

**WISTRON INFORMATION TECHNOLOGY AND
SERVICES CORPORATION AND SUBSIDIARIES**

Consolidated Financial Statements

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

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

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Independent Auditors' Review Report

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

Introduction

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

Scope of Review

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

Conclusion

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

The engagement partners on the review resulting in this independent auditors' review report are Ya-Ling Chen and Ming-Hung Huang.

KPMG

Taipei, Taiwan (The Republic of China)

May 6, 2021

Notes to Readers

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

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

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

Consolidated Balance Sheets

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

(Expressed in Thousands of New Taiwan Dollars)

Assets	March 31, 2021		December 31, 2020		March 31, 2020			Liabilities and Equity	March 31, 2021		December 31, 2020		March 31, 2020	
	Amount	%	Amount	%	Amount	%			Amount	%	Amount	%	Amount	%
Current assets:								Current liabilities:						
1100 Cash and cash equivalents (note 6(a))	\$ 851,335	24	1,175,302	33	601,822	18	2100 Short-term borrowings (note 6(h))	\$ -	-	-	-	48,709	2	
1140 Current contract assets (note 6(n))	22,615	1	31,134	1	61,434	2	2130 Current contract liabilities (notes 6(n) and 7)	13,425	-	20,151	-	18,755	1	
1170 Notes and accounts receivable, net (notes 6(c)(n))	1,589,179	46	1,450,961	40	1,517,611	47	2170 Accounts payable	87,347	3	109,134	3	156,974	5	
1180 Accounts receivable-related parties, net (notes 6(c)(n) and 7)	34,629	1	16,964	-	19,332	1	2180 Accounts payable-related parties (note 7)	-	-	-	-	6,229	-	
1200 Other receivables	64	-	72	-	153	-	2219 Other payables (note 6(o))	646,938	19	850,951	23	522,302	16	
1220 Current tax assets	551	-	918	-	483	-	2220 Other payables-related parties (note 7)	92	-	440	-	-	-	
1410 Prepayments	27,086	1	15,712	-	19,877	1	2230 Current tax liabilities	45,778	1	63,538	2	35,587	1	
1470 Other current assets (notes 6(g))	13,152	-	17,432	-	1,257	-	2399 Other current liabilities	19,088	-	25,034	1	16,343	-	
Total current assets	2,538,611	73	2,708,495	74	2,221,969	69	2280 Current lease liabilities (note 6(i))	19,594	1	23,150	1	33,044	1	
Non-current assets:							2322 Long-term borrowings, current portion (notes 6(d)(h) and 8)	8,038	-	7,984	-	7,131	-	
1517 Non-current financial assets at fair value through other comprehensive income (note 6(b))	-	-	-	-	11,661	-	Total current liabilities	840,300	24	1,100,382	30	845,074	26	
1600 Property, plant and equipment (notes 6(d) and 8)	821,441	24	810,501	22	839,032	26	Non-Current liabilities:							
1755 Right-of-use assets (note 6(e))	45,678	1	54,300	2	54,369	2	2540 Long-term loans (notes 6(d)(h) and 8)	61,866	2	64,123	2	68,804	2	
1780 Intangible assets (note 6(f) and 7)	30,652	1	32,870	1	32,132	1	2570 Deferred tax liabilities	99,554	3	99,878	3	107,811	3	
1840 Deferred tax assets	22,223	1	22,475	1	22,724	1	2580 Non-current lease liabilities (note 6(i))	21,524	1	25,721	1	16,355	1	
1900 Other non-current assets (notes 6(g) and 8)	13,329	-	15,536	-	34,204	1	2640 Net defined benefit liability, non-current	16,208	-	16,065	-	15,521	-	
Total non-current assets	933,323	27	935,682	26	994,122	31	2670 Other non-current liabilities	2,624	-	2,790	-	2,792	-	
							Total non-current liabilities	201,776	6	208,577	6	211,283	6	
							Total liabilities	1,042,076	30	1,308,959	36	1,056,357	32	
							Equity (notes 6(b)(l)):							
							3100 Capital stock	667,083	19	667,083	18	664,011	21	
							3200 Capital surplus	753,005	22	753,005	21	736,051	23	
							3300 Retained earnings	1,177,801	34	1,069,842	29	898,046	28	
							3400 Other equity	(94,531)	(3)	(81,212)	(2)	(138,374)	(4)	
							3500 Treasury shares	(73,500)	(2)	(73,500)	(2)	-	-	
							Total equity	2,429,858	70	2,335,218	64	2,159,734	68	
Total assets	\$ 3,471,934	100	3,644,177	100	3,216,091	100	Total liabilities and equity	\$ 3,471,934	100	3,644,177	100	3,216,091	100	

See accompanying notes to financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
Reviewed only, not audited in accordance with generally accepted auditing standards
**WISTRON INFORMATION TECHNOLOGY AND SERVICES CORPORATION AND
 SUBSIDIARIES**

Consolidated Statements of Comprehensive Income

For the three months ended March 31, 2021 and 2020

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

	<u>For the three-month periods ended March 31</u>			
	<u>2021</u>		<u>2020</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
4000 Net revenue (notes 6(n) and 7)	\$ 1,368,964	100	1,139,262	100
5000 Cost of Sales (notes 6(d)(e)(f)(i)(j), 7 and 12)	<u>(1,045,859)</u>	<u>(76)</u>	<u>(893,605)</u>	<u>(78)</u>
Gross profit	<u>323,105</u>	<u>24</u>	<u>245,657</u>	<u>22</u>
Operating expenses (notes 6(c)(d)(e)(f)(i)(j)(n)(o) and 12)				
6100 Selling expenses	(37,616)	(3)	(29,967)	(3)
6200 Administrative expenses	(170,126)	(12)	(142,528)	(13)
6300 Research and development expenses	(4,240)	-	(1,317)	-
6450 Expected credit gains (losses)	<u>6,329</u>	<u>-</u>	<u>(5,223)</u>	<u>-</u>
Total operating expenses	<u>(205,653)</u>	<u>(15)</u>	<u>(179,035)</u>	<u>(16)</u>
Net operating income	<u>117,452</u>	<u>9</u>	<u>66,622</u>	<u>6</u>
Non-operating income and expenses (notes 6 (i)(p)):				
7100 Interest income	2,349	-	1,153	-
7010 Other income	9,019	-	11,462	1
7020 Other gains and losses	(1,198)	-	2,552	-
7050 Finance costs	<u>(1,191)</u>	<u>-</u>	<u>(1,954)</u>	<u>-</u>
Total non-operating income and expenses	<u>8,979</u>	<u>-</u>	<u>13,213</u>	<u>1</u>
Profit before tax	126,431	9	79,835	7
7950 Income tax expenses (note 6(k))	<u>(18,472)</u>	<u>(1)</u>	<u>(15,821)</u>	<u>(1)</u>
Net profit	<u>107,959</u>	<u>8</u>	<u>64,014</u>	<u>6</u>
8300 Other comprehensive income (note 6(l)):				
8310 Items that will not be reclassified subsequently to profit or loss				
8316 Unrealized losses from investments in equity instruments measured at fair value through other comprehensive income	-	-	(1,551)	-
8349 Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total items that will not be reclassified subsequently to profit or loss	<u>-</u>	<u>-</u>	<u>(1,551)</u>	<u>-</u>
8360 Items that may be reclassified subsequently to profit or loss				
8361 Exchange differences on translation of foreign financial statements	(13,319)	(1)	(11,726)	(1)
8399 Income tax related to components of other comprehensive income that will be reclassified to profit or loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total items that may be reclassified subsequently to profit or loss	<u>(13,319)</u>	<u>(1)</u>	<u>(11,726)</u>	<u>(1)</u>
8300 Other comprehensive income (loss)	<u>(13,319)</u>	<u>(1)</u>	<u>(13,277)</u>	<u>(1)</u>
Total comprehensive income	<u>\$ 94,640</u>	<u>7</u>	<u>50,737</u>	<u>5</u>
Earnings per share (in dollars) (note 6(m))				
9750 Basic earnings per share	<u>\$ 1.64</u>		<u>0.96</u>	
9850 Diluted earnings per share	<u>\$ 1.63</u>		<u>0.95</u>	

See accompanying notes to financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
Reviewed only, not audited in accordance with generally accepted auditing standards
WISTRON INFORMATION TECHNOLOGY AND SERVICES CORPORATION AND SUBSIDIARIES

Consolidated Statements of Changes in Equity
For the three months ended March 31, 2021 and 2020
(Expressed in Thousands of New Taiwan Dollars)

	Equity attributable to owners of parent										
	Capital stock	Retained earnings					Other 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	Total	Treasury shares	Total equity
Balance at January 1, 2020	\$ 664,011	736,051	90,505	75,904	667,623	834,032	(102,909)	(22,188)	(125,097)	-	2,108,997
Net profit	-	-	-	-	64,014	64,014	-	-	-	-	64,014
Other comprehensive income	-	-	-	-	-	-	(11,726)	(1,551)	(13,277)	-	(13,277)
Total comprehensive income	-	-	-	-	64,014	64,014	(11,726)	(1,551)	(13,277)	-	50,737
Balance at March 31, 2020	\$ 664,011	736,051	90,505	75,904	731,637	898,046	(114,635)	(23,739)	(138,374)	-	2,159,734
Balance at January 1, 2021	\$ 667,083	753,005	131,840	125,097	812,905	1,069,842	(81,212)	-	(81,212)	(73,500)	2,335,218
Net profit	-	-	-	-	107,959	107,959	-	-	-	-	107,959
Other comprehensive income	-	-	-	-	-	-	(13,319)	-	(13,319)	-	(13,319)
Total comprehensive income	-	-	-	-	107,959	107,959	(13,319)	-	(13,319)	-	94,640
Balance at March 31, 2021	\$ 667,083	753,005	131,840	125,097	920,864	1,177,801	(94,531)	-	(94,531)	(73,500)	2,429,858

See accompanying notes to financial statements.

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WISTRON INFORMATION TECHNOLOGY AND SERVICES CORPORATION AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the three months ended March 31, 2021 and 2020

(Expressed in Thousands of New Taiwan Dollars)

	For the three-month periods ended March 31	
	2021	2020
Cash flows generated from (used in) operating activities:		
Profit before tax	\$ 126,431	79,835
Adjustments:		
Adjustments to reconcile profit:		
Depreciation expense	19,868	24,047
Amortization expense	1,870	1,576
Expected credit losses (gains)	(6,329)	5,223
Interest expense	1,191	1,954
Interest income	(2,349)	(1,153)
Loss on disposal of property, plant and equipment	290	10
Loss on lease modification	244	110
Total adjustments to reconcile profit	<u>14,785</u>	<u>31,767</u>
Changes in operating assets and liabilities:		
Changes in operating assets:		
Decrease (increase) in current contract assets	8,762	(8,227)
Increase in notes and accounts receivable, net	(144,083)	(155,427)
Decrease (increase) in accounts receivable—related parties	(17,697)	198
Decrease in other receivables	6	1
Increase in prepayments	(11,580)	(5,812)
Decrease (increase) in other current assets	324	(35)
Total changes in operating assets	<u>(164,268)</u>	<u>(169,302)</u>
Changes in operating liabilities:		
Increase (decrease) in contract liabilities	(6,455)	4,271
Decrease in accounts payable	(18,600)	(8,144)
Increase in accounts payable—related parties	-	112
Decrease in other payables	(201,262)	(171,102)
Decrease in other payables—related parties	(348)	(126)
Decrease in other current liabilities	(5,509)	(10,075)
Increase in net defined benefit liability	143	146
Total changes in operating liabilities	<u>(232,031)</u>	<u>(184,918)</u>
Net changes in operating assets and liabilities	<u>(396,299)</u>	<u>(354,220)</u>
Total changes in operating assets and liabilities	<u>(381,514)</u>	<u>(322,453)</u>
Cash used in operations	(255,083)	(242,618)
Interest received	2,349	1,180
Interest paid	(1,184)	(1,963)
Income taxes paid	(35,102)	(23,758)
Net cash flows used in operating activities	<u>(289,020)</u>	<u>(267,159)</u>
Cash flows generated from (used in) investing activities:		
Acquisition of property, plant and equipment	(23,472)	(959)
Proceeds from disposal of property, plant and equipment	137	17
Decrease in refundable deposits	3,897	2,542
Acquisition of intangible assets	(929)	(1,524)
Increase in other non-current assets	-	(739)
Net cash flows used in investing activities	<u>(20,367)</u>	<u>(663)</u>
Cash flows generated from (used in) financing activities:		
Increase in short-term loans	3,259	166,394
Repayments of short-term loans	(3,259)	(117,840)
Repayments of long-term loans	(1,979)	(40,611)
Repayments of the principal portion of lease liabilities	(6,725)	(10,330)
Net cash flows used in financing activities	<u>(8,704)</u>	<u>(2,387)</u>
Effect of exchange rate changes on cash and cash equivalents	<u>(5,876)</u>	<u>(3,082)</u>
Net Decrease in cash and cash equivalents	<u>(323,967)</u>	<u>(273,291)</u>
Cash and cash equivalents at beginning of period	<u>1,175,302</u>	<u>875,113</u>
Cash and cash equivalents at end of period	<u>\$ 851,335</u>	<u>601,822</u>

See accompanying notes to financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
REVIEWED ONLY, NOT AUDITED IN ACCORDANCE WITH THE GENERALLY ACCEPTED AUDITING STANDARDS

WISTRON INFORMATION TECHNOLOGY AND SERVICES CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

March 31, 2021 and 2020

(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”). Wistron Information Technology and Services Corporation and subsidiaries (the “Group”) are primarily engaged in the development and maintenance of the IT system, IT consulting and outsourcing services.

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

The consolidated financial statements for the three months ended March 31, 2021 and 2020 were authorized for issue by the Board of Directors on May 6, 2021.

(3) New standards, amendments and interpretations adopted:

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

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

- 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”

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

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

- Amendments to IFRS 16 “COVID 19 Related Rent Concessions beyond June 30, 2021”

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

The following new and amended standards, which may be relevant to the Group, have been issued by the International Accounting Standards Board (IASB), but have yet to be endorsed by the FSC:

(Continued)

**WISTRON INFORMATION TECHNOLOGY AND SERVICES CORPORATION AND
SUBSIDIARIES**

Notes to the Consolidated Financial Statements

Standards or Interpretations	Content of amendment	Effective date per IASB
Amendments to IAS 1 “Classification of Liabilities as Current or Non current”	The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of balance sheet, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. The amendments include clarifying the classification requirements for debt a company might settle by converting it into equity.	January 1, 2023
Amendments to IAS 37 “Onerous Contracts—Cost of Fulfilling a Contract”	The amendments clarify that the ‘costs of fulfilling a contract’ comprises the costs that relate directly to the contract as follows: <ul style="list-style-type: none"> • the incremental costs – e.g. direct labor and materials; and • an allocation of other direct costs – e.g. an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract. 	January 1, 2022

The Group is evaluating the impact of its initial adoption of the abovementioned standards or interpretations on its consolidated financial position and consolidated financial performance. The results thereof will be disclosed when the Group completes its evaluation.

The Group does not expect the (following) other new and amended standards, which have yet to be endorsed by the FSC, to have a significant impact on its consolidated 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 16 “Property, Plant and Equipment – Proceeds before Intended Use”
- 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”

WISTRON INFORMATION TECHNOLOGY AND SERVICES CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(4) Summary of significant accounting policies

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

(a) Statement of compliance

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

(b) Basis of consolidation

(i) List of subsidiaries in the consolidated financial statements

1) Investment and holding company

Name of Investor	Name of subsidiary	Percentage of ownership			Note
		2021.03.31	2020.12.31	2020.03.31	
The Company	Wistron Information Technology and Services Inc. (WIBI, British Virgin Islands)	100.00%	100.00%	100.00%	

2) Research, develop, design of software, and IT consulting service

Name of investor	Name of subsidiary	Percentage of ownership			Note
		2021.03.31	2020.12.31	2020.03.31	
The Company	Wistron Information Technology and Services Limited (WIHK, Hong Kong)	100.00%	100.00%	100.00%	
The Company	Wistron Information Technology and Services (Japan) Inc. (WIJP, Japan)	100.00%	100.00%	100.00%	
The Company	WITS AMERICA, CORP. (WIUS, America)	100.00%	100.00%	100.00%	
WIBI	Wistron Information Technology and Services (Beijing) Inc. (WIBJ, China)	100.00%	100.00%	100.00%	
WIBI	Shanghai Booster Technologies Company Limited (QT, China)	100.00%	100.00%	100.00%	
WIBI	Wistron ITS (Hong Kong) Limited (WIHH, Hong Kong)	100.00%	100.00%	-	(Note)
WIBJ	Beijing Enovation Technology Co. Ltd. (WIYC, China)	100.00%	100.00%	100.00%	
WIBJ	Wistron ITS (Wuhan) Co. (WIWZ, China) (Note)	100.00%	100.00%	100.00%	

(Note) The capital was invested in the second quarter of 2020.

WISTRON INFORMATION TECHNOLOGY AND SERVICES CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

3) Construction business

Name of investor	Name of subsidiary	Percentage of ownership			Note
		2021.03.31	2020.12.31	2020.03.31	
WIWZ	Hubei Peiwen Construction Co., Ltd. (Hubei Peiwen, China)	-	100.00%	-	(Note)

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

(ii) Subsidiaries excluded from the consolidated financial statements: None.

(c) Income taxes

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

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

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

(d) Employee benefits

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

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

The preparation of the consolidated financial statements in conformity with the Regulations and IFRSs (in accordance with IAS 34 “Interim Financial Reporting” and endorsed by the FSC) requires management to make judgments, estimates and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

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

**WISTRON INFORMATION TECHNOLOGY AND SERVICES CORPORATION AND
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(6) Explanation of significant accounts

Except for the following disclosures, there were no material differences in the disclosures of significant accounts between the interim consolidated financial statements for the current period and the 2020 consolidated financial statements. Please refer to Note 6 of the 2020 annual consolidated financial statements.

(a) Cash and cash equivalents

	March 31, 2021	December 31, 2020	March 31, 2020
Cash on hand	\$ 471	537	329
Demand and checking deposits	673,442	791,451	468,805
Time deposits	<u>177,422</u>	<u>383,314</u>	<u>132,688</u>
Cash and cash equivalents in the consolidated statement of cash flows	<u>\$ 851,335</u>	<u>1,175,302</u>	<u>601,822</u>

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

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

	March 31, 2021	December 31, 2020	March 31, 2020
Unlisted stocks	<u>\$ -</u>	<u>-</u>	<u>11,661</u>

(i) The Group 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 Group intends to hold for long-term for strategic purposes.

(ii) The Company sold its shares, with a fair value of \$18,000 (including securities transaction tax) as of September 18, 2020, resulting in the Group 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) Accounts receivable (including related parties)

	March 31, 2021	December 31, 2020	March 31, 2020
Notes receivable	\$ 46,676	76,089	-
Accounts receivable	1,566,062	1,404,965	1,536,994
Accounts receivable-related parties	34,629	16,964	19,332
Less: Loss allowance	<u>(23,559)</u>	<u>(30,093)</u>	<u>(19,383)</u>
	<u>\$ 1,623,808</u>	<u>1,467,925</u>	<u>1,536,943</u>

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The Group 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.

The loss allowance provision was determined as follows:

	March 31, 2021		
	Gross carrying amount	Weighted-aver age expected credit loss rate	Lifetime expected credit loss allowance
Not overdue	\$ 1,335,109	0~100%	3,974
Overdue within 30 days	118,380	0~0.772%	527
Overdue 31~120 days	171,700	0~100%	6,718
Overdue 121~180 days	9,569	0~100%	3,283
Overdue 181~365 days	12,609	0~100%	9,057
	<u>\$ 1,647,367</u>		<u>23,559</u>
	December 31, 2020		
	Gross carrying amount	Weighted-aver age expected credit loss rate	Lifetime expected credit loss allowance
Not overdue	\$ 1,222,659	0~100%	5,023
Overdue within 30 days	98,127	0~0.798%	412
Overdue 31~120 days	155,446	0~100%	15,074
Overdue 121~180 days	15,837	0~100%	4,486
Overdue 181~365 days	5,949	0~100%	5,098
	<u>\$ 1,498,018</u>		<u>30,093</u>
	March 31, 2020		
	Gross carrying amount	Weighted-aver age expected credit loss rate	Lifetime expected credit loss allowance
Not overdue	\$ 1,083,152	0~0.208%	2,707
Overdue within 30 days	145,102	0~0.380%	170
Overdue 31~120 days	234,492	0~5.222%	2,682
Overdue 121~180 days	77,319	0~9.825%	2,639
Overdue 181~365 days	7,517	0~100%	2,441
Overdue more than 365 days	8,744	100%	8,744
	<u>\$ 1,556,326</u>		<u>19,383</u>

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

	For the three-month periods ended March 31	
	2021	2020
Balance as of January 1	\$ 30,093	14,606
Impairment losses (reversed) recognized	(6,066)	4,976
Effect of changes in foreign exchange rate	(468)	(199)
Balance as of March 31	\$ 23,559	19,383

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

(d) Property, plant and equipment

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

	Land	Buildings and structures	Computers and other equipment	Transportation equipment	Office equipment	Lease improvements	Lease equipment	Construction in progress and testing equipment	Total
Cost :									
Balance as of January 1, 2021 \$	185,913	561,994	97,797	-	48,463	39,308	504	856	934,835
Additions	-	14,948	2,150	3,973	121	923	-	1,357	23,472
Reclassification (Note)	-	-	-	-	-	-	-	1,845	1,845
Disposals	-	-	(1,315)	-	(672)	-	(504)	-	(2,491)
Effect of changes in foreign exchange rates	-	(820)	(414)	(20)	(280)	(573)	-	(19)	(2,126)
Balance as of March 31, 2021 \$	185,913	576,122	98,218	3,953	47,632	39,658	-	4,039	955,535
Balance as of January 1, 2020 \$	185,913	558,525	99,488	-	46,998	51,502	504	6,019	948,949
Additions	-	-	708	-	41	-	-	210	959
Reclassification (Note)	-	-	-	-	23	-	-	664	687
Disposals	-	-	(82)	-	(130)	(6)	-	-	(218)
Effect of changes in foreign exchange rates	-	(2,384)	(357)	-	(292)	(197)	-	(68)	(3,298)
Balance as of March 31, 2020 \$	185,913	556,141	99,757	-	46,640	51,299	504	6,825	947,079
Accumulated depreciation :									
Balance as of January 1, 2021 \$	-	25,367	58,877	-	13,998	25,588	504	-	124,334
Depreciation	-	4,540	4,634	-	2,120	1,271	-	-	12,565
Disposals	-	-	(1,307)	-	(253)	-	(504)	-	(2,065)
Effect of changes in foreign exchange rates	-	(50)	(263)	-	(124)	(304)	-	-	(740)
Balance as of March 31, 2021 \$	-	29,857	61,941	-	15,741	26,555	-	-	134,094
Balance as of January 1, 2020 \$	-	7,413	52,500	-	5,784	29,392	504	-	95,593
Depreciation	-	4,452	4,509	-	2,122	2,077	-	-	13,160
Disposals	-	-	(60)	-	(131)	-	-	-	(191)
Effect of changes in foreign exchange rates	-	(58)	(205)	-	(45)	(207)	-	-	(515)
Balance as of March 31, 2020 \$	-	11,807	56,744	-	7,730	31,262	504	-	108,047
Carrying value :									
Balance as of January 1, 2021 \$	185,913	536,627	38,920	-	34,465	13,720	-	856	810,501
Balance as of March 31, 2021 \$	185,913	546,265	36,277	3,953	31,891	13,103	-	4,039	821,441
Balance as of January 1, 2020 \$	185,913	551,112	46,988	-	41,214	22,110	-	6,019	853,356
Balance as of March 31, 2020 \$	185,913	544,334	43,013	-	38,910	20,037	-	6,825	839,032

Note: Reclassifications are mainly transferring from prepayment for land and building and structures.

As of March 31, 2021, December 31, 2020, and March 31, 2020, the property, plant and equipment were pledged, please refer to Note 8.

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(e) Right-of-use assets

The Group leases buildings and structures and transportation equipment. The movements in right-of-use assets were as follows:

	<u>Buildings and structures</u>	<u>Transportation equipment</u>	<u>Total</u>
Cost:			
Balance as of January 1, 2021	\$ 85,268	1,603	86,871
Disposals	(5,863)	-	(5,863)
Effect of changes in foreign exchange rates	(1,300)	(1)	(1,301)
Balance as of March 31, 2021	<u>\$ 78,105</u>	<u>1,602</u>	<u>79,707</u>
Balance as January 1, 2020	\$ 91,830	1,599	93,429
Additions	1,001	-	1,001
Disposals	(346)	-	(346)
Effect of changes in foreign exchange rates	188	(2)	186
Balance as of March 31, 2020	<u>\$ 92,673</u>	<u>1,597</u>	<u>94,270</u>
Accumulated depreciation:			
Balance as of January 1, 2021	\$ 31,790	781	32,571
Depreciation	7,164	139	7,303
Disposals	(5,027)	-	(5,027)
Effect of changes in foreign exchange rates	(817)	(1)	(818)
Balance as of March 31, 2021	<u>\$ 33,110</u>	<u>919</u>	<u>34,029</u>
Balance as of January 1, 2020	\$ 28,627	223	28,850
Depreciation	10,748	139	10,887
Effect of changes in foreign exchange rates	165	(1)	164
Balance as of March 31, 2020	<u>\$ 39,540</u>	<u>361</u>	<u>39,901</u>
Carrying amount:			
Balance as of January 1, 2021	<u>\$ 53,478</u>	<u>822</u>	<u>54,300</u>
Balance as of March 31, 2021	<u>\$ 44,995</u>	<u>683</u>	<u>45,678</u>
Balance as of January 1, 2020	<u>\$ 63,203</u>	<u>1,376</u>	<u>64,579</u>
Balance as of March 31, 2020	<u>\$ 53,133</u>	<u>1,236</u>	<u>54,369</u>

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(f) Intangible assets

The movements in intangible assets were as follows:

	<u>Software</u>	<u>Goodwill</u>	<u>Total</u>
Cost:			
Balance as of January 1, 2021	\$ 55,909	19,349	75,258
Additions	929	-	929
Effect of changes in foreign exchange rates	<u>(165)</u>	<u>(1,212)</u>	<u>(1,377)</u>
Balance as of March 31, 2021	<u>\$ 56,673</u>	<u>18,137</u>	<u>74,810</u>
Balance as of January 1, 2020	\$ 49,062	19,377	68,439
Additions	1,524	-	1,524
Effect of changes in foreign exchange rates	<u>(112)</u>	<u>175</u>	<u>63</u>
Balance as of March 31, 2020	<u>\$ 50,474</u>	<u>19,552</u>	<u>70,026</u>
Accumulated amortization:			
Balance as of January 1, 2021	\$ 42,388	-	42,388
Amortization	1,870	-	1,870
Effect of changes in foreign exchange rates	<u>(100)</u>	<u>-</u>	<u>(100)</u>
Balance as of March 31, 2021	<u>\$ 44,158</u>	<u>-</u>	<u>44,158</u>
Balance as of January 1, 2020	\$ 36,403	-	36,403
Amortization	1,576	-	1,576
Effect of changes in foreign exchange rates	<u>(85)</u>	<u>-</u>	<u>(85)</u>
Balance as of March 31, 2020	<u>\$ 37,894</u>	<u>-</u>	<u>37,894</u>
Carrying value:			
Balance as of January 1, 2021	<u>\$ 13,521</u>	<u>19,349</u>	<u>32,870</u>
Balance as of March 31, 2021	<u>\$ 12,515</u>	<u>18,137</u>	<u>30,652</u>
Balance as of January 1, 2020	<u>\$ 12,659</u>	<u>19,377</u>	<u>32,036</u>
Balance as of March 31, 2020	<u>\$ 12,580</u>	<u>19,552</u>	<u>32,132</u>

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

(i) Other current assets

	<u>March 31, 2021</u>	<u>December 31, 2020</u>	<u>March 31, 2020</u>
Refundable deposits	\$ 12,580	16,536	-
Temporary payment	572	896	1,257
	<u>\$ 13,152</u>	<u>17,432</u>	<u>1,257</u>

(ii) Other non-current assets

	<u>March 31, 2021</u>	<u>December 31, 2020</u>	<u>March 31, 2020</u>
Refundable deposits	\$ 11,282	11,640	33,022
Prepayment for equipment	2,047	3,896	1,182
	<u>\$ 13,329</u>	<u>15,536</u>	<u>34,204</u>

(iii) As of March 31, 2021, December 31, 2020, and March 31, 2020, the other current assets and other non-current assets were pledged, please refer to Note 8.

(h) Loans

(i) Short-term loans

	<u>March 31, 2021</u>	<u>December 31, 2020</u>	<u>March 31, 2020</u>
Unsecured bank loans	\$ -	-	48,709
Unused bank credit lines	\$ 1,784,551	1,830,056	1,122,262
Range of interest rates	-	-	2.5%~2.85%

(ii) Long-term loans

	<u>March 31, 2021</u>		
	<u>CNY (thousand)</u>	<u>Expiration</u>	<u>Amount</u>
Secured bank loans	16,052	2022.1~2028.10	69,904
Less: current portion	(1,846)		(8,038)
	<u>\$ 14,206</u>		<u>61,866</u>
Unused bank credit lines	\$ -		-
Range of interest rates			<u>4.00%</u>

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	December 31, 2020		
	<u>CNY (thousand)</u>	<u>Expiration</u>	<u>Amount</u>
Secured bank loans	16,504	2022.1~2028.10	72,107
Less: current portion	<u>(1,827)</u>		<u>(7,984)</u>
	<u>\$ 14,677</u>		<u>64,123</u>
Unused bank credit lines	<u>\$ -</u>		<u>-</u>
Range of interest rates			<u>4.00%</u>
	March 31, 2020		
	<u>CNY (thousand)</u>	<u>Expiration</u>	<u>Amount</u>
Secured bank loans	17,793	2022.1~2028.10	75,935
Less: current portion	<u>(1,671)</u>		<u>(7,131)</u>
	<u>\$ 16,122</u>		<u>68,804</u>
Unused bank credit lines	<u>\$ -</u>		<u>-</u>
Range of interest rates			<u>5.39%</u>

As of March 31, 2021, the details of the future repayment period of the long-term loans were as follows:

<u>Period</u>	<u>Amount</u>
Within one year	\$ 8,038
Between one and five years	35,606
Over five years	<u>26,260</u>
	<u>\$ 69,904</u>

(ii) For the collateral for bank loans, please refer to Note 8.

(i) Lease liabilities

The carrying amounts of lease liabilities were as follow:

	<u>March 31, 2021</u>	<u>December 31, 2020</u>	<u>March 31, 2020</u>
Current	<u>\$ 19,594</u>	<u>23,150</u>	<u>33,044</u>
Non-current	<u>\$ 21,524</u>	<u>25,721</u>	<u>16,355</u>

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

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The amount recognized in profit or loss were as follows:

	For the three-month periods ended March 31	
	2021	2020
Interest expenses on lease liabilities	\$ 466	668
Expenses relating to short-term leases	\$ 2,568	660
Expenses relating to leases of low-value assets (excluding short-term leases of low-value assets)	\$ 3,153	2,109

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

	For the three-month periods ended March 31	
	2021	2020
Total cash outflow for leases	\$ 12,912	13,767

(i) Leases of buildings and structures

As of March 31, 2021, the Group leases buildings and structures for its office space. The leases of office space run for a period of 1 to 10 years.

(ii) Other leases

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

(j) Employee benefits

(i) Defined benefit plans

Management believes that there was no material volatility of the market, no material reimbursement and settlement or other material one-time events since prior fiscal year. As a result, the pension cost in the accompanying interim period was measured and disclosed according to the actuarial report as of December 31, 2020 and 2019.

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

	For the three-month periods ended March 31	
	2021	2020
Operating cost	\$ 56	52
Selling expenses	10	4
Administration expenses	189	191
	\$ 255	247

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(ii) Defined contribution plans

The Group's expenses under the pension plan cost to the Bureau of Labor Insurance were as follows:

	For the three-month periods ended March 31	
	2021	2021
Operating cost	\$ 48,110	25,150
Selling expenses	2,014	946
Administration expenses	4,661	2,319
Research and development expenses	223	17
	\$ 55,008	28,432

(k) Income tax

(i) Income tax expense

The components of income tax expense were as follows:

	For the three-month periods ended March 31	
	2021	2021
Current tax expense	\$ 18,472	15,821

(ii) There is no income tax recognized directly in equity or other comprehensive income for the three-month period ended March 31, 2021 and 2020.

(iii) The Company's corporate income tax returns for the year through 2019 were assessed by the local tax authorities.

(l) Capital and other equity

Except for the following disclosure, there was no significant change in capital and other equity for the periods from January 1 to March 31, 2021 and 2020. For the related information, please refer to note 6 (l) of the consolidated financial statements for the year ended December 31, 2020.

(i) Common stock

As of March 31, 2021, December 31, 2020, and March 31, 2020, the Group'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, 66,708 thousand shares and 66,401 thousand shares, respectively, were issued. And the capital surplus were \$667,083, \$667,083 and \$664,011. All proceeds from shares issued have been collected.

On March 10, 2021, the Company's Board of Directors approved a resolution to distribute the employees' profit sharing bonus amounting to \$20,000, consisting of 213 thousand shares. The application of the capital increase was approved by the Financial Supervisory Commission.

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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.

(ii) Retained earning

The Company's Article of Incorporation stipulate that Company's net earnings should first be used to offset the prior years' deficits, if any, after paying any income taxes. Of the remaining balance, 10% is to be appropriated as legal reserve 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.

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.

The appropriations of earning for 2020 and 2019 had been approved by the Company's Board of Directors held on March 10, 2021 and the shareholders' meetings held on June 22, 2020, respectively. The appropriations and dividends were as follows:

	2020	2019
Cash dividends	\$ 328,752	212,484

(iii) 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 March 31, 2021, the repurchased treasury shares were 958 thousand shares in total. Shares transferred to employees were 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.

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(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
Balance as of January 1, 2021	\$ (81,212)	-	(81,212)
Foreign currency translation differences	(13,319)	-	(13,319)
Balance as of March 31, 2021	<u>\$ (94,531)</u>	<u>-</u>	<u>(94,531)</u>
Balance as of January 1, 2020	\$ (102,909)	(22,188)	(125,097)
Foreign currency transaction differences	(11,726)	-	(11,726)
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	-	(1,551)	(1,551)
Balance as of March 31, 2020	<u>\$ (114,635)</u>	<u>(23,739)</u>	<u>(138,374)</u>

(m) Earnings per share (“EPS”)

(i) Basic earnings per share

	For the three-month periods ended March 31	
	2021	2020
Net profit belonging to common shareholders	<u>\$ 107,959</u>	<u>64,014</u>
Weighted average common stock outstanding (in thousands shares)	<u>65,800</u>	<u>66,415</u>
Basic earnings per share (in dollars)	<u>\$ 1.64</u>	<u>0.96</u>

(ii) Diluted earnings per share

	For the three-month periods ended March 31	
	2021	2020
Net profit belonging to common shareholders	<u>\$ 107,959</u>	<u>64,014</u>
Weighted average common stock outstanding (in thousands shares)	65,800	66,415
Effect of potentially dilutive common stock (in thousands shares)		
Employees’ profit sharing bonus	418	553
Employees’ profit sharing bonus of subsidiary company	<u>163</u>	<u>294</u>
Weighted average number of common stock (diluted) (in thousands shares)	<u>66,381</u>	<u>67,262</u>
Diluted earnings per share (in dollars)	<u>\$ 1.63</u>	<u>0.95</u>

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(n) Revenue from contracts with customers

(i) Disaggregation of revenue

	For the three-month periods ended March 31	
	2021	2020
	Primary geographical markets:	
China	\$ 792,837	574,670
Taiwan	230,058	186,186
Japan	193,931	212,511
Other	152,138	165,895
	\$ 1,368,964	1,139,262
Major products:		
IT service revenue	\$ 1,368,964	1,139,262

(ii) Balance of contracts

	March 31, 2021	December 31, 2020	March 31, 2020
Notes and accounts receivable (including related parties)	\$ 1,647,367	1,498,018	1,556,326
Less: loss allowance	(23,559)	(30,093)	(19,383)
Total	\$ 1,623,808	1,467,925	1,536,943
Contract assets	\$ 23,314	32,097	63,334
Less: loss allowance	(699)	(963)	(1,900)
Total	\$ 22,615	31,134	61,434

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

	For the three-month periods ended March 31		
	2021	2020	
	Balance at January 1	\$ 963	1,664
Impairment losses (reversed) recognized	(263)	247	
Effect of changes in foreign exchange rate	(1)	(11)	
Balance of December 31	\$ 699	1,900	
	March 31, 2021	December 31, 2020	March 31, 2020
Contract liabilities	\$ 13,425	20,151	18,755

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

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The Group uses a simplified approach to contract assets to estimate expected credit losses based on the loss rate method.

The amount of revenue recognized for the three months ended March 31, 2021 and 2020 that was included in the contract liabilities balance at the beginning of the year was \$10,115 and \$10,202, 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 deficit, it shall reserve the amount for offsetting deficit.

- (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:

	For the three-month periods ended March 31	
	2021	2020
Employee's profit sharing bonus	\$ 13,190	7,803
Directors' profit sharing bonus	2,630	1,560
	<u>\$ 15,820</u>	<u>9,363</u>

The amounts are calculated by the net profit before tax excluding employees' and directors' profit sharing bonus, of each period 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 2021 and 2020. 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 Company accrued and recognized employees' profit sharing bonus of \$56,219 and \$49,582 and directors' profit sharing bonus of \$11,240 and \$9,800 for the years ended December 31, 2020 and 2019. The amounts resolved by the Board of Directors were in agreement with those amounts recognized. Related information would be available at the Market Observation Post System website.

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(p) Non-operating income and expenses

(i) Interest income

	For the three-month periods ended March 31	
	2021	2020
	\$	\$
Interest income	2,349	1,153
	2,349	1,153

(ii) Other income

	For the three-month periods ended March 31	
	2021	2020
	\$	\$
Government grants	9,019	11,462
	9,019	11,462

(iii) Other gains and losses

	For the three-month periods ended March 31	
	2021	2020
	\$	\$
Foreign exchange gains (losses), net	(1,460)	2,097
Losses on disposals of property, plant and equipment, net	(290)	(10)
Losses on lease modification	(244)	(110)
Others	796	575
	(1,198)	2,552

(iv) Finance costs

	For the three-month periods ended March 31	
	2021	2020
	\$	\$
Interest expenses	(1,191)	(1,954)
	(1,191)	(1,954)

(q) Financial instruments

Except for the contention mentioned below, there was no significant change in the fair value of the Group's financial instruments and degree of exposure to credit risk, liquidity risk and market risk arising from financial instruments. For related information, please refer to note (q) of the consolidated financial statements for the year ended December 31, 2020.

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(i) Credit risk

1) Credit risk exposure

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

2) Receivables securities

For credit risk exposure of notes and accounts receivable, please refer to Note 6(c). For the detail and impairment of contract asset, 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(g).

(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 March 31, 2021					
Non-derivative financial liabilities					
Accounts payable	\$ 87,347	87,347	87,347	-	-
Other payables (including related parties)	647,030	647,030	647,030	-	-
Lease liabilities (current and non-current)	41,118	43,324	20,876	14,835	7,612
Long-term loans (including current portion)	69,904	81,288	10,720	10,720	59,848
	<u>\$ 845,399</u>	<u>858,988</u>	<u>765,973</u>	<u>25,555</u>	<u>67,460</u>
As of December 31, 2020					
Non-derivative financial liabilities					
Accounts payable (including related parties)	\$ 109,134	109,134	109,134	-	-
Other payables (including related parties)	851,391	851,391	851,391	-	-
Lease liabilities (current and non-current)	48,871	51,644	24,677	15,289	11,678
Long-term loans (including current portion)	72,107	84,242	10,755	10,755	62,732
	<u>\$ 1,081,503</u>	<u>1,096,411</u>	<u>779,831</u>	<u>26,044</u>	<u>74,410</u>
As of March 31, 2020					
Non-derivative financial liabilities					
Short-term loans	\$ 48,709	48,825	48,825	-	-
Accounts payable (including related parties)	163,203	163,203	163,203	-	-
Other payables (including related parties)	522,302	522,302	522,302	-	-
Lease liabilities (current and non-current)	49,399	51,673	34,402	11,022	6,249
Long-term loans (including current portion)	75,935	95,255	11,099	11,099	73,057
	<u>\$ 859,548</u>	<u>881,258</u>	<u>779,831</u>	<u>22,121</u>	<u>79,306</u>

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

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(iii) Currency risk

1) Exposure to currency risk

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

	March 31, 2021			December 31, 2020		
	Foreign currency	Exchange rate	NTD	Foreign currency	Exchange rate	NTD
<u>Financial assets</u>						
<u>Monetary items</u>						
USD	\$ 908	USD/TWD	28.531	25,903	650	USD/TWD 28.508 18,543
CNY	388	CNY/HKD	1.187	1,690		
JPY	60,193	JPY/HKD	0.071	15,579		
USD					244	USD/CNY 6.5249 6,945
JPY	8,249	JPY/CNY	0.059	2,135	60,416	JPY/CNY 0.0632 16,683
USD	3,203	USD /HKD	7.774	91,375	2,751	USD /HKD 7.7522 78,414
<u>Financial Liabilities</u>						
<u>Monetary items</u>						
USD	858	USD/HKD	7.774	24,489	463	USD /HKD 7.7522 13,205
CNY	4,540	CNY/HKD	1.187	19,771	2,146	CNY/HKD 1.1881 9,375
JPY	21,794	JPY/HKD	0.071	5,641		
March 31, 2020						
	Foreign currency	Exchange rate	NTD			
<u>Financial assets</u>						
<u>Monetary items</u>						
USD	\$ 1,306	USD/TWD	30.254	39,511		
CNY	1,453	CNY/TWD	4.2677	6,199		
JPY	14,340	JPY/USD	0.0092	4,001		
USD	1,343	USD/CNY	7.0890	40,622		
JPY	77,088	JPY/CNY	0.0654	21,508		
USD	1,012	USD/HKD	7.754	30,160		
<u>Financial Liabilities</u>						
<u>Monetary items</u>						
USD	4,761	CNY/ USD	0.1411	20,321		
CNY	775	USD/HKD	7.754	23,437		

2) Sensitivity analysis

The Group's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, notes and accounts receivable (including related parties), other receivables, accounts payable (including related parties) and other payables that are denominated in foreign currency. A strengthening (weakening) 5% of appreciation (depreciation) of the NTD against the USD, CNY and JPY for the three-month period ended March 31, 2021 and 2020 would have increased (decreased) the net profit after tax by \$4,275 and \$4,040, respectively. The analysis assumes that all other variables remain constant.

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3) Foreign exchange gain and loss on monetary items

Since the Group has many kinds of functional currency, the information on foreign exchange gain (loss) on monetary items is disclosed by total amount. For the three-month period ended March 31, 2021 and 2020, foreign exchange gain (loss), including realized and unrealized portions, amounted to \$(1,460) and \$2,097, respectively.

(iv) Interest rate analysis

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

The following sensitivity analysis is based on the exposure to the interest rate risk of derivative and three-month non-derivative financial instruments on the reporting date. Regarding assets with variable interest rates, the analysis is based on the assumption that the amount of assets outstanding at the reporting date was outstanding throughout the year. The rate of change is expressed as the interest rate increases or decreases by 1% when reporting to management internally, which also represents the Group management's assessment of the reasonably possible interest rate change.

If the interest rate had increased / decreased by 1%, the Group's net income would have increased / decreased by \$175 and \$312 for the three-month period ended March 31, 2021 and 2020, respectively, with all other variable factors remaining constant. This is mainly due to the Group's borrowing at variable rates and investment in variable-rate bills.

(v) Fair value information

1) Categories and fair values of financial instruments

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

	March 31, 2021				
	Carrying amount	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets measured at amortized cost					
Cash and cash equivalents	\$ 851,335	-	-	-	-
Notes and accounts receivable, net (including related parties)	1,623,808	-	-	-	-
Other receivables	64	-	-	-	-
Refundable deposits	23,862	-	-	-	-
Total	\$ 2,499,069	-	-	-	-
Financial liabilities measured at amortized cost					
Accounts payable	\$ 87,347	-	-	-	-

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		March 31, 2021				
		Carrying	Fair value			
		amount	Level 1	Level 2	Level 3	Total
	Other payables (including related parties)	647,030	-	-	-	-
	Lease liabilities(current and non-current)	41,118	-	-	-	-
	Long-term loans (including current portion)	69,904	-	-	-	-
	Total	\$ 845,399	-	-	-	-
		December 31, 2020				
		Carrying	Fair value			
		amount	Level 1	Level 2	Level 2	Total
Financial assets measured at amortized cost						
	Cash and cash equivalents	\$ 1,175,032	-	-	-	-
	Notes and accounts receivable, net (including related parties)	1,467,925	-	-	-	-
	Other receivables	72	-	-	-	-
	Refundable deposits	28,176	-	-	-	-
	Total	\$ 2,671,205	-	-	-	-
Financial liabilities measured at amortized cost						
	Accounts payable	\$ 109,134	-	-	-	-
	Other payables (including related parties)	851,391	-	-	-	-
	Lease liabilities(current and non-current)	48,871	-	-	-	-
	Long-term loans (including current portion)	72,107	-	-	-	-
	Total	\$ 1,081,503	-	-	-	-
		March 31, 2020				
		Carrying	Fair value			
		amount	Level 1	Level 2	Level 3	Total
Financial assets at fair value through other comprehensive income						
		\$ 11,661	-	11,661	-	11,661
Financial assets measured at amortized cost						
	Cash and cash equivalents	601,822	-	-	-	-
	Notes and accounts receivable, net (including related parties)	1,536,943	-	-	-	-
	Other receivables	153	-	-	-	-
	Refundable deposits	33,022	-	-	-	-
	Subtotal	2,171,940	-	-	-	-
	Total	\$ 2,183,601	-	11,661	-	11,661

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	March 31, 2020				
	Carrying amount	Fair value			Total
		Level 1	Level 2	Level 3	
Financial liabilities measured at amortized cost					
Short-term loans	\$ 48,709	-	-	-	-
Accounts payable (including related parties)	163,203	-	-	-	-
Other payables	522,302	-	-	-	-
Lease liabilities(current and non-current)	49,399	-	-	-	-
Long-term loans (including current portion)	75,935	-	-	-	-
Total	\$ 859,548	-	-	-	-

2) Valuation techniques for financial instruments measured at fair value

The financial assets held by the Group 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 three-month period ended March 31, 2021 and 2020, there was no transfers between level 2 and level 1.

(r) Management of financial risk

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

(s) Capital management

Management believes that the objectives, policies and processes of capital management of the Group has been applied consistently with those described in the consolidated financial statements for the year ended December 31, 2020. Also, management believes that there were no significant changes in the Group's capital management information as disclosed for the year ended December 31, 2020. Please refer to Note (s) of the consolidated financial statements for the year ended December 31, 2020 for further details.

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

Reconciliation of liabilities arising from financing activities for the three-month period ended March 31, 2021 and 2020, were as follows:

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	<u>January 1, 2020</u>	<u>Cash flows</u>	<u>Repayments of long-term debt and lease liabilities</u>	<u>Non-cash changes</u>		<u>March 31, 2021</u>
				<u>Others</u>	<u>Effect of changes in foreign exchange rate</u>	
Short-term loans	\$ -	3,259	(3,259)	-	-	-
Long-term loans (including current portion)	72,107	-	(1,979)	-	(224)	69,904
Lease liabilities (current and non-current)	48,871	-	(6,725)	(592)	(436)	41,118
	<u>\$ 120,978</u>	<u>3,259</u>	<u>(11,963)</u>	<u>(592)</u>	<u>(660)</u>	<u>111,022</u>

	<u>January 1, 2019</u>	<u>Cash flows</u>	<u>Repayments of long-term debt and lease liabilities</u>	<u>Non-cash changes</u>		<u>March 31, 2020</u>
				<u>Others</u>	<u>Effect of changes in foreign exchange rate</u>	
Short-term loans	\$ -	166,394	(117,840)	-	155	48,709
Long-term loans (including current portion)	117,193	-	(40,611)	-	(647)	75,935
Long-term loans (including current portion)	59,222	-	(10,330)	463	44	49,399
	<u>\$ 176,415</u>	<u>166,394</u>	<u>(168,781)</u>	<u>463</u>	<u>(448)</u>	<u>174,043</u>

(7) Related party transactions

(a) Names and relationship with related parties

The following are entities that have transactions with the Group during the periods covered in the financial statements.

<u>Name of related party</u>	<u>Relationship with the Group</u>
Wistron Corporation (Wistron)	The entity with significant influence over the Group
Wiwynn Corporation (Wiwynn)	Other related parties
All Holding Corporation (AIIH)	Other related parties
Winyann Technology Service Kun Shan, Ltd. (WYKS)	Other related parties
ICT Service Management Solutions (India) Private Limited (WIN)	Other related parties
WiAdance Technology Corporation (AGI)	Other related parties
Wistron NeWeb Corporation (WNC)	Other related parties

(b) Significant transactions with related parties

(i) Provide service to related parties

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

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	Revenue		Accounts receivable -related parties		
	For the three-month period ended		March 31, 2021	December 31, 2020	March 31, 2020
	2021	2020			
Entities with significant influence over the Group	\$ 32,044	9,503	33,136	10,177	13,190
Other related parties	1,445	18,017	1,493	6,787	6,142
Total	\$ 33,489	27,520	34,629	16,964	19,332

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

Other related parties provide IT services to the Group's business and the outstanding balances were as follows:

	Cost of sales		Accounts payable -related parties		
	For the three-month period ended		March 31, 2021	December 31, 2020	March 31, 2020
	2020	2021			
Entity with significant influence over the Group	\$ -	166	-	-	-
Other related parties	-	139	-	-	6,229
Total	\$ -	305	-	-	6,229

The terms and pricing of the transactions with related parties were not significantly different from those offered by other vendors. The payment terms ranged from one to three months, which were no different from the payment terms given by other vendors.

(iii) Contract liabilities

As of March 31, 2021, December 31, 2020 and March 31, 2020, the Group received \$241, \$653 and \$0 advance payment from the entity with significant influence over the Group which was recognized as current contract liabilities.

(iv) Other transactions

For the three-month period ended March 31, 2021 and 2020, the Group purchased intangible assets from other related parties amounting to \$138. The balance of other accounts payable from the above transaction was \$92 as of March 31, 2021.

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

	<u>March 31, 2021</u>	<u>December 31, 2020</u>	<u>March 31, 2020</u>
Accounts receivable — related parties:			
Accounts receivable	<u>\$ 34,629</u>	<u>16,964</u>	<u>19,332</u>
Accounts payable — related parties:			
Accounts payable	\$ -	-	6,229
Other payables	<u>92</u>	<u>440</u>	<u>-</u>
	<u>\$ 92</u>	<u>440</u>	<u>6,229</u>

(c) Key management personnel compensation

Key management personnel compensation comprised:

	<u>January to March, 2021</u>	<u>January to March, 2020</u>
Short-term employee benefits	\$ 18,429	13,938
Post-employment benefits	<u>315</u>	<u>153</u>
	<u>\$ 18,564</u>	<u>14,091</u>

(8) Pledged assets

The carrying amounts of pledged assets were as follows:

<u>Pledged assets</u>	<u>Object</u>	<u>March 31, 2021</u>	<u>December 31, 2020</u>	<u>March 31, 2020</u>
Other non-current assets	Performance & warranty guarantee	\$ -	-	250
Property, plant and equipment	Long-term loans (including current portions)	<u>237,402</u>	<u>240,277</u>	<u>240,859</u>
		<u>\$ 237,402</u>	<u>240,277</u>	<u>241,109</u>

(9) Significant commitments and contingencies: None

(10) Losses due to major disasters: None.

(11) Subsequent events: None.

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(12) Other

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

By function By item	For the three months ended, 2021			For the three months ended, 2020		
	Cost of sales	Operating expenses	Total	Cost of sales	Operating expenses	Total
Employee benefits						
Salaries	767,795	135,134	902,929	636,319	110,622	746,941
Labor and health insurance	44,474	12,258	56,732	31,571	5,478	37,049
Pension	48,166	7,097	55,263	25,202	3,477	28,679
Others	10,868	5,188	16,056	10,135	3,860	13,995
Depreciation	2,711	17,157	19,868	3,187	20,860	24,047
Amortization	270	1,600	1,870	133	1,443	1,576

(b) Seasonality of operations

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

(13) Other disclosures

(a) General information and segment information

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

- (i) Loans to other parties: None.
- (ii) Guarantees and endorsements for other parties: Please refer to Table 1.
- (iii) Securities held as of March 31, 2021 (excluding investment in subsidiaries, associates and joint ventures): None.
- (iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20% of the capital stock: None.
- (v) Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None.
- (vi) Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None.
- (vii) Related party transactions for purchases and sales with amounts exceeding the lower of NT\$100 million or 20% of the capital stock: Please refer to Table 2.
- (viii) Accounts receivable from related parties with amounts exceeding the lower of NT\$100 million or 20% of the capital stock: None.

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(ix) Trading in derivative instruments: None.

(x) Business relationships and significant intercompany transactions: Table 3.

(b) Information on investees (excluding information on investees in mainland China): Please refer to Table 4.

(c) Information on investment in mainland China: Please refer to Table 5.

(d) Information on major shareholders: Please refer to Table 6.

(14) Segment information

The Group's chief operating decision maker determined its operating segment as the single reportable segment since the segment is mainly involved in IT Services. The performance of the operating segment is consistent with the consolidated financial report. Please refer to consolidated balance sheet and consolidated statement of comprehensive income.

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Guarantees and endorsements for other parties

March 31, 2021

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/ 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	1,214,929	57,062	57,062	-	-	2.35%	2,429,858	Y	N	N	-
0	The Company	WIHK	2	1,214,929	114,124	114,124	-	-	4.70%	2,429,858	Y	N	N	-
0	The Company	WIBJ	2	1,214,929	87,874	87,098	-	-	3.58%	2,429,858	Y	N	Y	-
0	The Company	WIWZ	2	1,214,929	763,622	759,098	-	-	31.24%	2,429,858	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 or reviewed 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 or reviewed 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 or reviewed 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 or reviewed 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 or reviewed 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 or reviewed 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.

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Notes to the Consolidated Financial Statements

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

March 31, 2021

Table 2

Name of company	Related party	Nature of relationship	Transaction details				Transactions with terms different from others		Account/note receivable (payable)		Notes
			Purchase/Sale	Amount	Percentage of total purchases/sales	Payment terms	Unit price	Payment terms	Balance	Percentage of total accounts/note receivable (payable)	
WIWZ	WIBJ	Parent - subsidiary company	Sales	(154,152)	18.51%	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)	58,160	6.17%	(Note)
WIBJ	WIWZ	Parent - subsidiary company	Purchases	154,512	100%	"	"	"	(58,160)	100%	"

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

WISTRON INFORMATION TECHNOLOGY AND SERVICES CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Business relationships and significant intercompany transactions

March 31, 2021

Table 3

No. (Note 1)	Company Name	Related Party	Nature of relationship (Note 2)	Transaction			
				Financial Statements Item (Note 3)	Amount	Trading Terms	Percentage of the consolidated sales revenue or total assets (Note 4)
0	The Company	WIHK	1	Service Revenue	51,839	Not materially different from the third parties sales.(generally transaction)	3.79%
1	WIJP	WIHK	3	"	8,240	"	0.60%
2	WIHK	WIJP	3	"	19,206	"	1.40%
2	WIHK	WIUS	3	"	28,161	"	2.06%
3	WIBJ	WIWZ	3	"	12,724	"	0.93%
4	WIYC	WIWZ	3	"	615	"	0.04%
5	WIWZ	WIBJ	3	"	154,512	"	11.29%
5	WIWZ	WIHK	3	"	59,207	"	4.32%
0	The Company	WIHK	1	Accounts receivables-related parties	20,606	"	0.59%
1	WIJP	WIHK	3	"	5,329	"	0.15%
2	WIHK	WIJP	3	"	11,955	"	0.34%
2	WIHK	WIUS	3	"	18,996	"	0.55%
3	WIBJ	WIWZ	3	"	8,446	"	0.24%
4	WIYC	WIWZ	3	"	649	"	0.02%
5	WIWZ	WIBJ	3	"	58,160	"	1.68%

WISTRON INFORMATION TECHNOLOGY AND SERVICES CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Business relationships and significant intercompany transactions

March 31, 2021

No. (Note 1)	Company Name	Related Party	Nature of relationship (Note 2)	Transaction			
				Financial Statements Item (Note 3)	Amount	Trading Terms	Percentage of the consolidated sales revenue or total assets (Note 4)
5	WIWZ	WIHK	3	Accounts receivables-related parties	19,771	Not materially different from the third-parties sales.(generally transaction)	0.57%
5	WIWZ	WIYC	3	"	2,510	"	0.07%

Note 1: Company numbering as follows:

1. Parent company - 0
2. Subsidiaries starts from 1

Note 2: Relationship:

1. Transactions between parent company and subsidiary
2. Transactions between subsidiary and parent company
3. Transactions between subsidiary and subsidiary

Note 3: The section only discloses the information of sales and accounts receivable of inter-company transactions, as well as the purchase and accounts payable of counter - party.

Note 4: Calculated by using the transaction amount, divided by the consolidated net revenues and total assets.

WISTRON INFORMATION TECHNOLOGY AND SERVICES CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements
Information on investees (excluding investees in mainland China)

March 31, 2021

Table 4

Name of 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%	1,638,839	62,945	62,945	(Note)
The Company	WIJP	Japan	Research, develop, design of software, and information consulting service	29,564	29,564	1,960	100.00%	120,503	7,355	7,355	"
The Company	WIHK	Hong Kong	Research, develop, design of software, and information consulting service	44	44	10,000	100.00%	44,278	5,486	5,486	"
The Company	WIUS	U.S.A	Research, develop, design of software, and information consulting service	7,586	7,586	250,000	100.00%	22,058	(232)	(232)	"
WIBI	WIHH	Hong Kong	Professional investment enterprise and research, develop, design of software, and information consulting service	3,012	3,012	100,000	100.00%	2,704	(79)	(79)	"

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

WISTRON INFORMATION TECHNOLOGY AND SERVICES CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Information on investment in Mainland China

March 31, 2021

Table 5

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, 2021	Investment flows		Accumulated outflow of investment from Taiwan as of March 31, 2021	Net income (losses) of the investee	Direct/ indirect shareholding (%) by the Company	Share of Profits/Losses (Notes 2 · 8)	Carrying Amount as of March 31, 2021 (Note 2 · 8)	Accumulated Inward Remittance of Earnings as of March 31, 2021
					Outflow	Inflow						
QT	Research, develop, design of software, and information consulting service	4,445	(Note 1)1.	2,304	-	-	2,304	-	100.00%	-	(1,263)	-
WIBJ	Research, develop, design of software, and information consulting service	502,865	(Note 1)1.	169,420	-	-	169,420	63,024 (Note 3)	100.00%	63,024 (Note 3)	1,637,154	-
WIWZ	Research, develop, design of software, and information consulting service	356,800	(Note 1)2.	-	-	-	-	55,997 (Note 3)	100.00%	55,997 (Note 3)	1,265,115	-
WIYC	Research, develop, design of software, and information consulting service	24,449	(Note 1)2.	-	-	-	-	78 (Note 3)	100.00%	78 (Note 3)	18,056	-

2. Limitation on investment in Mainland China:

Accumulated Investment in Mainland China as of March 31, 2021 (Note 4)	Investment Amounts Authorized by Investment Commission, MOEA (Note 4) (Note 6) (Note 7)	Upper Limit on Investment (Note 5)
203,465 (USD 7,131,356)	517,306 (USD 18,131,356)	1,457,914

(Note 1) : Ways to invest in Mainland hina :

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 March 31, 2021 were recognized by the investment through subsidiaries established in a third region or Mainland China.

(Note3) : The financial statements of the investee company were reviewed by the company's auditor.

(Note 4) : Translated using the ending rate on March 31, 2021, which was USD : NTD = 1 : 28.531 .

WISTRON INFORMATION TECHNOLOGY AND SERVICES CORPORATION AND SUBSIDIARIES**Notes to the Consolidated Financial Statements****Information on investment in Mainland China****March 31, 2021**

(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.

Note 8 : The aforementioned inter - company transactions have been eliminated in the consolidated financial statements.

3. Significant transactions :

For the three-month period ended March 31, 2021, the significant transactions of the entities in China, which were eliminated in the preparation of consolidated financial statements, are disclosed in "Information on significant transactions".

WISTRON INFORMATION TECHNOLOGY AND SERVICES CORPORATION AND SUBSIDIARIES**Information on major shareholders****March 31, 2021**

Table 6

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