares held were 958 shares.

b) Treasury stock cannot be pledged for debts, and treasury shares do not carry any shareholder rights until it is transferred.

(Continued)

WISTRON INFORMATION TECHNOLOGY AND SERVICES CORPORATION
Notes to the Parent Company Only Financial Statements

(iv) Other equity interest, net of tax

	Exchange differences on translation of foreign financial statements		Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income		Total	
	The Company	Subsidiaries	The Company	Subsidiaries	The Company	Subsidiaries
	Balance as of January 1, 2020	\$ (1,289)	(101,620)	(22,188)	-	(23,477)
Foreign currency translation differences	(2,808)	24,505	-	-	(2,808)	24,505
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	-	-	4,734	-	4,734	-
Disposal of financial assets measured at fair value through other comprehensive income	-	-	17,454	-	17,454	-
Balance as of December 31, 2020	<u>\$ (4,097)</u>	<u>(77,115)</u>	<u>-</u>	<u>-</u>	<u>(4,097)</u>	<u>(77,115)</u>
Balance as of January 1, 2019	\$ (36)	(53,540)	(22,328)	-	(22,364)	(53,540)
Foreign currency translation differences	(1,253)	(48,080)	-	-	(1,253)	(48,080)
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	-	-	140	-	140	-
Balance as of December 31, 2019	<u>\$ (1,289)</u>	<u>(101,620)</u>	<u>(22,188)</u>	<u>-</u>	<u>(23,477)</u>	<u>(101,620)</u>

(m) Earnings per share ("EPS")

(i) Basic earnings per share

	2020	2019
Net profit belonging to common shareholders	<u>\$ 465,889</u>	<u>413,123</u>
Weighted average common stock outstanding (in thousands shares)	<u>66,020</u>	<u>66,361</u>
Basic earnings per share (in dollars)	<u>\$ 7.06</u>	<u>6.23</u>

(Continued)

WISTRON INFORMATION TECHNOLOGY AND SERVICES CORPORATION
Notes to the Parent Company Only Financial Statements

(ii) Diluted earnings per share

	<u>2020</u>	<u>2019</u>
Net profit belonging to common shareholders	\$ <u>465,889</u>	<u>413,123</u>
Weighted average common stock outstanding (in thousands shares)	66,020	66,361
Effect of potentially dilutive common stock (in thousands shares)		
Employees' profit sharing bonus	481	368
Employees' profit sharing bonus of subsidiary company	<u>279</u>	<u>190</u>
Weighted average number of common stock (diluted) (in thousands shares)	<u>66,780</u>	<u>66,919</u>
Diluted earnings per share (in dollars)	\$ <u>6.98</u>	<u>6.17</u>

(n) Revenue from contracts with customers

(i) Disaggregation of revenue

	<u>2020</u>	<u>2019</u>
Primary geographical markets:		
Taiwan	\$ 805,050	700,415
Japan	16,846	15,054
China	496	14,579
Others	<u>184,059</u>	<u>182,320</u>
	\$ <u>1,006,451</u>	<u>912,368</u>
Major products:		
IT service revenue	\$ <u>1,006,451</u>	<u>912,368</u>

(ii) Balance of contracts

	<u>December 31, 2020</u>	<u>December 31, 2019</u>	<u>January 1, 2019</u>
Accounts receivable (including related parties)	\$ 242,261	242,340	256,772
Less: loss allowance	<u>-</u>	<u>(30)</u>	<u>(452)</u>
Total	\$ <u>242,261</u>	<u>242,310</u>	<u>256,320</u>
Contract assets	\$ 11,309	13,417	20,328
Less: loss allowance	<u>(339)</u>	<u>(402)</u>	<u>(609)</u>
Total	\$ <u>10,970</u>	<u>13,015</u>	<u>19,719</u>

(Continued)

WISTRON INFORMATION TECHNOLOGY AND SERVICES CORPORATION
Notes to the Parent Company Only Financial Statements

The movements in the allowance for contract assets were as follow:

	2020	2019
Balance as of January 1	\$ 402	609
Impairment losses reversed	(63)	(207)
Balance as of December 31	\$ 339	402

	December 31, 2020	December 31, 2019	January 1, 2019
Contract liabilities	\$ 4,848	2,924	2,470

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

The Company applied the simplified approach to provide for its expected credit losses to measure the loss allowance for contract assets.

The amount of revenue recognized for the years ended December 31, 2020 and 2019 that was included in the contract liabilities balance at the beginning of the year was \$2,509 and \$2,111, respectively.

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

(o) Employees' and directors' profit sharing bonus

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' profit sharing bonus) it shall be contributed by the following rules. However, if the amount Company have accumulated losses, it shall reserve the amount for offsetting losses.

- (i) No less than 10% of profit as employees' profit sharing bonus. The Company may distribute in the form of shares or in cash, and the qualification requirements of employees, including the employees of subsidiaries of the Company, depends on certain specific requirement determined by the Board of Directors.
- (ii) No more than 2% of profit as the profit sharing bonus in cash to the Directors.

The Company's estimated of employees' and directors' profit sharing bonus were as follows:

	2020	2019
Employees' profit sharing bonus	\$ 56,219	49,582
Directors' profit sharing bonus	11,240	9,800
	\$ 67,459	59,382

(Continued)

WISTRON INFORMATION TECHNOLOGY AND SERVICES CORPORATION
Notes to the Parent Company Only Financial Statements

The amounts are calculated by the net profit before tax excluding employees' and directors' profit sharing bonus, of each year multiplied by the percentage of employees' and directors' profit sharing bonus as specified in the Company's Article of Incorporation. The amounts excluding the part of subsidiaries are accounted for under operating expense in 2020 and 2019. 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. If the Company's Board of Directors approved to distribute employee's profit sharing bonus by shares, the number of shares were calculated based on the closing price of the Company's common stock, one day before the date of the meeting of Board of Directors. Related information would be available at the Market Observation Post System website. The amounts, as stated in the financial statements, are identical to those of the actual distributions for 2020 and 2019.

(p) Non-operating income and expenses

(i) Interest income

	<u>2020</u>	<u>2019</u>
Interest income	\$ <u>473</u>	<u>1,168</u>

(ii) Other income

	<u>2020</u>	<u>2019</u>
Government grants	\$ 18	-
Dividend income	<u>260</u>	<u>714</u>
	\$ <u>278</u>	<u>714</u>

(iii) Other gains and losses

	<u>2020</u>	<u>2019</u>
Foreign exchange losses, net	\$ (2,352)	(340)
Management services revenue	34,695	32,633
Losses on disposals of property, plant and equipment, net	41	(1,087)
Others	<u>372</u>	<u>273</u>
	\$ <u>32,756</u>	<u>31,479</u>

(iv) Finance costs

	<u>2020</u>	<u>2019</u>
Interest expense	\$ <u>(218)</u>	<u>(306)</u>

(q) Financial instruments

(i) Credit risk

1) Credit risk exposure

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

(Continued)

WISTRON INFORMATION TECHNOLOGY AND SERVICES CORPORATION
Notes to the Parent Company Only Financial Statements

2) Concentration of credit risk

When financial commodity trading is relatively concentrated on a few trading partners, or not but the trading objects are mostly engaged in similar commercial activities and have similar economic characteristics, so when the ability to perform the contract is similarly affected by economic or other conditions, a significant concentration of credit risk occurs.

As of December 31, 2020 and 2019, 68% and 57%, respectively, of accounts receivable was concentrated on 6 specific customers. Thus, credit risk is significantly centralized.

The Company has regularly assessed the possibility of recovering accounts receivable and provides appropriate allowance for impairment losses, which is within the management's expectations. In order to reduce the credit risk, the company also regularly and continuously assesses the financial status of customers, and these customers are well-known international manufacturers. In the past year, the collection status of customers was good. Therefore, the company assesses that credit risk can be reduced.

3) Receivables securities

For credit risk exposure of accounts receivables, please refer to Note 6(c). For impairment of contract assets, please refer to Note 6(n).

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(f).

(ii) Liquidity risk

The following were the contractual maturities of financial liabilities, including estimated interest payments:

	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>Within 1 year</u>	<u>1-2 years</u>	<u>Over 2 years</u>
As of December 31, 2020					
Non-derivative financial liabilities					
Accounts payable	\$ 2,435	2,435	2,435	-	-
Other payables (including related parties)	269,731	269,731	269,731	-	-
Lease liabilities (current and non-current)	<u>723</u>	<u>756</u>	<u>478</u>	<u>278</u>	<u>-</u>
	<u>\$ 272,889</u>	<u>272,922</u>	<u>272,644</u>	<u>278</u>	<u>-</u>
As of December 31, 2019					
Non-derivative financial liabilities					
Accounts payable (including related parties)	\$ 9,586	9,586	9,586	-	-
Other payables (including related parties)	16,755	16,755	16,755	-	-
Lease liabilities (current and non-current)	<u>1,147</u>	<u>1,234</u>	<u>478</u>	<u>478</u>	<u>278</u>
	<u>\$ 27,488</u>	<u>27,575</u>	<u>26,819</u>	<u>478</u>	<u>278</u>

(Continued)

WISTRON INFORMATION TECHNOLOGY AND SERVICES CORPORATION
Notes to the Parent Company Only Financial Statements

The Company does not expect that the cash flows included in the maturity analysis could occur significantly earlier or at significantly different amounts.

(iii) Currency risk

1) Exposure to currency risk

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

	December 31, 2020			December 31, 2019		
	Foreign currency	Exchange rate	NTD	Foreign currency	Exchange rate	NTD
<u>Financial assets</u>						
<u>Monetary items</u>						
USD	\$ 650	28.508	18,543	1,231	30.106	37,059
CNY				1,647	4.3090	7,095
<u>Non-monetary items</u>						
USD	56,252	28.508	1,603,631	40,976	30.106	1,233,626
JPY	438,120	0.2761	120,965	370,500	0.2765	102,443
HKD	10,564	3.6774	38,849			

2) Sensitivity analysis

The Company'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) that are denominated in foreign currency. A strengthening (weakening) 5% of appreciation (depreciation) of the NTD against the foreign currency for the years ended December 31, 2020 and 2019 would have increased (decreased) the net profit after tax by \$1,017 and \$2,445, respectively. The analysis assumes that all other variables remain constant.

3) Foreign exchange gain and loss on monetary items

The Company's exchange gain or loss, including realized and unrealized portions, of monetary items convert to amount of functional currency, information about exchange rate is as below:

	2020		2019	
	Exchange loss	Average exchange rate	Exchange loss	Average exchange rate
NTD	2,352	-	340	-

(Continued)

WISTRON INFORMATION TECHNOLOGY AND SERVICES CORPORATION
Notes to the Parent Company Only Financial Statements

(iv) Interest rate analysis

Please refer to the notes on liquidity risk management and interest rate exposure of the Company's financial assets and liabilities. The change in interest rate has no significant impact on the Company's net profit in 2020 and 2019.

(v) Other market price risk

For the years ended December 31, 2020 and 2019, the sensitivity analyses for the changes in the securities price at the reporting date were performed using the same basis for the profit and loss as illustrated below:

Prices of securities at the reporting date	2020 Other comprehensive income after tax	2019 Other comprehensive income after tax
Increasing 3%	\$ -	396
Decreasing 3%	\$ -	(396)

(vi) 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:

	Carrying amount	December 31, 2020			Total
		Level 1	Level 2	Level 3	
Financial assets measured at amortized cost					
Cash and cash equivalents	\$ 167,356	-	-	-	-
Accounts receivable, net (including related parties)	242,261	-	-	-	-
Other receivables (including related parties)	3,213	-	-	-	-
Refundable deposits	5,778	-	-	-	-
Subtotal	418,608	-	-	-	-
Total	\$ 418,608	-	-	-	-

(Continued)

WISTRON INFORMATION TECHNOLOGY AND SERVICES CORPORATION
Notes to the Parent Company Only Financial Statements

	December 31, 2020				
	Carrying amount	Fair value			Total
		Level 1	Level 2	Level 3	
Financial liabilities measured at amortized cost					
Accounts payable	\$ 2,435	-	-	-	-
Other payables (including related parties)	269,731	-	-	-	-
Lease liabilities (current and non-current)	<u>723</u>	-	-	-	-
Total	<u>\$ 272,889</u>	-	-	-	-
	December 31, 2019				
	Carrying amount	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through other comprehensive income	\$ 13,212	-	<u>13,212</u>	-	<u>13,212</u>
Financial assets measured at amortized cost					
Cash and cash equivalents	291,445	-	-	-	-
Accounts receivable, net (including related parties)	242,310	-	-	-	-
Other receivables (including related parties)	9,124	-	-	-	-
Refundable deposits	<u>9,100</u>	-	-	-	-
Subtotal	<u>551,979</u>	-	-	-	-
Total	<u>\$ 565,191</u>	-	<u>13,212</u>	-	<u>13,212</u>
Financial liabilities measured at amortized cost					
Accounts payable (including related parties)	\$ 9,586	-	-	-	-
Other payables (including related parties)	16,755	-	-	-	-
Lease liabilities (current and non-current)	<u>1,147</u>	-	-	-	-
Total	<u>\$ 27,488</u>	-	-	-	-

2) Valuation techniques for financial instruments measured at fair value

The financial assets held by the Company that are measured at fair value through other comprehensive profit or loss are based on the market method of estimating fair value. The judgment refers to the evaluation of the same type of company, market conditions and financial indicators, etc.

3) Transfers between Level 1 and Level 2

For the years ended December 31, 2020 and 2019, there was no transfers between level 2 and level 1.

(Continued)

WISTRON INFORMATION TECHNOLOGY AND SERVICES CORPORATION
Notes to the Parent Company Only Financial Statements

(r) Management of financial risk

(i) Overview

The Company is exposed to the extent of the risks arising from financial instruments as below:

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

Detailed information about the Company's objectives, policies and processes for measuring and managing the above mentioned risks was listed below. 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

Risk management policies are approved by the Board of Directors and is executed by the Company's financial department. For financial risks arising from operation management, the financial department is accountable for recognizing, evaluating and planning the hedge methods through cooperating with other operating units. The Board of Directors develop and document risk policies which cover specific risk exposure such as currency risk and derivative financial instrument risk to ensure the hedge tools are performed properly and effectively.

(iii) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations that arises principally from the Company's accounts receivable.

1) Accounts receivable

The Company's credit risk exposures are influenced mainly by each customer. According to the Company's credit policy, the credit rating of individual customers must be analyzed before the payment terms and credit limit are given. The Company continues to evaluate the customers' credit rating and credit limit via automatic finance system to manage the credit exposure.

The Company set up the allowance for doubtful accounts to reflect the expected credit loss of accounts receivable.

2) Investments

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

(Continued)

WISTRON INFORMATION TECHNOLOGY AND SERVICES CORPORATION
Notes to the Parent Company Only Financial Statements

3) Guarantees

The Company only provides endorsement or guarantee for the companies defined in its policy - "Procedures Governing Endorsements and Guarantees". The company did not provide guarantees to non-consolidated subsidiaries as of December 31, 2020 and 2019.

(iv) Liquidity risk

Liquidity risk is a risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity risk is to ensure, as far as possible, that it always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The Company maintains sufficient cash and cash equivalents so as to cope with its operations and mitigate the effects of fluctuations in cash flows.

In addition, As of December 31, 2020 and 2019, the Company has unused credit facilities for bank loans of \$805,080 and \$520,000, 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 Company'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 Company is exposed to currency risk on sales and purchases that are denominated in a currency other than the respective functional currencies of the Company's entities. The currencies used in these transactions are denominated in CNY, USD and JPY.

The Company collects information of currency to monitor the trend of currency rate and keeps connection with the foreign currency department of banks to collect the market information and determine the exchange rate appropriately for securing the currency risk.

2) Interest risk

The Company did not have loans as of December 31, 2020 and 2019. Consequently, the Company did not have interest risk.

3) Other market price risk

The Company monitors the risk arising from its available-for-sale security instruments, which are held for monitoring cash flow requirements and unused capital. The management of the Company monitors the combination of 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.

(Continued)

WISTRON INFORMATION TECHNOLOGY AND SERVICES CORPORATION
Notes to the Parent Company Only Financial Statements

(s) Capital management

The Company's objectives for managing capital to safeguard the capacity to continue to operate, to continue to provide a return on shareholders, to maintain the interest of other related parties, and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust the dividend payment to the shareholders, issue new shares, or sell assets to settle any liabilities. The Company uses the debt-to-equity ratio to manage capital. This ratio is the total net debt divided by the total capital.

The Company's debt-to-equity ratio at the reporting date was as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Total liabilities	\$ 377,877	342,500
Less: cash and cash equivalents	<u>(167,356)</u>	<u>(291,445)</u>
Net debt	<u>\$ 210,521</u>	<u>51,055</u>
Total equity	\$ 2,335,218	2,108,997
Adjustment	<u>-</u>	<u>-</u>
Total capital	<u>\$ 2,335,218</u>	<u>2,108,997</u>
Debt-to-equity ratio	<u>9.02 %</u>	<u>2.42 %</u>

As of December 31, 2020, there were no changes in the Company's approach to capital management.

(t) Investing and Financing activities not affecting current cash flow

Reconciliation of liabilities arising from financing activities for the years ended December 31, 2020 and 2019, were as follows:

	<u>January 1, 2020</u>	<u>Cash flows</u>		<u>Non-cash changes</u>	<u>December 31, 2020</u>
		<u>Proceeds from loans</u>	<u>Repayments of loans and lease liabilities</u>	<u>New lease</u>	
Short-term loans	\$ -	166,276	(166,276)	-	-
Lease liabilities (Current and non-current)	<u>1,147</u>	<u>-</u>	<u>(424)</u>	<u>-</u>	<u>723</u>
	<u>\$ 1,147</u>	<u>166,276</u>	<u>(166,700)</u>	<u>-</u>	<u>723</u>

(Continued)

WISTRON INFORMATION TECHNOLOGY AND SERVICES CORPORATION
Notes to the Parent Company Only Financial Statements

	<u>Cash flows</u>			<u>Non-cash changes</u>	<u>December 31, 2019</u>
	<u>January 1, 2019</u>	<u>Proceeds from loans</u>	<u>Repayments of loans and lease liabilities</u>	<u>New lease</u>	
Short-term loans	\$ -	128,374	(128,374)	-	-
Lease liabilities (Current and non-current)	-	-	(176)	1,323	1,147
	<u>\$ -</u>	<u>128,374</u>	<u>(128,550)</u>	<u>1,323</u>	<u>1,147</u>

(7) Related-party transactions

(a) Names and relationship with related parties

The following are entities that have transactions with the Company during the periods covered in the financial statements and the Company's subsidiaries.

<u>Name of related party</u>	<u>Relationship with the Company</u>
Wistron Information Technology and Services Limited (WIHK)	The Subsidiary
Wistron ITS (Hong Kong) Limited (WIHH) (Note)	The Subsidiary
Wistron Information Technology and Services Inc. (WIBI)	The Subsidiary
Wistron Information Technology and Services (Japan) Inc. (WIJP)	The Subsidiary
WITS AMERICA, CORP. (WIUS)	The Subsidiary
Wistron Information Technology and Services (Beijing) Inc. (WIBJ)	The Subsidiary
Shanghai Booster Technologies Company Limited. (QT)	The Subsidiary
Beijing Enovation Technology co., Ltd. (WIYC)	The Subsidiary
Wistron ITS (Wuhan) CO. (WIWZ)	The Subsidiary
Hubei Peiwen Construction Co., Ltd. (Note 1)	The Subsidiary
Wistron Corporation (Wistron)	The entity with significant influence over the Company
Wiwynn Corporation (Wiwynn)	Other related party
WiAdvance Technology Corporation (AGI)	Other related party
Wistron NeWeb Corporation (WNC)	Other related party
Ms. Hsu and the spouse	The Company's key management and the spouse

(Note) The capital was injected in the 2nd quarter of 2020.

(Note 1) The registration of investment in Hubei Peiwen Construction Co., Ltd. was cancelled on March 2, 2021, and no capital was injected.

(Continued)

WISTRON INFORMATION TECHNOLOGY AND SERVICES CORPORATION
Notes to the Parent Company Only Financial Statements

(b) Significant transactions with related parties

(i) Provide service to related parties

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

	Revenue		Accounts receivable -related parties	
	2020	2019	December 31, 2020	December 31, 2019
Subsidiary-WIBI	\$ 23,306	171,735	-	5,952
Subsidiary-WIHK	125,431	-	10,523	-
Subsidiary-Other	43,993	34,552	6,204	13,228
Entities with significant influence over the Company	38,786	41,408	10,177	13,230
Other related party	3,480	1,335	820	292
	<u>\$ 234,996</u>	<u>249,030</u>	<u>27,724</u>	<u>32,702</u>

The selling price for related parties approximated the market price. The credit terms ranged from one to three months. Accounts receivable from related parties were uncollateralized, and no expected credit loss was required after the assessment by the management.

(ii) Service expense and payable to related parties

Subsidiaries provide IT and consulting services to the Company's business and the outstanding balances were as follows:

	Cost of sales		Accounts payable -related parties	
	2020	2019	December 31, 2020	December 31, 2019
Subsidiary—WIWZ	\$ 270	7,574	-	583
Subsidiary-Other	612	5,089	-	935
	<u>\$ 882</u>	<u>12,663</u>	<u>-</u>	<u>1,518</u>

The transactions between the Company and its subsidiaries were determined by considering the related costs of related parties, which were different from other outsourcing transactions, so it cannot be compared with.

(Continued)

WISTRON INFORMATION TECHNOLOGY AND SERVICES CORPORATION
Notes to the Parent Company Only Financial Statements

(iii) Management services

The Company provides business consulting for subsidiaries. The management services revenue and its outstanding balances were as follows:

	Other income		Other receivable-related parties	
	2020	2019	December 31, 2020	December 31, 2019
Subsidiary – WIHK	\$ 18,000	-	2,000	-
Subsidiary – WIBI	6,000	24,000	-	5,889
Subsidiary – WIUS	10,695	8,633	1,151	3,160
	<u>\$ 34,695</u>	<u>32,633</u>	<u>3,151</u>	<u>9,049</u>

(iv) Contract liabilities

As of December 31, 2020 and 2019, the Company received \$653 and \$163 advance payment from the entity with significant influence over the Company which were recognized as current contract liabilities.

(v) Other transactions

- 1) In 2020 and 2019, the entity with significant influence over the Company provided services to the Company each amounted to \$120. All other accounts payable from the above transactions each amounted to \$126 as of December 31, 2020 and 2019.
- 2) In 2020, the Company purchased Intangible assets from other related parties amounting to \$299. The balance of other accounts payable from the above transaction was \$314 on December 31, 2020.

(vi) Receivables and payables to related parties were as follows:

	December 31, 2020	December 31, 2019
Accounts receivable – related parties:		
Accounts receivable	\$ 27,724	32,702
Other receivable	3,151	9,049
	<u>\$ 30,875</u>	<u>41,751</u>
Accounts payable – related parties:		
Accounts payable	\$ -	1,518
Other payables	440	126
	<u>\$ 440</u>	<u>1,644</u>

(Continued)

WISTRON INFORMATION TECHNOLOGY AND SERVICES CORPORATION
Notes to the Parent Company Only Financial Statements

(c) Key management personnel compensation

Key management personnel compensation comprised

	2020	2019
Short-term employee benefits	\$ 21,596	29,680
Post-employment benefits	387	549
	\$ 21,983	30,229

(8) Pledged assets

The carrying amounts of pledged assets were as follows:

Pledged assets	Object	December 31, 2020	December 31, 2019
Other non-current assets	Performance & warranty guarantee	\$ -	250

(9) Significant commitments and contingencies: None.

(10) Losses due to major disasters: None.

(11) Subsequent events

- (a) The appropriation of earnings of 2020 that was approved at the board of directors meeting on March 10, 2021 but is to be presented for approval in the shareholders meeting was as follows:

	2020
Common stock dividends	
Cash	\$ 328,752

- (b) Considering the Company's long-term operation, the Company had its the organizational restructured by which WIHH issued new shares to acquire 100% shares of WIBJ from WIBI through stock exchange. The above transaction was reported to the Board of Directors on March 10, 2021.

(Continued)

WISTRON INFORMATION TECHNOLOGY AND SERVICES CORPORATION
Notes to the Parent Company Only Financial Statements

(12) Other

A summary of current-period employee benefits, depreciation, and amortization, by function, is as follows:

By item	By function	2020			2019		
		Cost of sales	Operating expenses	Total	Cost of sales	Operating expenses	Total
Employee benefits							
Salaries		514,579	172,776	687,355	394,578	174,536	
Labor and health insurance		51,231	10,109	61,340	44,372	10,592	
Pension		28,766	5,762	34,528	24,348	5,578	
Directors' profit sharing bonus		-	15,800	15,800	-	13,155	
Others		20,214	5,077	25,291	18,031	10,168	
Depreciation		2,996	15,733	18,729	2,871	11,324	
Amortization		209	2,854	3,063	94	4,027	

As of December 31, 2020 and 2019, the additional information for employee numbers and employee benefits were as follows:

	<u>2020</u>	<u>2019</u>
Employee numbers	<u>851</u>	<u>791</u>
Directors' numbers without serving concurrently as employee	<u>7</u>	<u>7</u>
Average employee benefits	<u>\$ 958</u>	<u>\$ 870</u>
Average employee salaries	<u>\$ 814</u>	<u>\$ 726</u>
Average adjustment rate of employee salaries	<u>12.12 %</u>	
Supervisor remuneration	<u>\$ 0</u>	<u>\$ 0</u>

The Company's salary and remuneration policy (including directors, supervisors, managers and employees) are as follows:

The remunerations to directors and supervisors are in accordance with the "Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Stock Exchange or Traded Over the Counter", which are reviewed by the Remuneration Committee.

The compensation of the Company's supervisors includes fixed items such as salary and benefits, as well as variable items such as bonuses, profit sharing bonus (cash/stock) and stock options and is mainly based on variable items. The fixed items are based on the principle of maintaining the Company's competitiveness within the industry; the variable items take the Company's performance and individual's appraisal into consideration.

The employee remuneration includes salary, subsidy and bonus. The salary is determined based on academic experience, professional skills, the value of the position held and the salary level of the industry. The bonus is decided based on the Company's annual operating status and departmental and personal performance. Remuneration of employees shall be in accordance with Article 21 of the Articles of Association of the Company.

(Continued)

WISTRON INFORMATION TECHNOLOGY AND SERVICES CORPORATION
Notes to the Parent Company Only Financial Statements

(13) Other disclosures

(a) Information on significant transactions:

The followings were the information on significant transactions required by the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” for the Company for the year ended December 31, 2020:

- (i) Loans to other parties: None.
- (ii) Guarantees and endorsements for other parties: Please refer to Table 1.
- (iii) Securities held as of December 31, 2020 (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: Please refer to Table 2.
- (viii) Accounts receivable from related parties for which the dollar amount at least \$100 million or 20% of the capital stock: None.
- (ix) Trading in derivative instruments: None.

(b) Information on investees (excluding information on investees in mainland China): Please refer to Table 3.

(c) Information on investment in Mainland China: Please refer to Table 4.

(d) Information on major shareholders: Please refer to Table 5.

(14) Segment information

Please refer to the consolidated financial statement for the year ended December 31, 2020.

(Continued)

WISTRON INFORMATION TECHNOLOGY AND SERVICES CORPORATION
Notes to the Parent Company Only Financial Statements
Guarantees and endorsements for other parties
December 31, 2020

Table 1

No.	Endorsement/ Guarantee Provider	Counter - party of guarantee and endorsement		Limits on Endorsement/ Guarantee Amount/ Provided to Each Guaranteed Party (Note 1)	Maximum Balance for the Period	Ending Balance	Amount Actually Drawn	Amount of Endorsement / Guarantee Collateralized by Properties	Ratio of Accumulated Endorsement/ Guarantee to Net Equity per Latest Financial Statements	Maximum amount for guarantees and endorsements (Note 1)	Guarantee Provided by Parent Company	Guarantee Provided by A Subsidiary	Guarantee Provided to Subsidiaries in Mainland China	Notes
		Name	Relationship with the company (Note 2)											
0	The Company	WIUS	2	1,167,609	60,660	57,016	-	-	2.44 %	2,335,218	Y	N	N	-
0	The Company	WIHK	2	1,167,609	121,320	114,032	-	-	4.88 %	2,335,218	Y	N	N	-
0	The Company	WIBJ	2	1,167,609	208,222	87,382	-	-	3.74 %	2,335,218	Y	N	Y	-
0	The Company	WIBI	2	1,167,609	75,825	-	-	-	-	2,335,218	Y	N	N	-
0	The Company	WIWZ	2	1,167,609	763,056	760,877	-	-	32.58 %	2,335,218	Y	N	Y	-

(Note 1): The total amount for guarantees and endorsements provided by the Company shall not exceed the Company's net worth, which was audited by Certified Public Accountant.

Except for the subsidiary which was owned more than 90% by the guarantor which the total amount for guarantees and endorsements provided by the Company shall not exceed 50% of the Company's net worth, which was audited by Certified Public Accountant. The total amount for guarantees and endorsements provided by the Company to any individual entity shall not exceed 30% of the Company's net worth, which was audited by Certified Public Accountant.

The amount for guarantees and endorsements provided by the Company and its subsidiaries to other entities shall not exceed the Company's net worth, which was audited by Certified Public Accountant.

Except for the subsidiary which was owned more than 90% by the guarantor which the total amount for guarantees and endorsements provided by the Company shall not exceed 50% of the Company's net worth, which was audited by Certified Public Accountant. The amount for guarantees and endorsements provided by the Company and its subsidiaries to any individual entity shall not exceed 30% of the Company's net worth, was audited by Certified Public Accountant.

(Note 2): Relationship with the Company:

1. Ordinary business relationship.
2. Subsidiary which was owned more than 50% by the guarantor.
3. An investee which was owned more than 50% in total by both the guarantor and its subsidiary.
4. An entity that is guaranteed and endorsed by all capital contributing shareholders in proportion to their shareholding percentages.

(Continued)

WISTRON INFORMATION TECHNOLOGY AND SERVICES CORPORATION

Notes to the Parent Company Only Financial Statements

Related-party transactions for purchases and sales with amounts exceeding the lower of NT\$100 million or 20% of the capital stock

December 31, 2020

Table 2

Name of company	Related party	Nature of relationship	Transaction details				Transactions with terms different from others		Account/ note receivable (payable)		Notes
			Purchase/Sales	Amount	Percentage of total purchases/ (sales)	Payment Terms	Unit price	Payment Terms	Balance	Percentage of total accounts/ Note receivable (payable)	
The Company	WIHK	Parent - subsidiary company	Sales	(125,431)	(12.46)%	Not materially different from the third-parties sales.(generally transaction)	Not materially different from the third-parties sales (generally transaction)	Not materially different from the third-parties sales.(generally transaction)	10,523	4.34%	-
WIWZ	WIHK	Associates	Sales	(192,561)	(6.36)%	"	"	"	9,374	1.10%	-
WIWZ	WIBJ	Parent - subsidiary company	Sales	(625,823)	(20.67)%	"	"	"	33,823	3.99%	-
WIHK	The Company	Parent - subsidiary company	Purchases	125,431	36.31 %	"	"	"	(10,523)	(43.73)%	-
WIHK	WIWZ	Associates	Purchases	192,561	55.19 %	"	"	"	(9,374)	(38.96)%	-
WIBJ	WIWZ	Parent - subsidiary company	Purchases	625,823	99.62 %	"	"	"	(33,823)	(97.91)%	-

(Continued)

WISTRON INFORMATION TECHNOLOGY AND SERVICES CORPORATION
Notes to the Parent Company Only Financial Statements
Information on investees (excluding information on investees in mainland China)
December 31, 2020

Table 3

Name of the investor	Name of investee	Location	Major operations	Initial investment amount		Ending balance			Net income (losses) of the investee	Investment income (losses)	Notes
				Ending balance	Beginning balance	Shares	Ratio of shares	Book value			
The Company	WIBI	B.V.I	Professional investment enterprise	294,184	294,184	180,000,000	100.00 %	1,581,357	327,163	327,163	-
The Company	WIJP	Japan	Research, develop, design of software, and information consulting service	29,564	29,564	1,960	100.00 %	120,965	18,717	18,717	-
The Company	WIHK	Hong Kong	Research, develop, design of software, and information consulting service	44	44	10,000	100.00 %	38,849	30,657	30,657	-
The Company	WIUS	U.S.A	Research, develop, design of software, and information consulting service	7,586	7,586	250,000	100.00 %	22,274	9,142	9,142	-
WIBI	WIHH	Hong Kong	Professional investment enterprise and research, develop, design of software, and information consulting service	3,012	-	100,000	100.00 %	2,788	(64)	(64)	-

(Continued)

WISTRON INFORMATION TECHNOLOGY AND SERVICES CORPORATION
Notes to the Parent Company Only Financial Statements
Information on investment in Mainland China
December 31, 2020

Table 4

1. Information on investment in Mainland China:

Name of investee	Main businesses and products	Total amount of paid-in capital	Method of investment	Accumulated outflow of investment from Taiwan as of January 1, 2020	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2020	Net income (losses) of the investee	Direct/ indirect shareholding (%) by the Company	Share of Profits / Losses (Note 2)	Carrying amount as of December 31, 2020 (Note 2)	Accumulated inward remittance of Earnings as of December 31, 2020
					Outflow	Inflow						
QT	Research, develop, design of software, and information consulting service	4,445	(Note 1) 1.	2,304	-	-	2,304	(333) (Note 3)	100.00 %	(333) (Note 3)	(1,267)	-
WIBJ	Research, develop, design of software, and information consulting service	502,865	(Note 1) 1.	169,420	-	-	169,420	264,364 (Note 3)	100.00 %	264,364 (Note 3)	1,579,593	-
WIWZ	Research, develop, design of software, and information consulting service	356,800	(Note 1) 2.	-	-	-	-	253,688 (Note 3)	100.00 %	253,688 (Note 3)	1,213,354	-
WIYC	Research, develop, design of software, and information consulting service	24,449	(Note 1) 2.	-	-	-	-	336 (Note 3)	100.00 %	336 (Note 3)	18,037	-

2. Limitation on investment in Mainland China:

Accumulated Investment in Mainland China as of December 31, 2020 (Note 4)	Investment Amounts Authorized by Investment Commission, MOEA (Note 4) (Note 6) (Note 7)	Upper Limit on Investment (Note 5)
203,301 (USD 7,131,356)	516,889 (USD 18,131,356)	1,401,130

(Continued)

(Note 1) Ways to invest in Mainland China :

1. Indirect investment in Mainland China company through the company established in a third region.
2. Indirect investment in Mainland China company through Mainland China company.

(Note 2) The amount of the net income (losses) and the investee company carrying value as of December 31, 2020 were recognized by the investment through subsidiaries established in a third region or Mainland China.

(Note 3) The financial statements of the investee company were audited by the Company auditor.

(Note 4) Translated using the ending rate on December 31, 2020, which was USD : NTD = 1 : 28.508 .

(Note 5) The limit was the higher of 60% of the Company's net worth or NTD 80 million dollars.

(Note 6) Of which USD 1,000,000 was the investment in the dissolved subsidiary at Hangzhou. Due to operating losses, the investment has been completely lost and cannot be remitted; Of which USD 757,756 was the investment in the dissolved subsidiary at Zhejiang.

(Note 7) The Company increases investment in Mainland China (WIBJ) by USD 11,000,000 through the Company established in a third region (WIBI), and the investment has been authorized by Investment Commission, MOEA.

3. Significant transactions

For the year ended December 31, 2020, 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".

(Continued)

WISTRON INFORMATION TECHNOLOGY AND SERVICES CORPORATION
Notes to the Parent Company Only Financial Statements
Information on major shareholders
December 31, 2020

Table 5

Shareholder's Name	Shareholding	
	Shares	Percentage
Wistron Digital Technology Holding Company	15,718,837	23.56 %

Wistron Information Technology and Services Corporation

Statement of Cash and Cash Equivalents

December 31, 2020

(Expressed in thousands of New Taiwan Dollars)

<u>Item</u>	<u>Description</u>	<u>Amount</u>
Cash on hand		\$ 90
Demand deposits		107,123
Foreign deposits (Note 1)	JPY4,671.00 ; USD4,995.64 ; CNY26.46 ; EUR0.04	143
Time deposits (Note 2)		<u>60,000</u>
		<u><u>\$ 167,356</u></u>

Note 1: The ending rates of foreign currency deposits on December 31, 2020 are as follows:

USD : NTD =1 : 28.508

JPY : NTD =1 : 0.2761

CNY : NTD =1 : 4.3691

EUR : NTD =1 : 35.0192

Note 2: The periods of time deposits for one month, and the annual interest rate is 0.34%。

Wistron Information Technology and Services Corporation

Statement of Accounts Receivable

December 31, 2020

(Expressed in thousands of New Taiwan Dollars)

<u>Client's Name</u>	<u>Amount</u>
Accounts receivable — non related parties	
101351	\$ 87,229
100873	19,801
100943	12,867
100104	11,298
Others (less than 5%)	<u>83,342</u>
Subtotal	214,537
Less: loss allowance	<u>-</u>
	<u><u>\$ 214,537</u></u>

Wistron Information Technology and Services Corporation

Statement of other receivables

December 31, 2020

(Expressed in thousands of New Taiwan Dollars)

Item	Amount
Interest receivable	\$ 1
Other receivable-others	61
Total	\$ 62

Statement of prepayments

Item	Amount
Prepaid authorization fee	\$ 959
Other prepayments	333
	\$ 1,292

Wistron Information Technology and Services Corporation
Statement of Movement of Financial Assets Measured at Fair Value through Other
Comprehensive Income—Non-current
For the year ended December 31, 2020
(Expressed in thousands of New Taiwan Dollars)

<u>Name of financial instrument</u>	<u>Beginning Balance</u>		<u>Increase</u>		<u>Decrease (Note)</u>		<u>Ending balance</u>		<u>Collateral</u>	<u>Notes</u>
	<u>Shares</u>	<u>Fair Value</u>	<u>Shares</u>	<u>Amount</u>	<u>Shares</u>	<u>Amount</u>	<u>Shares</u>	<u>Fair Value</u>		
Stock of AdvancedTek International Co.	649,000	\$ <u>13,212</u>	-	<u>-</u>	649,000	<u>(13,212)</u>	-	<u>-</u>	None	None

Note: The disposal occurred on 18 September, 2020.

Wistron Information Technology and Services Corporation
Statement of Movement of Investments Accounted for Using the Equity Method
For the year ended December 31, 2020
(Expressed in thousands of New Taiwan Dollars)

Name of investee	Beginning Balance		Increase (Note)		Decrease		Gains (losses) on investment	Cumulative translation adjustment	Ending Balance			Market Value or Net Assets Value		Collateral	Notes
	Shares	Amount	Shares	Amount	Shares	Amount			Shares	Percentage of ownership	Amount	Unit price	Total amounts		
Using the Equity Method:															
Wistron Information Technology and Services Inc. (WIBI)	180,000,000	\$ 1,209,689	-	20,000	-	-	327,163	24,505	180,000,000	100.00	1,581,357	8.79	1,581,357	None	-
Wistron Information Technology and Services (Japan) Inc. (WIJP)	1,960	102,443	-	-	-	-	18,717	(195)	1,960	100.00	120,965	61,716.84	120,965	None	-
Wistron Information Technology and Services Limited (WIHK)	10,000	9,730	-	-	-	-	30,657	(1,538)	10,000	100.00	38,849	3,884.90	38,849	None	-
WITS AMERICA CORP. (WIUS)	250,000	14,207	-	-	-	-	9,142	(1,075)	250,000	100.00	22,274	89.10	22,274	None	-
Total		\$ 1,336,069		20,000		-	385,679	21,697			1,763,445		1,763,445		

Note: Estimated release \$20,000 of employees' profit sharing bonus to subsidiary's employee.

Wistron Information Technology and Services Corporation

Statement of Accounts Payable

December 31, 2020

(Expressed in thousands of New Taiwan Dollars)

<u>Vendor's Name</u>	<u>Amount</u>
100090	\$ 270
1001674	125
Others (less than 5%)	<u>2,040</u>
Total	<u>\$ 2,435</u>

Statement of Other Payables

<u>Item</u>	<u>Amount</u>
Accrued bonus	\$ 99,612
Accrued payroll	59,495
Accrued employees' and directors' profit sharing bonus	67,602
Other accrued expenses (less than 5%)	<u>42,582</u>
	<u>\$ 269,291</u>

Wistron Information Technology and Services Corporation

Statement of lease liabilities

December 31, 2020

(Expressed in thousands of New Taiwan Dollars)

<u>Item</u>	<u>Description</u>	<u>Lease term</u>	<u>Discount rate (%)</u>	<u>Ending balance</u>	<u>Note</u>
Transportation equipment	company car	2019.08.30~2022.08.29	5.575%	\$ 723	
Less: Current portion				<u>(449)</u>	
				<u><u>\$ 274</u></u>	

Statement of Other Current Liabilities

<u>Item</u>	<u>Amount</u>
Temporary received	\$ 15
Income tax & other with holdings	904
Other advances receivable	3,420
Refund liabilities – current	<u>1,206</u>
	<u><u>\$ 5,545</u></u>

Wistron Information Technology and Services Corporation

Statement of Cost of Sales

For the year ended December 31, 2020

(Expressed in thousands of New Taiwan Dollars)

Item	Amount
Direct labor	\$ 614,789
Manufacturing overhead	<u>51,370</u>
Cost of sales	<u><u>\$ 666,159</u></u>

Statement of Selling Expenses

Item	Description	Amount	Notes
Salary and wages expenses		\$ 17,499	
Insurance expenses		1,894	
Professional service fees		1,459	
Others (less than 5%)		<u>3,418</u>	
		<u><u>\$ 24,270</u></u>	

Wistron Information Technology and Services Corporation

Statement of Administrative Expenses

For the year ended December 31, 2020

(Expressed in thousands of New Taiwan Dollars)

<u>Item</u>	<u>Description</u>	<u>Amount</u>	<u>Notes</u>
Salary and wages expenses		\$ 123,618	
Employee's profit sharing bonus		36,219	
Depreciation expenses		15,536	
Professional service fees		12,802	
Others (less than 5%)		<u>52,173</u>	
		<u>\$ 240,348</u>	

Statement of other current assets was disclosed in Note 6(h).

Statement of accounts receivable— related parties, other receivables— related parties, other payables— related parties were disclosed in Note 7.

Statement of movement of property, plant and equipment was disclosed in Note 6(e).

Statement of movement of right-of use assets was disclosed in Notes 6(f).

Statement of movement of intangible assets was disclosed in Note 6(g).

Statement of net defined benefit liability— non-current was disclosed in Note 6(j).

Statement of deferred tax assets, deferred tax liabilities were disclosed in Note 6(k).

Statement of revenue was disclosed in Note 6(n).

Statement of other income, other gains and losses and finance cost were disclosed in Note 6(p).