

**WISTRON INFORMATION TECHNOLOGY AND  
SERVICES CORPORATION**

**PARENT COMPANY ONLY FINANCIAL STATEMENTS**

**With Independent Auditors' Report  
For the Years Ended December 31, 2021 and 2020**

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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.

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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, 2021 and 2020, 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, 2021 and 2020, 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 audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants 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 8, 2022

#### 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, 2021 and 2020

(Expressed in Thousands of New Taiwan Dollars)

Assets		December 31, 2021		December 31, 2020		Liabilities and Equity		December 31, 2021		December 31, 2020	
		Amount	%	Amount	%			Amount	%	Amount	%
<b>Current assets:</b>						<b>Current liabilities:</b>					
1100	Cash and cash equivalents (note 6(a))	\$ 116,631	4	167,356	6	2100	Short-term borrowings (note 6 (i))	\$ 100,000	3	-	-
1140	Current contract assets (note 6(o))	4,990	-	10,970	1	2130	Current contract liabilities (notes 6 (o) and 7)	4,834	-	4,848	-
1170	Accounts receivable, net (notes 6(c)(o))	267,568	9	214,537	8	2170	Accounts payable	3,108	-	2,435	-
1180	Accounts receivable—related parties, net (notes 6(c)(o) and 7)	38,115	1	27,724	1	2200	Other payables (note 6(p))	322,604	11	269,291	10
1200	Other receivables	1	-	62	-	2220	Other payables—related parties (note 7)	197	-	440	-
1210	Other receivables—related parties (note 7)	17	-	3,151	-	2230	Current tax liabilities	37,037	1	16,554	1
1410	Prepayments	1,563	-	1,292	-	2280	Current lease liabilities (note 6(j))	570	-	449	-
1470	Other current assets (note 6(h))	3,646	-	6,662	-	2399	Other current liabilities	6,555	-	5,545	-
	<b>Total current assets</b>	<u>432,531</u>	<u>14</u>	<u>431,754</u>	<u>16</u>		<b>Total current liabilities</b>	<u>474,905</u>	<u>15</u>	<u>299,562</u>	<u>11</u>
<b>Non-current assets:</b>						<b>Non-Current liabilities:</b>					
1550	Investments accounted for using equity method (note 6(d))	2,050,770	68	1,763,445	65	2570	Deferred tax liabilities (note 6(l))	62,708	2	61,976	2
1600	Property, plant and equipment (note 6(e))	508,687	17	502,975	19	2640	Net defined benefit liability, non-current (note 6(k))	15,173	1	16,065	1
1755	Right-of-use assets (note 6(f))	1,110	-	735	-	2580	Non-current lease liabilities (note 6(j))	498	-	274	-
1780	Intangible assets (notes 6(g) and 7)	11,289	1	8,254	-		<b>Total non-current liabilities</b>	<u>78,379</u>	<u>3</u>	<u>78,315</u>	<u>3</u>
1840	Deferred tax assets (note 6(l))	6,619	-	5,932	-		<b>Total liabilities</b>	<u>553,284</u>	<u>18</u>	<u>377,877</u>	<u>14</u>
	<b>Total non-current assets</b>	<u>2,578,475</u>	<u>86</u>	<u>2,281,341</u>	<u>84</u>		<b>Equity (notes 6(b)(k)(m)):</b>				
						3100	Capital stock	669,211	22	667,083	25
						3200	Capital surplus	770,877	26	753,005	28
						3300	Retained earnings	1,198,187	40	1,069,842	39
						3400	Other equity	(107,053)	(4)	(81,212)	(3)
						3500	Treasury shares	(73,500)	(2)	(73,500)	(3)
							<b>Total equity</b>	<u>2,457,722</u>	<u>82</u>	<u>2,335,218</u>	<u>86</u>
							<b>Total liabilities and equity</b>	<u>\$ 3,011,006</u>	<u>100</u>	<u>2,713,095</u>	<u>100</u>
	<b>Total assets</b>	<u>\$ 3,011,006</u>	<u>100</u>	<u>2,713,095</u>	<u>100</u>						

(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, 2021 and 2020

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

		2021		2020	
		Amount	%	Amount	%
4000	Net revenue (notes 6(o) and 7)	\$ 1,213,705	100	1,006,451	100
5000	Cost of sales (notes 6(e)(g)(j)(k), 7 and 12)	(753,477)	(62)	(666,159)	(66)
	<b>Gross profit</b>	<u>460,228</u>	<u>38</u>	<u>340,292</u>	<u>34</u>
	<b>Operating expenses (notes 6(c)(e)(f)(g)(j)(k)(o)(p), 7 and 12):</b>				
6100	Selling expenses	(26,376)	(2)	(24,270)	(2)
6200	Administrative expenses	(263,697)	(22)	(240,348)	(24)
6450	Reversal of expected credit loss provision	185	-	93	-
6300	<b>Total operating expenses</b>	<u>(289,888)</u>	<u>(24)</u>	<u>(264,525)</u>	<u>(26)</u>
	<b>Net operating income</b>	<u>170,340</u>	<u>14</u>	<u>75,767</u>	<u>8</u>
	<b>Non-operating income and expenses (notes 6(b)(j)(q) and 7):</b>				
7100	Interest income	100	-	473	-
7010	Other income	147	-	278	-
7020	Other gains and losses	37,741	3	32,756	3
7070	Recognized share of subsidiaries, associates and joint ventures accounted for using equity method	294,952	24	385,679	38
7050	Finance costs	(312)	-	(218)	-
	<b>Total non-operating income and expenses</b>	<u>332,628</u>	<u>27</u>	<u>418,968</u>	<u>41</u>
	<b>Profit before tax</b>	<u>502,968</u>	<u>41</u>	<u>494,735</u>	<u>49</u>
7951	Income tax expenses (note 6(l))	(47,334)	(4)	(28,846)	(3)
	<b>Net profit</b>	<u>455,634</u>	<u>37</u>	<u>465,889</u>	<u>46</u>
8300	<b>Other comprehensive income (notes 6(k)(l)(m)):</b>				
8310	<b>Items that will not be reclassified subsequently to profit or loss</b>				
8311	Gains (losses) on remeasurements of defined benefit plans	1,463	-	(141)	-
8312	Unrealized gains from investments in equity instruments measured at fair value through other comprehensive income	-	-	4,734	1
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>1,463</u>	<u>-</u>	<u>4,593</u>	<u>1</u>
8360	<b>Items that may be reclassified subsequently to profit or loss</b>				
8361	Exchange differences on translation of foreign financial statements	(18,690)	(1)	(2,808)	-
8380	Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using equity method	(7,151)	(1)	24,505	2
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>(25,841)</u>	<u>(2)</u>	<u>21,697</u>	<u>2</u>
8300	<b>Other comprehensive income (loss)</b>	<u>(24,378)</u>	<u>(2)</u>	<u>26,290</u>	<u>3</u>
	<b>Total comprehensive income</b>	<u>\$ 431,256</u>	<u>35</u>	<u>492,179</u>	<u>49</u>
	<b>Earnings per share (in dollars) (note 6(n))</b>				
9750	<b>Basic earnings per share</b>	<u>\$ 6.91</u>		<u>7.06</u>	
9850	<b>Diluted earnings per share</b>	<u>\$ 6.83</u>		<u>6.98</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, 2021 and 2020

(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		
<b>Balance at January 1, 2020</b>	\$ 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
<b>Balance at December 31, 2020</b>	<u>667,083</u>	<u>753,005</u>	<u>131,840</u>	<u>125,097</u>	<u>812,905</u>	<u>1,069,842</u>	<u>(81,212)</u>	<u>-</u>	<u>(81,212)</u>	<u>(73,500)</u>	<u>2,335,218</u>
Net profit	-	-	-	-	455,634	455,634	-	-	-	-	455,634
Other comprehensive income	-	-	-	-	1,463	1,463	(25,841)	-	(25,841)	-	(24,378)
Total comprehensive income	-	-	-	-	457,097	457,097	(25,841)	-	(25,841)	-	431,256
Appropriation and distribution of retained earnings:											
Legal reserve	-	-	44,829	-	(44,829)	-	-	-	-	-	-
Cash dividends	-	-	-	-	(328,752)	(328,752)	-	-	-	-	(328,752)
Reversal of special reserve	-	-	-	(43,885)	43,885	-	-	-	-	-	-
New share issued through employee's profit sharing bonus	2,128	17,872	-	-	-	-	-	-	-	-	20,000
<b>Balance at December 31, 2021</b>	<u>\$ 669,211</u>	<u>770,877</u>	<u>176,669</u>	<u>81,212</u>	<u>940,306</u>	<u>1,198,187</u>	<u>(107,053)</u>	<u>-</u>	<u>(107,053)</u>	<u>(73,500)</u>	<u>2,457,722</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 Cash Flows**

**For the years ended December 31, 2021 and 2020**

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

	<u>2021</u>	<u>2020</u>
<b>Cash flows generated from (used in) operating activities:</b>		
<b>Profit before tax</b>	\$ 502,968	494,735
<b>Adjustments:</b>		
<b>Adjustments to reconcile loss:</b>		
Depreciation expense	19,207	18,729
Amortization expense	5,228	3,063
Reversal of expected credit loss provision	(185)	(93)
Interest expense	312	218
Interest income	(100)	(473)
Dividend income	-	(260)
Recognized share of subsidiaries, associates and joint ventures accounted for using equity method	(294,952)	(385,679)
Gain on disposal of property, plant and equipment	(115)	(41)
Other	1,786	-
<b>Total adjustments to reconcile loss</b>	<u>(268,819)</u>	<u>(364,536)</u>
<b>Changes in operating assets and liabilities:</b>		
<b>Changes in operating assets:</b>		
Decrease in current contract assets	6,165	2,108
Increase in accounts receivable, net	(53,031)	(4,899)
(Increase) decrease in accounts receivable—related parties	(10,391)	4,978
Decrease (increase) in other receivable	60	(61)
Decrease in other receivables—related parties	3,134	5,898
(Increase) decrease in prepayments	(271)	105
(Increase) decrease in other current assets	(567)	337
<b>Total changes in operating assets</b>	<u>(54,901)</u>	<u>8,466</u>
<b>Changes in operating liabilities:</b>		
(Decrease) increase in contract liabilities	(14)	1,924
Increase (decrease) in accounts payable	673	(5,633)
Decrease in accounts payable—related parties	-	(1,518)
Increase in other payables	58,301	41,671
(Decrease) increase in other payables—related parties	(243)	314
Increase (decrease) in other current liabilities	1,010	(909)
Increase in net defined benefit liability	571	549
<b>Total changes in operating liabilities</b>	<u>60,298</u>	<u>36,398</u>
<b>Net changes in operating assets and liabilities</b>	<u>5,397</u>	<u>44,864</u>
<b>Total changes in operating assets and liabilities</b>	<u>(263,422)</u>	<u>(319,672)</u>
Cash generated from operations	239,546	175,063
Interest received	101	547
Interest paid	(300)	(218)
Income taxes paid	(26,806)	(29,283)
<b>Net cash flows generated from operating activities</b>	<u>212,541</u>	<u>146,109</u>
<b>Cash flows generated from (used in) investing activities:</b>		
Proceeds from disposal of financial assets at fair value through other comprehensive income	-	17,946
Acquisition of investments accounted for using equity method	(5,000)	-
Acquisition of property, plant and equipment	(24,479)	(1,278)
Proceeds from disposal of property, plant and equipment	218	41
Decrease in refundable deposits	3,583	3,322
Acquisition of intangible assets	(8,263)	(4,107)
Dividends received	-	260
<b>Net cash flows (used in) generated from investing activities</b>	<u>(33,941)</u>	<u>16,184</u>
<b>Cash flows generated from (used in) financing activities:</b>		
Increase in short-term loans	303,241	166,276
Repayments of short-term loans	(203,241)	(166,276)
Repayments of the principal portion of lease liabilities	(573)	(424)
Cash dividends paid	(328,752)	(212,484)
Payments to acquire treasury shares	-	(73,500)
Due to donated assets received	-	26
<b>Net cash flows used in financing activities</b>	<u>(229,325)</u>	<u>(286,382)</u>
<b>Net decrease in cash and cash equivalents</b>	<u>(50,725)</u>	<u>(124,089)</u>
<b>Cash and cash equivalents at beginning of year</b>	<u>167,356</u>	<u>291,445</u>
<b>Cash and cash equivalents at end of year</b>	<u>\$ 116,631</u>	<u>167,356</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, 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”). 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, 2021 and 2020 were authorized for issue by the Board of Directors on March 8, 2022 .

**(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, 2021:

- Amendments to IFRS 4 “Extension of the Temporary Exemption from Applying IFRS 9”
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform—Phase 2”

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

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

- (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, 2022, would not have a significant impact on its financial statements:

- 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”

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

<b>Standards or Interpretations</b>	<b>Content of amendment</b>	<b>Effective date per IASB</b>
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

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

The Company 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 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 “Disclosure of Accounting Policies”
- Amendments to IAS 8 “Definition of Accounting Estimates”
- Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”

**(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.

(Continued)

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

(b) Basis of preparation

(i) Basis of measurement

Except for 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), the financial statements have been prepared on the historical cost basis.

(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.

(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.

(Continued)

**WISTRON INFORMATION TECHNOLOGY AND SERVICES CORPORATION**  
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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.

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.

(Continued)

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

(i) Financial assets

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

On initial recognition, a financial asset is classified as measured at amortized cost 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.

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.

(Continued)

**WISTRON INFORMATION TECHNOLOGY AND SERVICES CORPORATION**  
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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.

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.

(Continued)

**WISTRON INFORMATION TECHNOLOGY AND SERVICES CORPORATION**  
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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.

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.

(Continued)



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

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.

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.

(Continued)

**WISTRON INFORMATION TECHNOLOGY AND SERVICES CORPORATION**  
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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.

(i) Leases

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.

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.

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.

(Continued)

**WISTRON INFORMATION TECHNOLOGY AND SERVICES CORPORATION**  
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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.

(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.

(Continued)

**WISTRON INFORMATION TECHNOLOGY AND SERVICES CORPORATION**  
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(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.

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.

(Continued)

**WISTRON INFORMATION TECHNOLOGY AND SERVICES CORPORATION**  
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(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.

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.

(Continued)

**WISTRON INFORMATION TECHNOLOGY AND SERVICES CORPORATION**  
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(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.

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.

(Continued)

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

Deferred taxes are measured at 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.

(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**

In preparing these financial statements, management has made 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.

(Continued)

**WISTRON INFORMATION TECHNOLOGY AND SERVICES CORPORATION**  
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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).

**(6) Explanation of significant accounts**

(a) Cash and cash equivalents

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Cash on hand	\$ 90	90
Demand and checking deposits	116,541	107,266
Time deposits	<u>-</u>	<u>60,000</u>
Cash and cash equivalents in the parent company only statement of cash flows	<u><b>\$ 116,631</b></u>	<u><b>167,356</b></u>

Please refer to Note 6(r) 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

The Company designated the investments 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. The Company recognized the dividend income of \$260 as financial assets at fair value through other comprehensive income in 2020. 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.

(Continued)



**WISTRON INFORMATION TECHNOLOGY AND SERVICES CORPORATION**  
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## (c) Accounts receivable (including related parties)

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Accounts receivable	\$ 267,568	214,537
Accounts receivable-related parties	38,115	27,724
Less: Loss allowance	-	-
	<b><u>\$ 305,683</u></b>	<b><u>242,261</u></b>

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.

The loss allowance provision was determined as follows:

	<b>December 31, 2021</b>		
	<b>Gross carrying amount</b>	<b>Weighted- average expected credit loss rate</b>	<b>Lifetime expected credit loss allowance</b>
Not overdue	\$ 262,591	0%	-
Overdue within 30 days	36,960	0%	-
Overdue 31~120 days	6,132	0%	-
Overdue 121~180 days	-	0%	-
Overdue 181~365 days	-	12.932%~48.362%	-
Overdue more than 365 days	-	100%	-
	<b><u>\$ 305,683</u></b>		<b><u>-</u></b>
	<b>December 31, 2020</b>		
	<b>Gross carrying amount</b>	<b>Weighted- average expected credit loss rate</b>	<b>Lifetime expected credit loss allowance</b>
Not overdue	\$ 230,265	0%	-
Overdue within 30 days	8,492	0%	-
Overdue 31~120 days	3,504	0%	-
Overdue 121~180 days	-	0%	-
Overdue 181~365 days	-	22.079%~73.794%	-
Overdue more than 365 days	-	100%	-
	<b><u>\$ 242,261</u></b>		<b><u>-</u></b>

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**WISTRON INFORMATION TECHNOLOGY AND SERVICES CORPORATION**  
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The movements in the allowance for accounts receivable were as follow:

	<u>2021</u>	<u>2020</u>
Balance as of January 1	\$ -	30
Impairment losses reversed	-	(30)
Balance as of December 31	<u>\$ -</u>	<u>-</u>

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

(d) Investments accounted for using equity method

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

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Subsidiaries	<u>\$ 2,050,770</u>	<u>1,763,445</u>
(i) Subsidiaries		

Please refer to the consolidated financial statements for the year ended December 31, 2021.

(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>
<b>Cost :</b>							
Balance as of January 1, 2021	\$ 185,913	309,808	44,358	8,775	-	504	549,358
Additions	4,943	10,004	9,485	47	-	-	24,479
Disposals	-	-	(1,510)	(43)	-	(504)	(2,057)
Balance as of December 31, 2021	<u>\$ 190,856</u>	<u>319,812</u>	<u>52,333</u>	<u>8,779</u>	<u>-</u>	<u>-</u>	<u>571,780</u>
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>

(Continued)

**WISTRON INFORMATION TECHNOLOGY AND SERVICES CORPORATION**  
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	Land	Buildings and structures	Computers and other equipment	Office equipment	Lease improvements	Lease equipment	Total
<b>Accumulated depreciation :</b>							
Balance as of January 1, 2021	\$ -	13,458	29,837	2,584	-	504	46,383
Depreciation	-	9,897	7,372	1,395	-	-	18,664
Disposals	-	-	(1,432)	(18)	-	(504)	(1,954)
Balance as of December 31, 2021	<u>\$ -</u>	<u>23,355</u>	<u>35,777</u>	<u>3,961</u>	<u>-</u>	<u>-</u>	<u>63,093</u>
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>
<b>Carrying value :</b>							
Balance as of December 31, 2021	<u>\$ 190,856</u>	<u>296,457</u>	<u>16,556</u>	<u>4,818</u>	<u>-</u>	<u>-</u>	<u>508,687</u>
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 January 1, 2020	<u>\$ 185,913</u>	<u>305,850</u>	<u>20,694</u>	<u>7,528</u>	<u>-</u>	<u>-</u>	<u>519,985</u>

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

(f) Right-of-use assets

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

	Buildings and structures	Transportation equipment	Total
<b>Cost:</b>			
Balance as of January 1, 2021	\$ -	1,323	1,323
Additions	918	-	918
Balance as of December 31, 2021	<u>\$ 918</u>	<u>1,323</u>	<u>2,241</u>
Balance as of January 1, 2020	\$ -	1,323	1,323
Balance as of December 31, 2020	<u>\$ -</u>	<u>1,323</u>	<u>1,323</u>
<b>Accumulated depreciation:</b>			
Balance as of January 1, 2021	\$ -	588	588
Depreciation	102	441	543
Balance as of December 31, 2021	<u>\$ 102</u>	<u>1,029</u>	<u>1,131</u>
Balance as of January 1, 2020	\$ -	147	147
Depreciation	-	441	441
Balance as of December 31, 2020	<u>\$ -</u>	<u>588</u>	<u>588</u>
<b>Carrying amount:</b>			
Balance as of December 31, 2021	<u>\$ 816</u>	<u>294</u>	<u>1,110</u>
Balance as of December 31, 2020	<u>\$ -</u>	<u>735</u>	<u>735</u>
Balance as of January 1, 2020	<u>\$ -</u>	<u>1,176</u>	<u>1,176</u>

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## (g) Intangible assets

The movements in intangible assets were as follows:

	<b>Software</b>
<b>Cost :</b>	
Balance as of January 1, 2021	\$ 38,544
Additions	8,263
Disposals	-
Balance as of December 31, 2021	<u>\$ 46,807</u>
Balance as of January 1, 2020	\$ 34,443
Additions	4,107
Disposals	(6)
Balance as of December 31, 2020	<u>\$ 38,544</u>
<b>Accumulated amortization :</b>	
Balance as of January 1, 2021	\$ 30,290
Amortization	5,228
Disposals	-
Balance as of December 31, 2021	<u>\$ 35,518</u>
Balance as of January 1, 2020	\$ 27,233
Amortization	3,063
Disposals	(6)
Balance as of December 31, 2020	<u>\$ 30,290</u>
<b>Carrying value :</b>	
Balance as of December 31, 2021	<u>\$ 11,289</u>
Balance as of December 31, 2020	<u>\$ 8,254</u>
Balance as of January 1, 2020	<u>\$ 7,210</u>

For the years ended December 31, 2021 and 2020, 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

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Refundable deposits	\$ 2,195	5,778
Temporary payments	1,451	884
	<u>\$ 3,646</u>	<u>6,662</u>

For the years ended December 31, 2021 and 2020, the other current assets were not pledged.

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(i) Short-term borrowings

The short-term borrowings were as follows:

	<u>December 31,</u> <u>2021</u>	<u>December 31,</u> <u>2020</u>
Unsecured bank loans	\$ <u>100,000</u>	<u>-</u>
Unsecured bank credit lines	\$ <u>900,000</u>	<u>805,080</u>
Range of interest rates	<u>0.51%</u>	<u>-</u>

(j) Lease liabilities

The carrying amounts of lease liabilities were as follows:

	<u>December 31,</u> <u>2021</u>	<u>December 31,</u> <u>2020</u>
Current	\$ <u>570</u>	<u>449</u>
Non-current	\$ <u>498</u>	<u>274</u>

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

The amounts recognized in profit or loss were as follows:

	<u>2021</u>	<u>2020</u>
Interest expenses on lease liabilities	\$ <u>30</u>	<u>53</u>
Expenses relating to short-term leases	\$ <u>820</u>	<u>401</u>
Expenses relating to leases of low-value assets (excluding short-term leases of low-value assets)	\$ <u>380</u>	<u>452</u>

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

	<u>2021</u>	<u>2020</u>
Total cash outflow for leases	\$ <u>1,803</u>	<u>1,330</u>

(i) Leases of buildings and structures

The Company leases buildings and structures for its office space, and the leases of office space typically run for a period of 3 years.

(ii) Other leases

The Company leases some office space and 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.

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**WISTRON INFORMATION TECHNOLOGY AND SERVICES CORPORATION**  
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(k) Employee benefits

(i) Defined benefit plans

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

	<u>December 31,</u> <u>2021</u>	<u>December 31,</u> <u>2020</u>
Present value of the defined benefit obligations	\$ 42,487	43,650
Fair value of plan assets	<u>(27,314)</u>	<u>(27,585)</u>
Net defined benefit liabilities	<u>\$ 15,173</u>	<u>16,065</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.

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 \$27,314 as of December 31, 2021. For information on the utilization of the labor pension fund assets, including the asset allocation and yield of the fund, please refer to the website of the Bureau of Labor Funds, Ministry of Labor.

2) Movements at present value of the defined benefit obligations

For the years ended December 31, 2021 and 2020, the movements at present value of the defined benefit obligations for the Company were as follows:

	<u>2021</u>	<u>2020</u>
Defined benefit obligations at January 1	\$ 43,650	42,954
Current service costs and interest cost	1,183	1,280
Remeasurements of the net defined benefit liability:		
– Actuarial loss arising from changes in financial assumptions	-	2,458
– Actuarial gain arising from experience adjustments	(1,129)	(1,499)
Benefits paid	<u>(1,217)</u>	<u>(1,543)</u>
Defined benefit obligations at December 31	<u>\$ 42,487</u>	<u>43,650</u>

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**WISTRON INFORMATION TECHNOLOGY AND SERVICES CORPORATION**  
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3) Movements at fair value of the defined benefit plan assets

For the years ended December 31, 2021 and 2020, the movements at fair value of the defined benefit plan assets for the Company were as follows:

	<u>2021</u>	<u>2020</u>
Fair value of plan assets at January 1	\$ 27,585	27,579
Expected return on plan assets	162	291
Remeasurements of the net defined benefit liability:		
— Return on plan assets	334	818
Amounts contributed to plan	450	440
Benefits paid	<u>(1,217)</u>	<u>(1,543)</u>
Fair value of plan assets at December 31	<u>\$ 27,314</u>	<u>27,585</u>

4) Expenses recognized in profit or loss

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

	<u>2021</u>	<u>2020</u>
Current service costs	\$ 922	819
Interest cost	261	461
Expected return on plan assets	<u>(162)</u>	<u>(291)</u>
	<u>\$ 1,021</u>	<u>989</u>
	<u>2021</u>	<u>2020</u>
Cost of sales	\$ 227	216
Selling expenses	40	34
Administration expenses	<u>754</u>	<u>739</u>
	<u>\$ 1,021</u>	<u>989</u>

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

For the years ended December 31, 2021 and 2020, the remeasurements of the net defined benefit liability recognized in other comprehensive income were as follows:

	<u>2021</u>	<u>2020</u>
Accumulated amount at January 1	\$ 7,159	7,018
Recognized during the period	<u>(1,463)</u>	<u>141</u>
Accumulated amount at December 31	<u>\$ 5,696</u>	<u>7,159</u>

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6) Actuarial assumptions

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

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Discount rate	0.625 %	0.625 %
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 \$444. The weighted average lifetime of the defined benefit plans is 15.05 years.

7) Sensitivity analysis

As of December 31, 2021, and 2020, 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, 2021		
Discount rate (0.25%)	\$ (1,108)	1,148
Future salary increase rate (0.25%)	1,103	(1,069)
December 31, 2020		
Discount rate (0.25%)	(1,256)	1,306
Future salary increase rate (0.25%)	1,258	(1,212)

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 2021 and 2020.

(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 \$38,220 and \$33,539 of the pension under the pension plan costs to the Bureau of Labor Insurance for the years ended December 31, 2021 and 2020, respectively.

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## (l) Income tax

## (i) Income tax expense

The components of income tax expense for the years ended December 31, 2021 and 2020 were as follows:

	<u>2021</u>	<u>2020</u>
Current tax expense	\$ 47,289	26,706
Deferred tax expense	45	2,140
Income tax expense	<u>\$ 47,334</u>	<u>28,846</u>

There is no income tax recognized directly in equity or other comprehensive income for the years ended December 31, 2021 and 2020.

Reconciliation of income tax expenses and profit before tax for the years ended December 31, 2021 and 2020 were as follows:

	<u>2021</u>	<u>2020</u>
Profit before tax	\$ 502,968	494,735
Estimated income tax calculated using the Company's domestic tax rate	100,594	98,947
Prior-period tax adjustments	(418)	123
Change in unrecognized temporary differences	(58,272)	(75,308)
Additional tax on undistributed earnings	5,264	5,252
Others	166	(168)
	<u>\$ 47,334</u>	<u>28,846</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, 2021 and 2020. 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, 2021</u>	<u>December 31, 2020</u>
Aggregate amount of temporary differences related to investments in subsidiaries	<u>\$ 1,389,653</u>	<u>1,098,294</u>
Unrecognized deferred tax liabilities	<u>\$ 277,931</u>	<u>219,659</u>

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2) Unrecognized deferred tax assets

There are no significant unrecognized deferred tax assets for the years ended December 31, 2021 and 2020.

3) Recognized deferred tax assets and liabilities

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

**Deferred Tax Assets:**

	<u>Defined benefit plans</u>	<u>Accrued expense</u>	<u>Others</u>	<u>Total</u>
Balance as of January 1, 2021	\$ 1,782	2,939	1,211	5,932
Recognized in profit or loss	114	320	253	687
Balance as of December 31, 2021	<u>\$ 1,896</u>	<u>3,259</u>	<u>1,464</u>	<u>6,619</u>
Balance as of January 1, 2020	\$ 1,672	2,451	2,110	6,233
Recognized in profit or loss	110	488	(899)	(301)
Balance as of December 31, 2020	<u>\$ 1,782</u>	<u>2,939</u>	<u>1,211</u>	<u>5,932</u>

**Deferred Tax Liabilities:**

	<u>Recognized share of gain of subsidiaries accounted for equity method</u>	<u>Others</u>	<u>Total</u>
Balance as of January 1, 2021	\$ 61,965	11	61,976
Recognized in profit or loss	722	10	732
Balance as of December 31, 2021	<u>\$ 62,687</u>	<u>21</u>	<u>62,708</u>
Balance as of January 1, 2020	\$ 60,137	-	60,137
Recognized in profit or loss	1,828	11	1,839
Balance as of December 31, 2020	<u>\$ 61,965</u>	<u>11</u>	<u>61,976</u>

(iii) Assessment of tax

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

(m) Capital and other equity

As of December 31, 2021 and 2020, 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 66,921 thousand shares and 66,708 thousand shares, respectively, were issued. And the capital surplus were \$669,211 and \$667,083. All proceeds from shares issued have been collected.

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Reconciliations of shares issued for the years ended December 31, 2021 and 2020 were as follows:

	<b>Common stock (in thousands)</b>	
	<b>2021</b>	<b>2020</b>
Balance as of January 1	66,708	66,401
New share issued through employees' profit sharing bonus	213	307
Balance as of December 31	<b>66,921</b>	<b>66,708</b>

(i) Common stock

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. The date of capital increase was resolved to be May 24, 2021, by the Board of Directors. The relevant registration procedures had been completed.

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) Capital surplus

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

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
A premium issuance of common shares for cash	\$ 747,647	729,775
Transaction of treasury shares	23,204	23,204
Earnings from donated assets received	26	26
	<b>\$ 770,877</b>	<b>753,005</b>

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

On March 10, 2021, and March 27, 2020, the Company's Board of Directors approved a resolution to distribute employees' profit sharing bonus consisting of 213 thousand shares and 307 thousand shares. The amount of stock premium was \$17,872 and \$16,928.

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(iii) Retained earning

The Company's Articles of Incorporation stipulate that the 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.

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 the FSC, 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 earning for 2020 and 2019 had been approved by the shareholders' meetings held on July 23, 2021 and June 22, 2020, respectively. The appropriations and dividends were as follows:

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

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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, 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.

(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, 2021	\$ (4,097)	(77,115)	-	-	(4,097)
Foreign currency translation differences	(18,690)	(7,151)	-	-	(18,690)	(7,151)
Balance as of December 31, 2021	<u>\$ (22,787)</u>	<u>(84,266)</u>	<u>-</u>	<u>-</u>	<u>(22,787)</u>	<u>(84,266)</u>
Balance as of January 1, 2020	\$ (1,289)	(101,620)	(22,188)	-	(23,477)	(101,620)
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>

(n) Earnings per share ("EPS")

(i) Basic earnings per share

	2021	2020
Net profit belonging to common shareholders	\$ <u>455,634</u>	<u>465,889</u>
Weighted average common stock outstanding (in thousands shares)	<u>65,923</u>	<u>66,020</u>
Basic earnings per share (in dollars)	\$ <u>6.91</u>	<u>7.06</u>

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**WISTRON INFORMATION TECHNOLOGY AND SERVICES CORPORATION**  
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## (ii) Diluted earnings per share

	<u>2021</u>	<u>2020</u>
Net profit belonging to common shareholders	\$ <u>455,634</u>	<u>465,889</u>
Weighted average common stock outstanding (in thousands shares)	65,923	66,020
Effect of potentially dilutive common stock (in thousands shares)		
Employees' profit sharing bonus	551	481
Employees' profit sharing bonus of subsidiary company	<u>210</u>	<u>279</u>
Weighted average number of common stock (diluted) (in thousands shares)	<u>66,684</u>	<u>66,780</u>
Diluted earnings per share (in dollars)	\$ <u>6.83</u>	<u>6.98</u>

## (o) Revenue from contracts with customers

## (i) Disaggregation of revenue

	<u>2021</u>	<u>2020</u>
Primary geographical markets:		
Taiwan	\$ 1,001,911	805,050
Japan	19,593	16,846
China	-	496
Others	<u>192,201</u>	<u>184,059</u>
	\$ <u>1,213,705</u>	<u>1,006,451</u>
Major products:		
IT service revenue	\$ <u>1,213,705</u>	<u>1,006,451</u>

## (ii) Balance of contracts

	<u>December 31, 2021</u>	<u>December 31, 2020</u>	<u>January 1, 2020</u>
Accounts receivable (including related parties)	\$ 305,683	242,261	242,340
Less: loss allowance	<u>-</u>	<u>-</u>	<u>(30)</u>
	\$ <u>305,683</u>	<u>242,261</u>	<u>242,310</u>
Contract assets	\$ 5,144	11,309	13,417
Less: loss allowance	<u>(154)</u>	<u>(339)</u>	<u>(402)</u>
	\$ <u>4,990</u>	<u>10,970</u>	<u>13,015</u>

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**WISTRON INFORMATION TECHNOLOGY AND SERVICES CORPORATION**  
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The movements in the allowance for contract assets were as follow:

	<b>2021</b>	<b>2020</b>
Balance as of January 1	\$ 339	402
Impairment losses reversed	(185)	(63)
Balance as of December 31	<b>\$ 154</b>	<b>339</b>

  

	<b>December 31, 2021</b>	<b>December 31, 2020</b>	<b>January 1, 2020</b>
Contract liabilities	<b>\$ 4,834</b>	<b>4,848</b>	<b>2,924</b>

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

The Company 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 years ended December 31, 2021 and 2020 that was included in the contract liabilities balance at the beginning of the year was \$4,108 and \$2,509, 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.

(p) 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:

	<b>2021</b>	<b>2020</b>
Employees' profit sharing bonus	\$ 57,120	56,219
Directors' profit sharing bonus	11,100	11,240
	<b>\$ 68,220</b>	<b>67,459</b>

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**WISTRON INFORMATION TECHNOLOGY AND SERVICES CORPORATION**  
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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 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 amounts, as stated in the financial statements, are identical to those of the actual distributions for 2021 and 2020.

(q) Non-operating income and expenses

(i) Interest income

	<u>2021</u>	<u>2020</u>
Interest income	\$ <u>100</u>	<u>473</u>

(ii) Other income

	<u>2021</u>	<u>2020</u>
Government grants	\$ 147	18
Dividend income	-	260
	\$ <u>147</u>	<u>278</u>

(iii) Other gains and losses

	<u>2021</u>	<u>2020</u>
Foreign exchange losses, net	\$ (321)	(2,352)
Management services revenue	37,580	34,695
Gain on disposals of property, plant and equipment, net	115	41
Others	367	372
	\$ <u>37,741</u>	<u>32,756</u>

(iv) Finance costs

	<u>2021</u>	<u>2020</u>
Interest expense	\$ <u>(312)</u>	<u>(218)</u>

(Continued)



**WISTRON INFORMATION TECHNOLOGY AND SERVICES CORPORATION**  
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(r) 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.

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, 2021 and 2020, 70% and 68%, 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 and contract assets securities

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

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>
<b>As of December 31, 2021</b>					
Non-derivative financial liabilities					
Short-term loans	\$ 100,000	100,115	100,115	-	-
Accounts payable	3,108	3,108	3,108	-	-
Other payables (including related parties)	322,801	322,801	322,801	-	-
Lease liabilities (current and non-current)	<u>1,068</u>	<u>1,079</u>	<u>579</u>	<u>300</u>	<u>200</u>
	<u>\$ 426,977</u>	<u>427,103</u>	<u>426,603</u>	<u>300</u>	<u>200</u>

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**WISTRON INFORMATION TECHNOLOGY AND SERVICES CORPORATION**  
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	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>Within 1 year</u>	<u>1-2 years</u>	<u>Over 2 years</u>
<b>As of December 31, 2020</b>					
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>

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:

	<u>December 31, 2021</u>			<u>December 31, 2020</u>		
	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>NTD</u>	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>NTD</u>
<u>Financial assets</u>						
<u>Monetary items</u>						
USD	\$ 142	27.69	3,922	650	28.508	18,543
<u>Non-monetary items</u>						
USD	67,688	27.69	1,874,286	56,252	28.508	1,603,631
JPY	523,058	0.2410	126,057	438,120	0.2761	120,965
HKD	12,799	3.5507	45,444	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, 2021 and 2020 would have increased (decreased) the net profit after tax by \$173 and \$1,017, respectively. The analysis assumes that all other variables remain constant.

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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:

	2021		2020	
	Exchange loss	Average exchange rate	Exchange loss	Average exchange rate
NTD	\$ 321	-	2,352	-

(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 company has no variable interest rate borrowing as of December 31, 2021 and 2020.

(v) Fair value information - Categories and fair values of financial instruments

The carrying amount of the financial assets and liabilities is reasonably close to the fair value, disclosure of the fair value information is not required.

(s) 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.

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**WISTRON INFORMATION TECHNOLOGY AND SERVICES CORPORATION**  
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(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.

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, 2021 and 2020.

(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 has 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, 2021 and 2020, the Company has unused credit facilities for bank loans of \$900,000 and \$805,080, respectively.

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**WISTRON INFORMATION TECHNOLOGY AND SERVICES CORPORATION**  
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(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 HKD, 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

To reduce the exposure to interest rate risk, the choice of a variable interest rate or a fixed interest rate was based on the Company's evaluation of the global economic environment and the trend in market interest rates. The Company maintains an appropriate proportion of the fixed and variable interest rate instruments to mitigate the interest rate 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.

(t) 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.

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**WISTRON INFORMATION TECHNOLOGY AND SERVICES CORPORATION**  
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The Company's debt-to-equity ratio at the reporting date was as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Total liabilities	\$ 553,284	377,877
Less: cash and cash equivalents	(116,631)	(167,356)
Net debt	<u>\$ 436,653</u>	<u>210,521</u>
Total equity	\$ 2,457,722	2,335,218
Adjustment	-	-
Total capital	<u>\$ 2,457,722</u>	<u>2,335,218</u>
Debt-to-equity ratio	<u>17.77 %</u>	<u>9.02 %</u>

As of December 31, 2021, there were no changes in the Company's approach to capital management.

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

Reconciliation of liabilities arising from financing activities for the years ended December 31, 2021 and 2020, were as follows:

	<u>January 1, 2021</u>	<u>Cash flows</u>	<u>Repayments of loans and lease liabilities</u>	<u>Non-cash changes</u>	<u>December 31, 2021</u>
		<u>Proceeds from loans</u>		<u>New lease</u>	
Short-term loans	\$ -	303,241	(203,241)	-	100,000
Lease liabilities (Current and non-current)	723	-	(573)	918	1,068
	<u>\$ 723</u>	<u>303,241</u>	<u>(203,814)</u>	<u>918</u>	<u>101,068</u>
	<u>January 1, 2020</u>	<u>Cash flows</u>	<u>Repayments of loans and lease liabilities</u>	<u>Non-cash changes</u>	<u>December 31, 2020</u>
		<u>Proceeds from loans</u>		<u>New lease</u>	
Short-term loans	\$ -	166,276	(166,276)	-	-
Lease liabilities (Current and non-current)	1,147	-	(424)	-	723
	<u>\$ 1,147</u>	<u>166,276</u>	<u>(166,700)</u>	<u>-</u>	<u>723</u>

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**WISTRON INFORMATION TECHNOLOGY AND SERVICES CORPORATION**  
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**(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 1)	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
WITS Taiwan, Inc. (WISS) (Note 5)	The Subsidiary
Wistron Information Technology and Services (Beijing) Inc. (WIBJ)	The Subsidiary
Shanghai Booster Technologies Company Limited. (QT) (Note 6)	The Subsidiary
Beijing Enovation Technology co., Ltd. (WIYC)	The Subsidiary
Wistron ITS (Wuhan) CO. (WIWZ)	The Subsidiary
Hubei Peiwen Construction Co., Ltd. (Note 2)	The Subsidiary
Wistron ITS (Hangzhou) Ltd. (WIHZ) (Note 4)	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
Changing Information Technology Inc. (CGI)	Other related party
Wibase Industrial Solutions Inc. (WIS)	Other related party
Ms. Hsu and the spouse (Note 3)	The Company's key management and the spouse

(Note 1) The capital was injected in the 2nd quarter of 2020.

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

(Note 3) Ms. Hsu resigned in June 2021, therefore, she and her spouse were not the affiliates of the Company since the 3rd quarter of 2021.

(Note 4) The capital has not been injected at December 31, 2021 until February, 2022.

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(Note 5) The company was set up in the 4th quarter of 2021.

(Note 6) The company cancelled the registration in the 4th quarter of 2021, and completed the liquidation process in January, 2022.

(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	
	2021	2020	December 31, 2021	December 31, 2020
Subsidiary-WIBI	\$ -	23,306	-	-
Subsidiary-WIHK	190,510	125,431	-	10,523
Subsidiary-Other	-	43,993	-	6,204
Entity with significant influence over the Company	171,475	38,786	36,393	10,177
Other related party	5,966	3,480	1,722	820
	<u>\$ 367,951</u>	<u>234,996</u>	<u>38,115</u>	<u>27,724</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	
	2021	2020	December 31, 2021	December 31, 2020
Subsidiary – WIWZ	\$ -	270	-	-
Subsidiary-Other	-	612	-	-
	<u>\$ -</u>	<u>882</u>	<u>-</u>	<u>-</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.

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(iii) Management services

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

	<u>Other income</u>		<u>Other receivable-related parties</u>	
	<u>2021</u>	<u>2020</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Subsidiary – WIHK	\$ 37,580	18,000	-	2,000
Subsidiary – WIBI	-	6,000	-	-
Subsidiary – WIUS	-	10,695	-	1,151
	<u>\$ 37,580</u>	<u>34,695</u>	<u>-</u>	<u>3,151</u>

(iv) Contract liabilities

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

(v) Other transactions

- 1) In 2021 and 2020, 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, 2021 and 2020.
- 2) In 2021 and 2020, the Company purchased intangible assets from other related parties amounting to \$548 and \$299. The balance of other accounts payable from the above transaction were \$0 and \$314 as of December 31, 2021 and 2020.
- 3) In 2021, other related parties provided system services to the Company amounting to \$56. All other accounts payable from the above transaction amounted to \$70 on December 31, 2021.
- 4) The Company paid certain expenses on behalf of WISS, one of the subsidiaries, resulting in the outstanding receivables with an amount of \$17 as of December 31, 2021.
- 5) WIUS, one of the subsidiaries, paid certain expenses on behalf of the Company, resulting in the outstanding payables with an amount of \$1 as of December 31, 2021.

(vi) Guarantee

As of December 31, 2021 and 2020, the Company had provided guarantees for loans taken out by subsidiaries, wherein amounting to \$919,301 and \$1,019,307, respectively.

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**WISTRON INFORMATION TECHNOLOGY AND SERVICES CORPORATION**  
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(vii) Receivables and payables to related parties were as follows:

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Accounts receivable—related parties:		
Accounts receivable	\$ 38,115	27,724
Other receivable	17	3,151
	<b>\$ 38,132</b>	<b>30,875</b>
Accounts payable—related parties:		
Other payables	<b>\$ 197</b>	<b>440</b>

(c) Key management personnel compensation

Key management personnel compensation comprised

	<b>2021</b>	<b>2020</b>
Short-term employee benefits	\$ 18,974	21,596
Post-employment benefits	312	387
	<b>\$ 19,286</b>	<b>21,983</b>

**(8) Pledged assets: None.**

**(9) Significant commitments and contingencies: None.**

**(10) Losses due to major disasters: None.**

**(11) Subsequent events**

(a) The appropriation of earnings for 2021 that was approved at the board of directors meeting on March 8, 2022 were as follows:

	<b>2021</b>
Common stock dividends	
Cash	<b>\$ 304,773</b>

(b) The Company's Board of Directors approved that WIBJ increased the capital from retained earnings, amounting to CNY 88,113 thousand, to strengthen its finance performance and capital structure in its meeting on January 12, 2022. Afterwards, the share capital increased from CNY 111,887 thousand to CNY 200,000 thousand.

(c) In January 2022, the Chairman of the Board of Directors approved to transfer 479 thousand shares to its employees, which included the employees of subsidiaries of the Company, and were transferred with the adjusted average repurchase price of \$76.12 dollars as the exercise price.

(Continued)

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**(12) Other**

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

By item	By function	2021			2020		
		Cost of sales	Operating expenses	Total	Cost of sales	Operating expenses	Total
Employee benefits							
Salaries		589,397	195,704	785,101	514,579	172,776	687,355
Labor and health insurance		63,165	11,946	75,111	51,231	10,109	61,340
Pension		33,278	5,963	39,241	28,766	5,762	34,528
Directors' profit sharing bonus		-	16,098	16,098	-	15,800	15,800
Others		23,506	5,486	28,992	20,214	5,077	25,291
Depreciation		2,745	16,462	19,207	2,996	15,733	18,729
Amortization		721	4,507	5,228	209	2,854	3,063

As of December 31, 2021 and 2020, the additional information for employee numbers and employee benefits were as follows:

	2021	2020
Employee numbers	<u>965</u>	<u>851</u>
Directors' numbers without serving concurrently as employee	<u>7</u>	<u>7</u>
Average employee benefits	<u>\$ 969</u>	<u>\$ 958</u>
Average employee salaries	<u>\$ 820</u>	<u>\$ 814</u>
Average adjustment rate of employee salaries	<u>0.74%</u>	<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.

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**WISTRON INFORMATION TECHNOLOGY AND SERVICES CORPORATION**  
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**(13) Other disclosures**

(a) Information on significant transactions

The followings is 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, 2021:

- (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, 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 amount exceeding the lower of NT\$100 million or 20% of the capital stock: Please refer to Table 3.
- (ix) Trading in derivative instruments: None.

(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**

Please refer to the consolidated financial statement for the year ended December 31, 2021.

**WISTRON INFORMATION TECHNOLOGY AND SERVICES CORPORATION**  
**Notes to the Parent Company Only Financial Statements**  
**Guarantees and endorsements for other parties**  
**December 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 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	1,228,861	57,062	55,380	-	-	2.25 %	2,457,722	Y	N	N	-
0	The Company	WIHK	2	1,228,861	114,124	110,760	7,230	-	4.51 %	2,457,722	Y	N	N	-
0	The Company	WIBJ	2	1,228,861	87,874	86,966	-	-	3.54 %	2,457,722	Y	N	Y	-
0	The Company	WIWZ	2	1,228,861	763,622	666,195	-	-	27.11 %	2,457,722	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, 2021**

Table 2

Name of company	Related party	Nature of relationship	Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		Notes
			Purchases/Sales	Amount	Percentage of total purchases/ (sales)	Payment terms	Unit price	Payment terms	Balance	Percentage of total notes/accounts receivable (payable)	
The Company	WIHK	Parent - subsidiary company	Sales	(190,510)	(15.70)%	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)	-	-%	-
WIWZ	WIHK	The same parent company	Sales	(234,853)	(5.77)%	"	"	"	37,402	2.49%	-
WIWZ	WIBJ	Parent - subsidiary company	Sales	(662,790)	(16.28)%	"	"	"	102,676	6.83%	-
WIHK	WIUS	The same parent company	Sales	(112,956)	(20.36)%	"	"	"	21,641	30.52%	-
WIHK	The Company	Parent - subsidiary company	Purchases	190,510	42.87%	"	"	"	-	-%	-
WIHK	WIWZ	The same parent company	Purchases	234,853	52.71%	"	"	"	(37,402)	(99.12)%	-
WIBJ	WIWZ	Parent - subsidiary company	Purchases	662,790	99.92%	"	"	"	(102,676)	(99.83)%	-
WIUS	WIHK	The same parent company	Purchases	112,956	97.02%	"	"	"	(21,641)	(97.52)%	-

(Continued)

**WISTRON INFORMATION TECHNOLOGY AND SERVICES CORPORATION**

**Notes to the Parent Company Only Financial Statements**

**Accounts receivable from related parties with amount exceeding the lower of NT\$100 million or 20% of the capital stock**

December 31, 2021

Table 3

Company name	Related party	Relationship	Accounts receivable-related party balance	Turnover Rate	Overdue		Amounts received in subsequent period (as of February 28, 2022)	Allowance for bad debts
					Amount	Action taken		
WIWZ	WIBJ	Parent-subsidiary company	102,676	9.74	-	None	102,676	-

(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, 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 %	1,849,081	261,661	261,661	-
The Company	WIJP	Japan	Research, develop, design of software, and information consulting service	29,564	29,564	1,960	100.00 %	126,057	21,650	21,650	-
The Company	WIHK	Hong Kong	Research, develop, design of software, and information consulting service	44	44	10,000	100.00 %	45,444	8,048	8,048	-
The Company	WIUS	U.S.A	Research, develop, design of software, and information consulting service	7,586	7,586	250,000	100.00 %	25,205	3,610	3,610	-
The Company	WISS	Taiwan	Research, develop, design of software, and information consulting service	5,000	-	500,000	100.00 %	4,983	(17)	(17)	-
WIBI	WIHH	Hong Kong	Professional investment enterprise	3,012	3,012	49,008,308	100.00 %	1,848,832	134,519	134,519	-

(Continued)



**WISTRON INFORMATION TECHNOLOGY AND SERVICES CORPORATION**  
**Notes to the Parent Company Only Financial Statements**  
**Information on investment in Mainland China**  
**December 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 December 31, 2021	Net income (losses) of the investee	Direct/ indirect shareholding (%) by the Company	Investment income (losses) (Note 2)	Carrying amount as of December 31, 2021 (Note 2)	Accumulated inward remittance of Earnings as of December 31, 2021	Notes
					Outflow	Inflow							
QT	Research, develop, design of software, and information consulting service	4,445	(Note 1) 1.	2,304	-	-	2,304	1,336 (Note 3)	100.00 %	1,336 (Note 3)	77	-	(Note 8)
WIBJ	Research, develop, design of software, and information consulting service	502,865	(Note 1) 1.	169,420	-	-	169,420	260,505 (Note 3)	100.00 %	260,505 (Note 3)	1,846,252	-	-
WIWZ	Research, develop, design of software, and information consulting service	667,314	(Note 1) 2.	-	-	-	-	226,306 (Note 3)	100.00 %	226,306 (Note 3)	1,444,790	-	-
WIYC	Research, develop, design of software, and information consulting service	24,449	(Note 1) 2.	-	-	-	-	(278) (Note 3)	100.00 %	(278) (Note 3)	17,673	-	-

## 2. Limitation on investment in Mainland China:

Accumulated Investment in Mainland China as of December 31, 2021 (Note 4)	Investment Amounts Authorized by Investment Commission, MOEA (Note 4) (Note 6) (Note 7)	Upper Limit on Investment (Note 5)
197,467 (USD 7,131,356 )	502,057 (USD 18,131,356 )	1,474,633

(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, 2021 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, 2021, which was USD : NTD = 1 : 27.69 .

(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 increased investment in WIBJ, one of the subsidiaries in Mainland China, by USD 11,000,000 through WIBI, a subsidiary established in a third region, wherein the investment had been authorized by Investment Commission, MOEA. However, the Company restructured the investment through WIHH acquiring 100% shareholdings in WIBJ via stock exchange from WIBI in the 3rd quarter of 2021.

(Note 8) QT, in which the Company indirectly invested, had completed the cancellation of its business registration and liquidation in the 4th quarter of 2021. The said investment capital amounting to USD 2,778.40, which entitled the Company to a full ownership of the entity, had been remitted to WIBI in January 2022.

### 3. Significant transactions

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

(Continued)

**WISTRON INFORMATION TECHNOLOGY AND SERVICES CORPORATION**  
**Notes to the Parent Company Only Financial Statements**  
**Information on major shareholders**  
**December 31, 2021**

Table 6

Shareholder's Name	Shareholding	
	Shares	Percentage
Wistron Digital Technology Holding Company	15,718,837	23.48 %

**WISTRON INFORMATION TECHNOLOGY AND SERVICES CORPORATION**

**Statement of Cash and Cash Equivalents**

**December 31, 2021**

**(Expressed in thousands of New Taiwan Dollars)**

<b>Item</b>	<b>Description</b>	<b>Amount</b>
Cash on hand		\$ 90
Demand deposits		116,291
Foreign deposits (Note 1)	JPY3.00 ; USD9,040.26 ; CNY26.46 ; EUR0.04	250
		<b>\$ 116,631</b>

Note 1: The ending rates of foreign currency deposits on December 31, 2021 are as follows:

USD : NTD =1 : 27.690

JPY : NTD =1 : 0.2410

CNY : NTD =1 : 4.3483

EUR : NTD =1 : 31.3174

**WISTRON INFORMATION TECHNOLOGY AND SERVICES CORPORATION**

**Statement of Accounts Receivable**

**December 31, 2021**

**(Expressed in thousands of New Taiwan Dollars)**

<u>Client's Name</u>	<u>Amount</u>
Accounts receivable — non related parties	
101351	\$ 123,570
100873	26,598
100104	13,472
Others (less than 5%)	<u>103,928</u>
Subtotal	267,568
Less: loss allowance	<u>-</u>
	<u><u>\$ 267,568</u></u>

**Statement of Other Receivables**

<u>Item</u>	<u>Amount</u>
Other receivable-others	\$ <u><u>1</u></u>

**Statement of Prepayments**

<u>Item</u>	<u>Amount</u>
Prepaid authorization fee	\$ 1,034
Other prepayments	<u>529</u>
	<u><u>\$ 1,563</u></u>

## WISTRON INFORMATION TECHNOLOGY AND SERVICES CORPORATION

## Statement of Movement of Investments Accounted for Using the Equity Method

For the year ended December 31, 2021

(Expressed in thousands of New Taiwan Dollars)

Name of investee	Beginning Balance		Increase		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 (In dollars)	Total amounts		
Using the Equity Method:															
Wistron Information Technology and Services Inc. (WIBI)	180,000,000	\$ 1,581,357	-	13,214	-	-	261,661	(7,151)	180,000,000	100.00	1,849,081	10.27	1,849,081	None	Note
Wistron Information Technology and Services (Japan) Inc. (WIJP)	1,960	120,965	-	-	-	-	21,650	(16,558)	1,960	100.00	126,057	64,134.73	126,057	None	-
Wistron Information Technology and Services Limited (WIHK)	10,000	38,849	-	-	-	-	8,048	(1,453)	10,000	100.00	45,444	4,544.38	45,444	None	-
WITS AMERICA CORP. (WIUS)	250,000	22,274	-	-	-	-	3,610	(679)	250,000	100.00	25,205	100.82	25,205	None	-
WITS Taiwan, Inc. (WISS)	-	-	500,000	5,000	-	-	(17)	-	500,000	100.00	4,983	9.97	4,983	None	-
Total		<u>\$ 1,763,445</u>		<u>18,214</u>		<u>-</u>	<u>294,952</u>	<u>(25,841)</u>			<u>2,050,770</u>		<u>2,050,770</u>		

Note: The amount included the remuneration to employees of the subsidiaries of the Company of \$15,000, and the differences between the estimated amounts in the financial statements of 2020 and the actual distributions in 2021 of \$1,786.

**WISTRON INFORMATION TECHNOLOGY AND SERVICES CORPORATION**

**Statement of Short-term Borrowings**

**December 31, 2021**

**(Expressed in thousands of New Taiwan Dollars)**

<u>Type</u>	<u>Description</u>	<u>Ending balance</u>	<u>Contract period</u>	<u>Range of interest rate</u>	<u>Credit lines (Note)</u>	<u>Collateral</u>	<u>Notes</u>
Credit loan	Financial institution	\$ <u>100,000</u>	2021.12.23~2022.3.23	0.51%	<u>300,000</u>	None	-

Note: The unused credit lines of the Company was \$700,000.

**Statement of Accounts Payable**

<u>Vendor's Name</u>	<u>Amount</u>
101113	\$ 855
Others (less than 5%)	<u>2,253</u>
Total	\$ <u>3,108</u>

**Statement of Other Payables**

<u>Item</u>	<u>Amount</u>
Accrued bonus	\$ 108,978
Accrued employees' and directors' profit sharing bonus	84,290
Accrued payroll	70,771
Other accrued expenses (less than 5%)	<u>58,565</u>
	\$ <u>322,604</u>

**WISTRON INFORMATION TECHNOLOGY AND SERVICES CORPORATION**

**Statement of Lease Liabilities**

**December 31, 2021**

(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>Notes</u>
Buildings and structures	Mainly for office	2021.09.01~2024.08.31	0.48%	\$ 795	
Transportation equipment	Company car	2019.08.30~2022.08.29	5.575%	273	
				1,068	
Less: Current portion				(570)	
				<u>\$ 498</u>	

**Statement of Other Current Liabilities**

<u>Item</u>	<u>Amount</u>
Other advances receivable	\$ 3,057
Refund liabilities — current	2,316
Income tax & other with holdings	1,174
Others (less than 5%)	8
	<u>\$ 6,555</u>



**WISTRON INFORMATION TECHNOLOGY AND SERVICES CORPORATION**

**Statement of Cost of Sales**

**For the year ended December 31, 2021**

**(Expressed in thousands of New Taiwan Dollars)**

<u>Item</u>	<u>Amount</u>
Direct labor	\$ 709,346
Manufacturing overhead	<u>44,131</u>
Cost of sales	<u><u>\$ 753,477</u></u>

**Statement of Selling Expenses**

<u>Item</u>	<u>Description</u>	<u>Amount</u>	<u>Notes</u>
Salary and wages expenses		\$ 18,859	
Insurance expenses		2,034	
Professional service fees		1,966	
Others (less than 5%)		<u>3,517</u>	
		<u><u>\$ 26,376</u></u>	

**WISTRON INFORMATION TECHNOLOGY AND SERVICES CORPORATION**

**Statement of Administrative Expenses**

**For the year ended December 31, 2021**

**(Expressed in thousands of New Taiwan Dollars)**

<u>Item</u>	<u>Description</u>	<u>Amount</u>	<u>Notes</u>
Salary and wages expenses		\$ 139,723	
Employee's profit sharing bonus		42,120	
Depreciation expenses		16,173	
Others (less than 5%)		<u>65,681</u>	
		<u><u>\$ 263,697</u></u>	

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

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

Statement of contract assets and liabilities were disclosed in Note 6(o).

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

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

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

Statement of movement of accumulated depreciation of right-of use assets was disclosed in Note 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(k).

Statement of deferred tax assets and liabilities were disclosed in Note 6(l).

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

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