Stock Code:6515

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

# WINWAY TECHNOLOGY CO., LTD. AND SUBSIDIARIES

**Consolidated Financial Statements**

**With Independent Auditors' Review Report**
**For the Six Months Ended June 30, 2023 and 2022**

Address: No.68, Chuangyi S. Rd., Nanzih Dist., Kaohsiung City
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The independent auditors' review report and the accompanying consolidated financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' review report and consolidated financial statements, the Chinese version shall prevail.

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# Independent Auditors' Review Report

To the Board of Directors
WINWAY TECHNOLOGY Co., Ltd.:

## Introduction

We have reviewed the accompanying consolidated balance sheets of WINWAY TECHNOLOGY Co., Ltd. ("the Company") and its subsidiaries ("the Group") as of June 30, 2023 and 2022, and the related consolidated statements of comprehensive income for the three months and six months ended June 30, 2023 and 2022, as well as the changes in equity and cash flows for the six months ended June 30, 2023 and 2022, and notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

## Scope of Review

We conducted our reviews in accordance with the Standard on Review Engagements 2410, "Review of Financial Information Performed by the Independent Auditor of the Entity" of the Republic of China. A review of the consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with the Standards on Auditing of the Republic of China and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## Conclusion

Based on our reviews, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Group as of June 30, 2023 and 2022, and of its consolidated financial performance for the three months and six months ended June 30, 2023 and 2022, as well as its consolidated cash flows for the six months ended June 30, 2023 and 2022 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

The engagement partners on the reviews resulting in this independent auditors' review report are Cheng-Lung, Hsu and Guo-Yang, Tzang.

KPMG

Taipei, Taiwan (Republic of China)

August 4, 2023

**Notes to Readers**

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

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

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

# WINWAY TECHNOLOGY CO., LTD. AND SUBSIDIARIES

## Consolidated Balance Sheets

## June 30, 2023, December 31, 2022, and June 30, 2022

## (Expressed in Thousands of New Taiwan Dollars)

| Assets | June 30, 2023 Amount | % | December 31, 2022 Amount | % | June 30, 2022 Amount | % |
|---|---|---|---|---|---|---|
| **Current assets:** | | | | | | |
| Cash and cash equivalents (note 6(a)) | $ 1,124,261 | 22 | 1,504,089 | 26 | 1,424,122 | 31 |
| Financial assets measured at amortized cost (note 6(b)) | 29,700 | 1 | 29,700 | 1 | 129,700 | 3 |
| Notes receivable, net (note 6(c)) | - | - | 7,029 | - | 2,133 | - |
| Accounts receivable, net (note 6(c)) | 1,210,915 | 24 | 1,605,759 | 28 | 1,103,429 | 24 |
| Other receivables (note 6(d)) | 459 | - | 647 | - | 692 | - |
| Current tax assets | 6,819 | - | - | - | 1,811 | - |
| Inventories, net (note 6(e)) | 598,721 | 12 | 769,841 | 14 | 464,712 | 10 |
| Other current assets (note 6(j)) | 26,970 | - | 44,457 | 1 | 33,992 | 1 |
| **Total current assets** | 2,997,845 | 59 | 3,961,522 | 70 | 3,160,591 | 69 |
| **Non-current assets:** | | | | | | |
| Property, plant and equipment (notes 6(f) and 8) | 1,673,900 | 33 | 1,370,950 | 24 | 1,080,105 | 24 |
| Right-of-use assets (note 6(g)) | 100,938 | 2 | 101,521 | 2 | 112,995 | 3 |
| Intangible assets (note 6(h)) | 31,421 | 1 | 33,091 | - | 34,634 | 1 |
| Deferred tax assets | 62,948 | 1 | 68,137 | 1 | 60,814 | 1 |
| Refundable deposits | 5,192 | - | 7,476 | - | 7,481 | - |
| Other non-current financial assets (notes 6(i) and 8) | 51,747 | 1 | 51,644 | 1 | 51,642 | 1 |
| Other non-current assets (note 6(j)) | 173,200 | 3 | 104,524 | 2 | 42,164 | 1 |
| **Total non-current assets** | 2,099,346 | 41 | 1,737,343 | 30 | 1,389,835 | 31 |
| **Total assets** | **$ 5,097,191** | **100** | **5,698,865** | **100** | **4,550,426** | **100** |

| Liabilities and Equity | June 30, 2023 Amount | % | December 31, 2022 Amount | % | June 30, 2022 Amount | % |
|---|---|---|---|---|---|---|
| **Current liabilities:** | | | | | | |
| Current contract liabilities (note 6(s)) | $ 76,206 | 2 | 54,937 | 1 | 44,854 | 1 |
| Accounts payable | 477,760 | 9 | 1,026,645 | 18 | 636,019 | 14 |
| Other payables (note 6(n)) | 1,162,509 | 23 | 542,881 | 10 | 756,847 | 17 |
| Current provisions (note 6(k)) | 9,145 | - | 15,253 | - | 9,876 | - |
| Current lease liabilities (note 6(l)) | 8,304 | - | 11,222 | - | 49,638 | 1 |
| Current tax liabilities | 61,992 | 1 | 296,821 | 5 | 95,695 | 2 |
| **Total current liabilities** | 1,795,916 | 35 | 1,947,759 | 34 | 1,592,929 | 35 |
| **Non-Current liabilities:** | | | | | | |
| Long-term deferred revenue (notes 6(m)) | 5,332 | - | 5,545 | - | - | - |
| Deferred tax liabilities | 2,452 | - | - | - | 2,825 | - |
| Non-current lease liabilities (note 6(l)) | 52,708 | 1 | 49,819 | 1 | 54,825 | 1 |
| Other non-current liabilities, others | 200 | - | 200 | - | - | - |
| **Total non-current liabilities** | 60,692 | 1 | 55,564 | 1 | 57,650 | 1 |
| **Total liabilities** | 1,856,608 | 36 | 2,003,323 | 35 | 1,650,579 | 36 |
| **Equity attributable to owners of parent (notes 6(p)(q)(r)):** | | | | | | |
| Capital stock | 345,340 | 7 | 345,380 | 6 | 342,480 | 8 |
| Advance receipts for share capital | - | - | - | - | 170 | - |
| | 345,340 | 7 | 345,380 | 6 | 342,650 | 8 |
| Capital surplus | 1,792,913 | 35 | 1,794,485 | 31 | 1,697,943 | 37 |
| Retained earnings | 1,159,891 | 23 | 1,635,168 | 29 | 862,595 | 19 |
| Other equity | (57,561) | (1) | (79,491) | (1) | (3,341) | - |
| **Total equity** | 3,240,583 | 64 | 3,695,542 | 65 | 2,899,847 | 64 |
| **Total liabilities and equity** | **$ 5,097,191** | **100** | **5,698,865** | **100** | **4,550,426** | **100** |

See accompanying notes to financial statements.

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

# WINWAY TECHNOLOGY CO., LTD. AND SUBSIDIARIES

## Consolidated Statement of Comprehensive Income

## For the six months ended June 30, 2023 and 2022

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

| | For the three months ended June 30, | | | | For the six months ended June 30, | | | |
|---|---|---|---|---|---|---|---|---|
| | 2023 | | 2022 | | 2023 | | 2022 | |
| | Amount | % | Amount | % | Amount | % | Amount | % |
| **Operating revenue (notes 6(s) and 14)** | $ 1,016,608 | 100 | 1,057,164 | 100 | 2,024,812 | 100 | 1,857,983 | 100 |
| **Operating costs (notes 6(e)(h)(k)(l)(n)(q) and 12)** | 663,079 | 65 | 597,638 | 57 | 1,290,888 | 64 | 1,099,616 | 59 |
| **Gross profit** | 353,529 | 35 | 459,526 | 43 | 733,924 | 36 | 758,367 | 41 |
| **Operating expenses (notes 6(c)(h)(l)(n)(q)(t), 7 and 12):** | | | | | | | | |
| Selling expenses | 81,545 | 8 | 67,479 | 6 | 172,532 | 9 | 132,091 | 7 |
| General and administrative expenses | 49,892 | 5 | 75,311 | 7 | 101,267 | 5 | 126,013 | 7 |
| Research and development expenses | 57,671 | 6 | 58,880 | 6 | 121,421 | 6 | 110,751 | 6 |
| Expected credit impairment gain and losses | (1,874) | - | 5,820 | 1 | (10,831) | (1) | 6,700 | - |
| **Total operating expenses** | 187,234 | 19 | 207,490 | 20 | 384,389 | 19 | 375,555 | 20 |
| **Net operating income** | 166,295 | 16 | 252,036 | 23 | 349,535 | 17 | 382,812 | 21 |
| **Non-operating income and expenses (note 6(b)(l)(u)):** | | | | | | | | |
| Interest income | 5,724 | 1 | 2,194 | - | 9,490 | - | 3,228 | - |
| Other gains and losses | (10,039) | (1) | 2,519 | - | (10,236) | (1) | 20,956 | 1 |
| Finance costs (note 6(l)) | (179) | - | (276) | - | (347) | - | (557) | - |
| **Total non-operating income and expenses** | (4,494) | - | 4,437 | - | (1,093) | (1) | 23,627 | 1 |
| **Profit before income tax** | 161,801 | 16 | 256,473 | 23 | 348,442 | 16 | 406,439 | 22 |
| **Income tax expenses (note 6(o))** | 26,107 | 3 | 48,038 | 5 | 69,251 | 3 | 78,780 | 4 |
| **Profit** | 135,694 | 13 | 208,435 | 18 | 279,191 | 13 | 327,659 | 18 |
| **Other comprehensive income (note 6(p)):** | | | | | | | | |
| **Components of other comprehensive income that will be reclassified to profit or loss** | | | | | | | | |
| Exchange differences on translation of foreign financial statements | (8,789) | (1) | (3,313) | - | (7,500) | - | 6,975 | - |
| Income tax related to components of other comprehensive income that will be reclassified to profit or loss (note 6(n)) | - | - | - | - | - | - | - | - |
| **Other comprehensive income** | (8,789) | (1) | (3,313) | - | (7,500) | - | 6,975 | - |
| **Comprehensive income** | **$ 126,905** | **12** | **205,122** | **18** | **271,691** | **13** | **334,634** | **18** |
| **Earnings per share (note 6(r)):** | | | | | | | | |
| **Basic earnings per share (in New Taiwan Dollars)** | **$ 3.96** | | **6.12** | | **8.14** | | **9.64** | |
| **Diluted earnings per share (in New Taiwan Dollars)** | **$ 3.94** | | **6.05** | | **8.08** | | **9.52** | |

See accompanying notes to financial statements.

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

# WINWAY TECHNOLOGY CO., LTD. AND SUBSIDIARIES

## Consolidated Statement of Changes in Equity

## For the six months ended June 30, 2023 and 2022

## (Expressed in Thousands of New Taiwan Dollars)

| | Equity attributable to owners of parent | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Retained earnings | | | | Total other equity interest | | |
| | Ordinary shares | Captial collected in advance | Capital surplus | Legal reserve | Special reserve | Unappropriated retained earnings | Total retained earnings | Exchange differences on translation of foreign financial statements | Unearned stock-based employee compensation | Total equity |
| **Balance at January 1, 2022** | **$ 338,910** | **270** | **1,689,858** | **173,299** | **7,994** | **729,843** | **911,136** | **(10,316)** | **-** | **2,929,858** |
| Profit | - | - | - | - | - | 327,659 | 327,659 | - | - | 327,659 |
| Other comprehensive income | - | - | - | - | - | - | - | 6,975 | - | 6,975 |
| Total comprehensive income | - | - | - | - | - | 327,659 | 327,659 | 6,975 | - | 334,634 |
| Appropriation and distribution of retained earnings: | | | | | | | | | | |
| Legal reserve appropriated | - | - | - | 48,663 | - | (48,663) | - | - | - | - |
| Special reserve appropriated | - | - | - | - | 2,321 | (2,321) | - | - | - | - |
| Cash dividends of ordinary share | - | - | - | - | - | (376,200) | (376,200) | - | - | (376,200) |
| Exercise of employee stock options | 3,570 | (100) | 8,085 | - | - | - | - | - | - | 11,555 |
| **Balance at June 30, 2022** | **$ 342,480** | **170** | **1,697,943** | **221,962** | **10,315** | **630,318** | **862,595** | **(3,341)** | **-** | **2,899,847** |
| **Balance at January 1, 2023** | **$ 345,380** | **-** | **1,794,485** | **221,962** | **10,315** | **1,402,891** | **1,635,168** | **(5,059)** | **(74,432)** | **3,695,542** |
| Profit | - | - | - | - | - | 279,191 | 279,191 | - | - | 279,191 |
| Other comprehensive income | - | - | - | - | - | - | - | (7,500) | - | (7,500) |
| Total comprehensive income | - | - | - | - | - | 279,191 | 279,191 | (7,500) | - | 271,691 |
| Appropriation and distribution of retained earnings: | | | | | | | | | | |
| Legal reserve appropriated | - | - | - | 110,023 | - | (110,023) | - | - | - | - |
| Cash dividends of ordinary share | - | - | - | - | - | (754,468) | (754,468) | - | - | (754,468) |
| Reversal of special reserve | - | - | - | - | (5,257) | 5,257 | - | - | - | - |
| Restricted Stock Awards write-down | (40) | - | 40 | - | - | - | - | - | - | - |
| Restricted Stock Awards compensation cost | - | - | (1,612) | - | - | - | - | - | 29,430 | 27,818 |
| **Balance at June 30, 2023** | **$ 345,340** | **-** | **1,792,913** | **331,985** | **5,058** | **822,848** | **1,159,891** | **(12,559)** | **(45,002)** | **3,240,583** |

See accompanying notes to financial statements.

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

## WINWAY TECHNOLOGY CO., LTD. AND SUBSIDIARIES

## Consolidated Statement of Cash Flows

## For the six months ended June 30, 2023 and 2022

## (Expressed in Thousands of New Taiwan Dollars)

| | For the six months ended June 30, | |
|---|---|---|
| | **2023** | **2022** |
| **Cash flows from operating activities:** | | |
| **Profit before income tax** | $ 348,442 | 406,439 |
| **Adjustments:** | | |
| Adjustments to reconcile profit (loss): | | |
| Depreciation expenses | 53,254 | 54,753 |
| Amortization expenses | 6,291 | 5,395 |
| Expected credit impairment (gains) losses | (10,831) | 6,700 |
| Gain on financial assets at fair value through profit or loss | (243) | - |
| Interest expenses | 347 | 557 |
| Interest income | (9,490) | (3,228) |
| Gains on disposal of property, plant and equipment | (365) | (3,681) |
| Share-based payment transactions | 27,818 | - |
| Unrealized foreign exchange loss (gain) | 9,963 | (4,548) |
| **Total adjustments to reconcile profit** | 76,744 | 55,948 |
| **Changes in operating assets and liabilities:** | | |
| Decrease in notes receivable | 7,028 | 3,812 |
| Decrease (increase) in accounts receivable | 394,228 | (237,205) |
| Decrease in other receivables | 38 | 364 |
| Decrease (increase) in inventories | 168,703 | (112,802) |
| Decrease (increase) in other current assets | 17,307 | (13,173) |
| (Decrease) increase in accounts payable | (548,310) | 147,061 |
| (Decrease) increase in other payables | (88,071) | 92,400 |
| (Decrease) increase in current provisions | (6,108) | 1,408 |
| Increase in current contract liabilities | 21,507 | 19,473 |
| Decrease in long-term deferred revenue | (213) | - |
| **Total adjustments** | 42,853 | (42,714) |
| Cash inflow generated from operations | 391,295 | 363,725 |
| Interest received | 9,640 | 3,137 |
| Interest paid | (347) | (557) |
| Income taxes paid | (303,575) | (111,480) |
| **Net cash flows from operating activities** | 97,013 | 254,825 |
| **Cash flows from (used in) investing activities:** | | |
| Decrease in financial assets at amortized cost | - | 19,300 |
| Acquisition of financial assets at fair value through profit or loss | (100,000) | - |
| Proceeds from disposal of financial assets at fair value through profit or loss | 100,243 | - |
| Acquisition of property, plant and equipment | (388,308) | (287,598) |
| Proceeds from disposal of property, plant and equipment | 1,710 | 5,979 |
| Decrease (increase) in refundable deposits | 2,228 | (710) |
| Acquisition of intangible assets | (4,588) | (6,509) |
| Increase in other financial assets | (103) | (131) |
| Increase in prepayments for equipment | (79,801) | (60,634) |
| **Net cash flows used in investing activities** | (468,619) | (330,303) |
| **Cash flows from (used in) financing activities:** | | |
| Payments of lease liabilities | (7,130) | (9,495) |
| Proceeds from exercise of employee stock options | - | 11,555 |
| **Net cash flows (used in) from financing activities** | (7,130) | 2,060 |
| **Effect of exchange rate changes on cash and cash equivalents** | (1,092) | 1,890 |
| **Net decrease in cash and cash equivalents** | (379,828) | (71,528) |
| **Cash and cash equivalents at the beginning of period** | 1,504,089 | 1,495,650 |
| **Cash and cash equivalents at the end of period** | **$ 1,124,261** | **1,424,122** |

See accompanying notes to financial statements.

**(1) Company history:**

Winway Technology Co., Ltd. (the Company) was incorporated on April 10, 2001 as a company limited by shares under the laws of the Republic of China (ROC). The Company and its subsidiaries (jointly referred to as the Group) are engaged in designing, processing, and sales of optoelectronic product test fixtures, integrated circuit test interfaces and fixtures and their key components, and the import and export trade of related products.

The Company shares have been listed on the Taiwan Stock Exchange since January 20, 2021.

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

The consolidated financial statements were authorized for issuance by the Board of Directors on August 4, 2023.

**(3) New standards, amendments and interpretations adopted:**

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

The Group has initially adopted the following new amendments, which do not have a significant impact on its consolidated financial statements, from January 1, 2023:

- 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”

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

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

- Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”
- Amendments to IAS 1 “Non-current Liabilities with Covenants”
- Amendments to IAS 7 and IFRS 7 “Supplier Finance Arrangements”
- 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 IFRS 17 “Initial Application of IFRS 17 and IFRS 9 – Comparative Information”

(Continued)

**WINWAY TECHNOLOGY CO., LTD. AND SUBSIDIARIES**
**Notes to the Consolidated Financial Statements**

- Amendments to IFRS16 “Requirements for Sale and Leaseback Transactions”
- Amendments to IAS12 “International Tax Reform – Pillar Two Model Rules”

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

(a) Statement of compliance

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

Except the following accounting policies mentioned below, the significant accounting policies adopted in the consolidated financial statements are the same as those in the consolidated financial statement for the year ended December 31, 2022. For the related information, please refer to note 4 of the consolidated financial statements for the year ended December 31, 2022.

(b) Basis of consolidation

(i) List of subsidiaries in the consolidated financial statements:

| Name of Investor | Name of Subsidiary | Business Activity | Percentage Ownership June 30, 2023 | Percentage Ownership December 31, 2022 | Percentage Ownership June 30, 2022 | Description |
|---|---|---|---|---|---|---|
| The Company | WINWAY INTERNATIONAL CO., LTD. | Investment holding | 100 % | 100 % | 100 % | Significant subsidiary |
| The Company | WINWAY TECHNOLOGY INTERNATIONAL INC. | Sales of optoelectronic product test fixtures, integrated circuit test interfaces and fixtures | 100 % | 100 % | 100 % | Non-significant subsidiary. |
| WINWAY INTERNATIONAL CO., LTD. | WINTEST ENTERPRISES LTD. (Note 2) | Sales of optoelectronic product test fixtures, integrated circuit test interfaces and fixtures | - | - | 100 % | Significant subsidiary |
| WINWAY INTERNATIONAL CO., LTD. | WINWAY TECHNOLOGY (SUZHOU) LTD. (Note 1) (Note 2) | Process and sales of optoelectronic product test fixtures, integrated circuit test interfaces and fixtures | 100 % | 100 % | 100 % | Significant subsidiary |

Note 1 : From April 22, 2022, the Chinese name of WINWAY TECHNOLOGY (SUZHOU) LTD. was changed.

Note 2 : WINTEST ENTERPRISE LTD. was merged with WINWAY TECHNOLOGY (SUZHOU) LTD. at October 1, 2022 and WINWAY TECHNOLOGY (SUZHOU) LTD. was the surviving company.

(ii) Subsidiaries which are not included in the consolidated financial statements: None.

(c) Income taxes

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

**WINWAY TECHNOLOGY CO., LTD. AND SUBSIDIARIES**
**Notes to the Consolidated Financial Statements**

Income tax expenses for the period are best estimated by multiplying pre-tax income for the interim reporting period using the effective annual tax rate as forecasted by the management. This should be recognized and allocated to current and deferred taxes based on its proportionate size.

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

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

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

In preparing the consolidated financial statements, estimates and underlying assumptions are reviewed on an ongoing basis which are in conformity with those described in note 5 of the consolidated financial statements for the year ended December 31, 2022.

**(6) Explanation of significant accounts:**

Except for the following disclosures, there were no material differences in the disclosures of significant accounts between the interim consolidated financial statements for the current period and those described in note 6 of the consolidated financial statements for the year ended December 31, 2022.

(a) Cash and cash equivalents

| | | June 30, 2023 | December 31, 2022 | June 30, 2022 |
|---|---|---|---|---|
| Cash and cash on hand | $ | 326 | 380 | 393 |
| Demand deposits | | 461,655 | 955,869 | 733,729 |
| Time deposits | | 662,280 | 547,840 | 690,000 |
| Cash and cash equivalents in the consolidated statement of cash flows | **$** | **1,124,261** | **1,504,089** | **1,424,122** |

Please refer to note 6(v) for the exchange rate risk and sensitivity analysis of the financial assets of the Group.

(b) Financial assets measured at amortized cost

| | | June 30, 2023 | December 31, 2022 | June 30, 2022 |
|---|---|---|---|---|
| Domestic time deposits | **$** | **29,700** | **29,700** | **129,700** |

**WINWAY TECHNOLOGY CO., LTD. AND SUBSIDIARIES**
**Notes to the Consolidated Financial Statements**

The Group has assessed that these financial assets are held to maturity to collect contractual cash flows, which consist solely of payments of principal and interest on principal amount outstanding. Therefore, these investments were classified as financial assets measured at amortized cost.

The Group' s financial assets measured at amortized costs were not restricted nor pledged as collateral.

(c) Notes and accounts receivable

| | June 30, 2023 | December 31, 2022 | June 30, 2022 |
|---|---|---|---|
| Notes receivable from operating activities | $ - | 7,029 | 2,133 |
| Accounts receivable—measured as amortized cost | 1,220,371 | 1,626,174 | 1,113,464 |
| Less: Loss allowance | (9,456) | (20,415) | (10,035) |
| | $ 1,210,915 | 1,612,788 | 1,105,562 |

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

| | June 30, 2023 | | |
|---|---|---|---|
| | Gross carrying amount—notes receivable and accounts receivable from operating activities | Weighted-average loss rate | Loss allowance provision |
| Current | $ 1,050,641 | 0.15 % | 1,590 |
| 1 to 30 days past due | 107,571 | 1.60 % | 1,721 |
| 31 to 60 days past due | 18,186 | 6.63 % | 1,206 |
| 61 to 90 days past due | 17,733 | 4.47 % | 792 |
| 91 to 180 days past due | 16,848 | 7.76 % | 1,308 |
| 181 to 365 days past due | 9,088 | 27.89 % | 2,535 |
| More than 365 days past due | 304 | 100.00 % | 304 |
| | $ 1,220,371 | | 9,456 |

(Continued)

**WINWAY TECHNOLOGY CO., LTD. AND SUBSIDIARIES**
**Notes to the Consolidated Financial Statements**

| | December 31, 2022 | | |
|---|---|---|---|
| | **Gross carrying amount—notes receivable and accounts receivable from operating activities** | **Weighted-average loss rate** | **Loss allowance provision** |
| Current | $ 1,312,666 | 0.14 % | 1,863 |
| 1 to 30 days past due | 120,490 | 1.55 % | 1,862 |
| 31 to 60 days past due | 105,798 | 5.46 % | 5,779 |
| 61 to 90 days past due | 39,997 | 6.07 % | 2,428 |
| 91 to 180 days past due | 43,477 | 8.33 % | 3,622 |
| 181 to 365 days past due | 7,082 | 16.49 % | 1,168 |
| More than 365 days past due | 3,693 | 100.00 % | 3,693 |
| | **$ 1,633,203** | | **20,415** |

| | June 30, 2022 | | |
|---|---|---|---|
| | **Gross carrying amount—notes receivable and accounts receivable from operating activities** | **Weighted-average loss rate** | **Loss allowance provision** |
| Current | $ 966,364 | 0.07 % | 695 |
| 1 to 30 days past due | 47,199 | 1.90 % | 895 |
| 31 to 60 days past due | 14,633 | 4.70 % | 688 |
| 61 to 90 days past due | 21,297 | 2.40 % | 512 |
| 91 to 180 days past due | 58,917 | 6.00 % | 3,537 |
| 181 to 365 days past due | 3,479 | - % | - |
| More than 365 days past due | 3,708 | 100.00 % | 3,708 |
| | **$ 1,115,597** | | **10,035** |

The movements in the allowance for notes receivable and accounts receivable were as follows:

| | **Six months ended June 30,** | |
|---|---|---|
| | **2023** | **2022** |
| Balance at January 1 | $ 20,415 | 3,325 |
| Impairment losses recognized | - | 6,700 |
| Impairment losses reversed | (10,831) | - |
| Effects of changes in foreign exchange rates | (128) | 10 |
| Balance at June 30 | **$ 9,456** | **10,035** |

(Continued)

**WINWAY TECHNOLOGY CO., LTD. AND SUBSIDIARIES**
**Notes to the Consolidated Financial Statements**

The Group's notes receivable and accounts receivable were not restricted nor pledged as collateral.

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

(d) Other receivables

| | June 30, 2023 | December 31, 2022 | June 30, 2022 |
|---|---|---|---|
| Other receivables | $ 4,068 | 4,256 | 4,301 |
| Less: Loss allowance | (3,609) | (3,609) | (3,609) |
| | **$ 459** | **647** | **692** |

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

(e) Inventories

| | June 30, 2023 | December 31, 2022 | June 30, 2022 |
|---|---|---|---|
| Raw materials and supplies | $ 370,748 | 403,472 | 210,069 |
| Work in progress | 181,799 | 191,756 | 157,536 |
| Finished goods | 46,174 | 174,613 | 97,107 |
| | **$ 598,721** | **769,841** | **464,712** |

The details of the cost of sales were as follows:

| | Three months ended June 30, | | Six months ended June 30, | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| Recognized as operating costs and expenses | $ 627,781 | 573,793 | 1,215,141 | 1,054,050 |
| Write-down of inventories | 25,397 | 20,267 | 44,796 | 30,415 |
| Income from sale of scrap and wastes | (46) | (18) | (191) | (67) |
| Others | 9,947 | 3,596 | 31,142 | 15,218 |
| | **$ 663,079** | **597,638** | **1,290,888** | **1,099,616** |

As of June 30, 2023, and December 31 and June 30, 2022, the Group did not provide any inventories as collateral or restricted.

# WINWAY TECHNOLOGY CO., LTD. AND SUBSIDIARIES
## Notes to the Consolidated Financial Statements

(f) Property, plant and equipment

The movements of the property, plant and equipment of the Group were as follows:

| | Buildings | Machinery and equipment | Other equipment | Construction in progress | Total |
|---|---|---|---|---|---|
| Cost or deemed cost: | | | | | |
| Balance at January 1, 2023 | $ 218,029 | 586,072 | 302,196 | 797,660 | 1,903,957 |
| Additions | 2,150 | 15,585 | 8,717 | 315,445 | 341,897 |
| Disposal | (450) | (5,451) | (30,694) | - | (36,595) |
| Reclassifications (note) | - | 9,013 | 2,072 | - | 11,085 |
| Effect of movements in exchange rates | 9 | (3,646) | (1,384) | - | (5,021) |
| Balance at June 30, 2023 | **$ 219,738** | **601,573** | **280,907** | **1,113,105** | **2,215,323** |
| Balance at January 1, 2022 | $ 212,546 | 558,102 | 247,864 | 239,629 | 1,258,141 |
| Additions | 2,730 | 3,900 | 24,555 | 274,756 | 305,941 |
| Disposal | - | (28,648) | - | - | (28,648) |
| Reclassification (note) | - | 42,153 | 10,531 | - | 52,684 |
| Effect of movements in exchange rates | 42 | 2,865 | 1,280 | - | 4,187 |
| Balance at June 30, 2022 | **$ 215,318** | **578,372** | **284,230** | **514,385** | **1,592,305** |
| Accumulated depreciation: | | | | | |
| Balance at January 1, 2023 | $ 87,084 | 259,951 | 185,972 | - | 533,007 |
| Depreciation | 2,563 | 25,385 | 17,619 | - | 45,567 |
| Disposal | (450) | (4,397) | (30,403) | - | (35,250) |
| Effect of movements in exchange rates | 8 | (1,061) | (848) | - | (1,901) |
| Balance at June 30, 2023 | **$ 89,205** | **279,878** | **172,340** | **-** | **541,423** |
| Balance at January 1, 2022 | $ 79,550 | 260,099 | 153,256 | - | 492,905 |
| Depreciation | 3,723 | 24,058 | 16,479 | - | 44,260 |
| Disposal | - | (26,350) | - | - | (26,350) |
| Reclassifications | - | (303) | 303 | - | - |
| Effect of movements in exchange rates | 42 | 701 | 642 | - | 1,385 |
| Balance at June 30, 2022 | **$ 83,315** | **258,205** | **170,680** | **-** | **512,200** |
| Carrying amounts: | | | | | |
| Balance at January 1, 2023 | **$ 130,945** | **326,121** | **116,224** | **797,660** | **1,370,950** |
| Balance at June 30, 2023 | **$ 130,533** | **321,695** | **108,567** | **1,113,105** | **1,673,900** |
| Balance at January 1, 2022 | **$ 132,996** | **298,003** | **94,608** | **239,629** | **765,236** |
| Balance at June 30, 2022 | **$ 132,003** | **320,167** | **113,550** | **514,385** | **1,080,105** |

Note:Reclassifications are transferred from other non-current assets-prepayments for equipment.

As of June 30, 2023 and December 31 and June 30, 2022, the property, plant and equipment of the Group has been pledged as collateral for long-term borrowings and credit line, please refer to note 8.

**WINWAY TECHNOLOGY CO., LTD. AND SUBSIDIARIES**
**Notes to the Consolidated Financial Statements**

(g) Right-of-use assets

The movements of right-of-use assets of the Group were as follows:

| | Land | Buildings | Total |
|---|---|---|---|
| Cost： | | | |
| Balance at January 1, 2023 | $ 92,818 | 73,549 | 166,367 |
| Additions | - | 7,371 | 7,371 |
| Effect of movements in exchange rates | - | (1,008) | (1,008) |
| Balance at June 30, 2023 | **$ 92,818** | **79,912** | **172,730** |
| Balance at January 1, 2022 | $ 94,423 | 61,155 | 155,578 |
| Additions | - | 12,205 | 12,205 |
| Write-off | - | (223) | (223) |
| Effect of movements in exchange rates | - | 611 | 611 |
| Balance at June 30, 2022 | **$ 94,423** | **73,748** | **168,171** |
| Accumulated depreciation： | | | |
| Balance at January 1, 2023 | $ 4,979 | 59,867 | 64,846 |
| Depreciation | 955 | 6,732 | 7,687 |
| Effect of movements in exchange rates | - | (741) | (741) |
| Balance at June 30, 2023 | **$ 5,934** | **65,858** | **71,792** |
| Balance at January 1, 2022 | $ 3,116 | 41,220 | 44,336 |
| Depreciation | 971 | 9,522 | 10,493 |
| Effect of movements in exchange rates | - | 347 | 347 |
| Balance at June 30, 2022 | **$ 4,087** | **51,089** | **55,176** |
| Carrying amounts： | | | |
| Balance at January 1, 2023 | **$ 87,839** | **13,682** | **101,521** |
| Balance at June 30, 2023 | **$ 86,884** | **14,054** | **100,938** |
| Balance at January 1, 2022 | **$ 91,307** | **19,935** | **111,242** |
| Balance at June 30, 2022 | **$ 90,336** | **22,659** | **112,995** |

(h) Intangible assets

The cost and accumulated amortization for intangible assets were as follows:

| | Software | Patent | Trademark | Other | Total |
|---|---|---|---|---|---|
| Cost： | | | | | |
| Balance at January 1, 2023 | $ 102,022 | 140,970 | 67,666 | 3,400 | 314,058 |
| Additions | 4,588 | - | - | - | 4,588 |
| Reclassifications (note) | 38 | - | - | - | 38 |
| Effect of movements in exchange rates | (55) | - | - | - | (55) |
| Balance at June 30, 2023 | **$ 106,593** | **140,970** | **67,666** | **3,400** | **318,629** |
| Balance at January 1, 2022 | $ 88,879 | 140,970 | 67,666 | 3,400 | 300,915 |
| Additions | 6,509 | - | - | - | 6,509 |
| Reclassification (note) | 2,070 | - | - | - | 2,070 |
| Effect of movements in exchange rates | 41 | - | - | - | 41 |
| Balance at June 30, 2022 | **$ 97,499** | **140,970** | **67,666** | **3,400** | **309,535** |

(Continued)

**WINWAY TECHNOLOGY CO., LTD. AND SUBSIDIARIES**
**Notes to the Consolidated Financial Statements**

| | | Software | Patent | Trademark | Other | Total |
|---|---|---|---|---|---|---|
| Accumulated amortization and Impairment losses： | | | | | | |
| Balance at January 1, 2023 | $ | 73,440 | 140,970 | 66,557 | - | 280,967 |
| Amortization for the period | | 5,988 | - | 303 | - | 6,291 |
| Effect of movements in exchange rates | | (50) | - | - | - | (50) |
| Balance at June 30, 2023 | $ | **79,378** | **140,970** | **66,860** | **-** | **287,208** |
| Balance at January 1, 2022 | $ | 62,558 | 140,970 | 65,952 | - | 269,480 |
| Amortization for the period | | 5,092 | - | 303 | - | 5,395 |
| Effect of movements in exchange rates | | 26 | - | - | - | 26 |
| Balance at June 30, 2022 | $ | **67,676** | **140,970** | **66,255** | **-** | **274,901** |
| Carrying value： | | | | | | |
| Balance at January 1, 2023 | $ | **28,582** | **-** | **1,109** | **3,400** | **33,091** |
| Balance at June 30, 2023 | $ | **27,215** | **-** | **806** | **3,400** | **31,421** |
| Balance at January 1, 2022 | $ | **26,321** | **-** | **1,714** | **3,400** | **31,435** |
| Balance at June 30, 2022 | $ | **29,823** | **-** | **1,411** | **3,400** | **34,634** |

Note: Reclassifications are transferred from other non-current assets-prepayments for equipment.

The amortization of intangible assets and their impairment losses are included in the statement of comprehensive income:

| | | Three months ended June 30, | | Six months ended June 30, | |
|---|---|---|---|---|---|
| | | 2023 | 2022 | 2023 | 2022 |
| Costs of sales | $ | 970 | 989 | 2,002 | 1,928 |
| Operating expenses | | 2,140 | 1,847 | 4,289 | 3,467 |
| Total | $ | **3,110** | **2,836** | **6,291** | **5,395** |

As of June 30, 2023 and December 31 and June 30, 2022, the Group did not provide any intangible assets as collateral or restricted.

(i) Other non-current financial assets

| | | June 30, 2023 | December 31, 2022 | June 30, 2022 |
|---|---|---|---|---|
| Restricted deposits | $ | **51,747** | **51,644** | **51,642** |

Please refer to note 8 for details of collateral.

**WINWAY TECHNOLOGY CO., LTD. AND SUBSIDIARIES**
**Notes to the Consolidated Financial Statements**

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

The other current assets and other non-current assets of the Group were as follows:

| | June 30, 2023 | December 31, 2022 | June 30, 2022 |
|---|---|---|---|
| Prepaid expenses | $ 11,447 | 13,756 | 10,770 |
| Prepayments | 561 | 4,672 | 1,024 |
| Offset against business tax payable | 10,801 | 25,016 | 18,786 |
| Prepayments for equipment | 173,200 | 104,524 | 42,164 |
| Other | 4,161 | 1,013 | 3,412 |
| | **$ 200,170** | **148,981** | **76,156** |

| | June 30, 2023 | December 31, 2022 | June 30, 2022 |
|---|---|---|---|
| Current | $ 26,970 | 44,457 | 33,992 |
| Non-current | 173,200 | 104,524 | 42,164 |
| | **$ 200,170** | **148,981** | **76,156** |

(i) Prepaid expenses

Prepaid expenses were primarily for prepayments for office expenses.

(ii) Prepayments

Prepayments were primarily for prepayments for suppliers.

(k) Provisions

| | Provisions for warrant |
|---|---|
| Balance at January 1, 2023 | $ 15,253 |
| Provisions made during the period | 9,145 |
| Provision used and reversed during the period | (15,253) |
| Balance at June 30, 2023 | **$ 9,145** |
| Balance at January 1, 2022 | $ 8,468 |
| Provisions made during the period | 9,876 |
| Provision used and reversed during the period | (8,468) |
| Balance at June 30, 2022 | **$ 9,876** |

**WINWAY TECHNOLOGY CO., LTD. AND SUBSIDIARIES**
**Notes to the Consolidated Financial Statements**

(l) Lease liabilities

The carrying value of lease liabilities of the Group were as follows:

| | June 30, 2023 | December 31, 2022 | June 30, 2022 |
|---|---|---|---|
| Current | $ 8,304 | 11,222 | 49,638 |
| Non-current | $ 52,708 | 49,819 | 54,825 |

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

The amounts recognized in profit or loss were as follows:

| | Three months ended June 30, | | Six months ended June 30, | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| Interests on lease liabilities | $ 179 | 276 | 347 | 557 |
| Expenses relating to short-term leases | $ 1,810 | 1,292 | 4,812 | 2,632 |

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

| | Six months ended June 30, | |
|---|---|---|
| | 2023 | 2022 |
| Total cash outflow for leases | $ 13,029 | 12,792 |

(i) Land and buildings leases

The Group leases land and buildings for its factory and office, with lease terms of 10 years and 2 to 5 years, respectively. Some leases include an option to renew the lease for an additional period of the same duration after the end of the contract term.

Some leases provide for additional rent payments that are based on changes in local price indices, wherein the amounts are generally determined annually. The extension options held are exercisable only by the Group and not by the lessors. When the lease is not reasonably certain to use an optional extended lease term, payments associated with the optional period are not included in the lease liabilities.

(ii) Other leases

The Group leases some office equipment and staff dorm. These leases are short-term or leases of low-value items with a lease term of less than one year. The Group has elected not to recognize right-of-use assets and lease liabilities for these leases.

**WINWAY TECHNOLOGY CO., LTD. AND SUBSIDIARIES**
**Notes to the Consolidated Financial Statements**

(m) Long-term deferred revenue

| | June 30, 2023 | December 31, 2022 | June 30, 2022 |
|---|---|---|---|
| Current | $ - | - | - |
| Non-current | 5,332 | 5,545 | - |
| | **$ 5,332** | **5,545** | **-** |

In 2022, the Group received a subsidy of $5,968 for the construction of solar equipment, which was recognized as long-term deferred revenue and was amortized over the useful life of the equipment.

(n) Employee benefits

(i) Defined contribution plans

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

The pension benefit of WINWAY TECHNOLOGY (Suzhou) LTD. and WINWAY TECHNOLOGY INTERNATIONAL INC. are based on their respective local regulation of defined contribution plan. The accrued expenses should be recognized as current expenses. Besides WINWAY INTERNATIONAL CO., LTD. do not have any employee pension plan.

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

| | Three months ended June 30, | | Six months ended June 30, | |
|---|---|---|---|---|
| | **2023** | **2022** | **2023** | **2022** |
| Operating cost | $ 3,260 | 2,503 | 6,544 | 5,069 |
| Selling expenses | 1,598 | 1,955 | 3,378 | 3,992 |
| Administration expenses | 929 | 822 | 1,821 | 1,750 |
| Research and development expenses | 1,387 | 1,314 | 2,806 | 2,738 |
| Total | **$ 7,174** | **6,594** | **14,549** | **13,549** |

(ii) Short-term benefit obligation

As of June 30, 2023, and December 31, and June 30, 2022, the Group's short-term benefit liabilities for paid leave were $15,572, $14,769 and $13,521, respectively, which were recognized as other payables in the consolidated balance sheets.

(Continued)

**WINWAY TECHNOLOGY CO., LTD. AND SUBSIDIARIES**
**Notes to the Consolidated Financial Statements**

(o) Income taxes

(i) The components of income tax for the Group were as follows:

| | | Three months ended June 30, | | Six months ended June 30, | |
|---|---|---|---|---|---|
| | | 2023 | 2022 | 2023 | 2022 |
| Current tax expense | | | | | |
| Current period | $ | 33,702 | 58,711 | 62,928 | 95,949 |
| Adjustment for prior periods | | (1,335) | (3,369) | (1,199) | (3,369) |
| | | 32,367 | 55,342 | 61,729 | 92,580 |
| Deferred tax benefit | | | | | |
| Origination and reversal of temporary differences | | (6,260) | (7,304) | 7,522 | (13,800) |
| Income tax expense | $ | **26,107** | **48,038** | **69,251** | **78,780** |
| Income tax recognized in other comprehensive income | $ | - | - | - | - |
| Income tax recognized in equity | $ | - | - | - | - |

The Company's tax returns for the years through 2021 were examined and approved by the ROC tax authorities.

(p) Capital and other equities

Except for the following disclosure, there was no significant change in capital and other equity for the periods from January 1 to June 30, 2023 and 2022. For the related information, please refer to note 6(p) of the consolidated financial statements for the year ended December 31, 2022.

(i) Ordianry shares

The Company's total authorized shares of common stock of 50,000 thousand shares, with a par value of $10 per share, included 34,534 thousand shares, 34,538 thousand shares and 34,265 thousand shares as of June 30, 2023 and December 31, and June 30, 2022, respectively. All issued shares were paid up upon issuance.

For the six months ended June 30, 2022 , the Company had issued 347 thousand shares at par value, amounting to $11,555, for its employee stock options; of which, the relevant statutory registration procedures of 330 thousand shares  had since been completed and all the capital had been received.

**WINWAY TECHNOLOGY CO., LTD. AND SUBSIDIARIES**
**Notes to the Consolidated Financial Statements**

On June 24, 2022, the shareholders' meeting approved the issuance of 500 thousand restricted stocks to employees. The actual number of issued shares was 250 thousand, which generated capital surplus-restricted stock of $98,250. The Company's Board of Directors resolved the base date of the capital increase to be August 12, 2022, and the registration procedures have been completed.

(ii) Cancellation of ordinary share

In June 2023, the Company has recalled 4 thousand new shares of restricted stocks issued for employee. As of June 30, 2023, registration procedures have not yet been completed, and the amount recorded under shares to be cancelled is $40.

In December 2022, the Company has recalled 6 thousand new shares of restricted stocks issued for employee. As of June 30, 2023, the registration procedures have been completed.

(iii) Capital surplus

The balances of capital surplus were as follows:

| | June 30, 2023 | December 31, 2022 | June 30, 2022 |
|---|---|---|---|
| Additional paid-in capital | $ 1,674,029 | 1,674,029 | 1,672,984 |
| Employee stock options | 21,517 | 21,517 | 22,319 |
| Employee stock options-expired | 3,047 | 3,047 | 2,640 |
| Restricted stock | 94,320 | 95,892 | - |
| | **$ 1,792,913** | **1,794,485** | **1,697,943** |

According to the ROC 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.

(iv) Retained Earning

The Company's article of incorporation stipulated that annual earning shall be appropriated as follows:

1) pay income tax;

2) make up accumulated deficit;

3) retain 10% as legal reserve until the accumulated legal reserve equals the issued common stock;

**WINWAY TECHNOLOGY CO., LTD. AND SUBSIDIARIES**
**Notes to the Consolidated Financial Statements**

4) appropriate of reverse a certain amount as special reverse according to the securities exchange act;

5) after 1~4 above, the remainder shall be distributed at the discretion of the board of directors and approved at the stockholders' meeting.

According to the ROC Company Act, the distribution of dividends, by way of cash, should first be approved by Board of Directors then reported during the shareholders' meeting; while the distribution of dividends, by way issuing new shares, should be submitted during the shareholders' meeting for review and approval.

The Company is in its growth stage. In order to coordinate with the Company's long-term financial planning, investment environment and industry competition in the future, the distribution of dividends should consider the budget of capital expenditures and demand for fund of company in the future. For dividends of at least 10% of such remaining amount, cash dividends shall not be less than 10% of the total amount dividends.

1) Legal reserve

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

2) Special reserve

The Company initially adopted the IFRSs to apply for exemptions granted under IFRS 1 First-time Adoption of International Financial Reporting Standards approved by the FSC, wherein its undistributed prior-period earnings shall be reclassified as unappropriated retained earnings at the adoption date, which will result in an increase in retained earnings amounting to $13. Company shall allocate the same amount in special reserve in accordance with the requirements issued by the Financial Supervisory Commission. When there is any subsequent use, disposal, or reclassification of the relevant assets, the Company may reverse and proportionately appropriate the earnings distribution originally allocated to special reserve.

In accordance with the guidelines of the above Ruling, a portion of current-period earnings and undistributed prior-period earnings shall be retained as a special reserve. The amount to be retained should be equal to the current-period total reduction of other shareholders' equity. Similarly, a portion of undistributed prior-period earnings shall be reclassified as a special reserve (which 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. As of June 30, 2023, December 31, and June 30, 2022, the balance of special reserve amounted to $5,058, $10,315 and $10,315, respectively.

**WINWAY TECHNOLOGY CO., LTD. AND SUBSIDIARIES**
**Notes to the Consolidated Financial Statements**

3) Earnings distribution

The following are the appropriations of earnings in 2022 and 2021 which were approved in the Board of Directors' meeting held on February 22, 2023 and February 23, 2022. These earnings were appropriated as follows:

| | 2022 | | 2021 | |
|---|---|---|---|---|
| | **Amount per share** | **Total amount** | **Amount per share** | **Total amount** |
| Dividends distributed to ordinary shareholders: | | | | |
| Cash | $ 22.00 | 754,468 | 11.00 | 376,200 |

(v) Other equity interest

| | Exchange differences on foreign operations | Unearned stock-based Employee compensation | Total |
|---|---|---|---|
| Balance at January 1, 2023 | $ (5,059) | (74,432) | (79,491) |
| Exchange differences on foreign operations | (7,500) | - | (7,500) |
| Unearned Stock-Based Employee compensation | - | 29,430 | 29,430 |
| Balance at June 30, 2023 | **$ (12,559)** | **(45,002)** | **(57,561)** |
| Balance at January 1, 2022 | $ (10,316) | - | (10,316) |
| Exchange differences on foreign operations | 6,975 | - | 6,975 |
| Balance at June 30, 2022 | **$ (3,341)** | **-** | **(3,341)** |

(q) Share-based payment

(i) Employee restricted stock awards

On June 24, 2022, the shareholders' meeting approved the issuance of 500,000 restricted stocks to those full-time employees who meet the Company's requirements. The restricted stock has been registered with, and approved by, the Securities and Futures Bureau of the Financial Supervisory Commission, R.O.C. On August 5, 2022, the board of directors issued 250,000 restricted stocks. The fair value on the grant date was $403 per share, which was the closing price less the issue price. Full-time employees who are granted restricted shares as mentioned above shall receive the granted shares without consideration and shall remain in service with the Company for one, two and three years from the grant date, and shall receive 30%, 30% and 40% of the restricted shares each year, depending on the achievement of the Company's overall and individual performance targets for that year, respectively. All of the

**WINWAY TECHNOLOGY CO., LTD. AND SUBSIDIARIES**
**Notes to the Consolidated Financial Statements**

restricted stocks shall be delivered to the Company's designated trustee for safekeeping until the vesting conditions are met, and shall not be sold, pledged, transferred, gifted or otherwise disposed of. The voting rights of the stocks shall be exercised by the trustee in accordance with the relevant laws and regulations during the period when the stocks are delivered to the trustee for safekeeping. If any employee fails to meet the vesting conditions after subscribing for the new stocks, the Company will take back his/her shares without consideration and cancel the stocks in accordance with the law.

Details of the restricted stocks of the Company are as follows：

| | Six months ended June 30, 2023 |
|---|---|
| | Number of restricted stock (in thousands) |
| Outstanding at January 1 | 244 |
| Forfeited during the period | (4) |
| Outstanding at June 30 | **240** |

For the three months and six months ended June 30, 2023, the Company incurred expenses were $13,478 and $27,818 for each of the restricted stock, respectively, which were recognized as operating costs and operating expenses.

(ii) Employee stock options

A resolution had been approved during the board meeting held on January 17, 2019 for the Company to issue 1,000 new shares in 2019 as employee stock option for its employees. Each share option represents the right to purchase 1,000 ordinary share of the Company when exercised.

1) Details of the employee stock options are as follows:

| | |
|---|---|
| Grant date | January 17, 2019 |
| Number unit | 1,000,000 shares |
| Exercise price | $ 35 per share |
| Vesting conditions | Duration of one year and achieve the agreed performance |
| Expected volatility | 36.50%~40.10% |
| Risk free interest rate | 0.58%~0.64% |
| Expected life | 2.5~3.5 years |
| Weighted-average fair value of grant date | $ 31.93 |

2) The Company estimated to issue 1,000 units (1,000,000 shares common stock options) on January 17, 2019, under the Black-Scholes Options Pricing Model. The value of stocks were $75 per share.

**WINWAY TECHNOLOGY CO., LTD. AND SUBSIDIARIES**
**Notes to the Consolidated Financial Statements**

| | Six months ended June 30, 2022 | |
|---|---|---|
| | **Weighted average exercise price (price NTD)** | **Number of options (Units)** |
| Outstanding at January 1 | $ 33.3 | 376,000 |
| Forfeited during the period | 33.3 | - |
| Exercised during the period | 33.3 | 347,000 |
| Outstanding at June 30 | $ **33.3** | **29,000** |
| Exercisable at June 30 | $ **33.3** | **29,000** |

(r) Earnings per share

The calculation of basic earnings per share and diluted earnings per share were as follows:

| | Three months ended June 30, | | Six months ended June 30, | |
|---|---|---|---|---|
| | **2023** | **2022** | **2023** | **2022** |
| **Basic earnings per share (expressed in New Taiwan dollars)** | | | | |
| Profit attributable to ordinary shareholders of the Company | $ **135,694** | **208,435** | **279,191** | **327,659** |
| Weighted average number of ordinary shares outstanding (shares in thousands) | **34,294** | **34,107** | **34,294** | **34,005** |
| **Basic earnings per share** | $ **3.96** | **6.12** | **8.14** | **9.64** |
| **Diluted earnings per share (expressed in New Taiwan dollars)** | | | | |
| Profit attributable to ordinary shareholders of the Company | $ **135,694** | **208,435** | **279,191** | **327,659** |
| Weighted average number of ordinary shares outstanding (shares in thousands) | 34,294 | 34,107 | 34,294 | 34,005 |
| Effect of dilutive potential ordinary shares (shares in thousands) | | | | |
| Effect of employee stock options | - | 205 | - | 307 |
| Effect of employee stock bonus | 50 | 94 | 123 | 119 |
| Effect of employee restricted stock | 156 | - | 145 | - |
| Weighted average number of ordinary shares (diluted) (shares in thousands) | **34,500** | **34,406** | **34,562** | **34,431** |
| **Diluted earnings per share** | $ **3.94** | **6.05** | **8.08** | **9.52** |

(Continued)

**WINWAY TECHNOLOGY CO., LTD. AND SUBSIDIARIES**
**Notes to the Consolidated Financial Statements**

(s) Revenue from contracts with customers

(i)Disaggregation of revenue

| | Three months ended June 30, 2023 | Three months ended June 30, 2022 | Six months ended June 30, 2023 | Six months ended June 30, 2022 |
|---|---|---|---|---|
| Primary geographical markets: | | | | |
| Taiwan | $ 297,662 | 319,807 | 464,015 | 671,976 |
| America | 274,579 | 303,186 | 427,546 | 451,441 |
| China | 272,880 | 292,498 | 699,315 | 482,385 |
| Europe | 4,479 | 4,483 | 10,332 | 7,661 |
| Canada | 974 | 15,775 | 3,172 | 19,381 |
| Asia | 166,034 | 121,415 | 420,432 | 225,139 |
| | **$ 1,016,608** | **1,057,164** | **2,024,812** | **1,857,983** |
| Major products/services lines: | | | | |
| Test Socket | $ 712,736 | 673,362 | 1,558,661 | 1,180,178 |
| Contact Element | 113,608 | 141,278 | 215,856 | 281,645 |
| Probe Card | 133,550 | 167,280 | 156,573 | 257,636 |
| Other | 56,714 | 75,244 | 93,722 | 138,524 |
| | **$ 1,016,608** | **1,057,164** | **2,024,812** | **1,857,983** |

(ii) Contract balances

| | June 30, 2023 | December 31, 2022 | June 30, 2022 |
|---|---|---|---|
| Notes receivable | $ - | 7,029 | 2,133 |
| Accounts receivable | 1,220,371 | 1,626,174 | 1,113,464 |
| Less: loss allowance | (9,456) | (20,415) | (10,035) |
| | **$ 1,210,915** | **1,612,788** | **1,105,562** |
| Contract liabilities-advance collections | $ 9,229 | 286 | 6,234 |
| Contract liabilities-customer loyalty program | 66,977 | 54,651 | 38,620 |
| | **$ 76,206** | **54,937** | **44,854** |

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

**WINWAY TECHNOLOGY CO., LTD. AND SUBSIDIARIES**
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The amounts of revenue recognized for the three months ended June 30, 2023 and 2022, and for the six months ended June 30, 2023 and 2022, that were included in the contract liability balance at the beginning of the each period were $0, $2, $3,621 and $5,631, respectively.

(t) Remunerations to employees and directors

In accordance with the Articles of incorporation, the Company should contribute 5%~15% of the profit as employee compensation and a maximum of 3% as directors' remuneration when there is profit for the year. However, if the Company has accumulated deficits, the profit should be reserved to offset the deficit.

For the three months ended June 30, 2023 and 2022, and for the six months ended June 30, 2023 and 2022, the Company estimated its employee remuneration amounting to $18,942, $25,972, $39,103 and $33,992, and directors' remuneration amounting to $(61), $4,282, $1,955 and $6,688, respectively. The employee compensation and directors' remuneration were estimated as the income before tax, excluding the amount of employee compensation and directors' remuneration, multiplied by the percentage of remuneration to employees and directors as specified in the Company's articles. These remunerations were expensed under operating costs or operating expenses. If there are any subsequent adjustments to the actual remuneration amounts, the adjustment will be accounted for as changes in accounting estimates and will be reflected in profit or loss in the following year.

For the years ended December 31, 2022 and 2021, the remuneration to employees amounted to $141,512 and $31,546, and the remuneration to directors amounted to $6,000 and $4,198, respectively. The aforementioned approved amounts were the same as the amounts charged against the earnings in 2022 and 2021. Related information would be available at the Market Observation Post System website.

(u) Non-operating income and expenses

(i) Interest income

Details of interest income of the Group were as follows:

| | Three months ended June 30, | | Six months ended June 30, | |
|---|---|---|---|---|
| | **2023** | **2022** | **2023** | **2022** |
| Interest income | | | | |
| Bank deposits | $ 5,697 | 2,191 | 9,455 | 3,221 |
| Others | 27 | 3 | 35 | 7 |
| | **$ 5,724** | **2,194** | **9,490** | **3,228** |

(Continued)

**WINWAY TECHNOLOGY CO., LTD. AND SUBSIDIARIES**
**Notes to the Consolidated Financial Statements**

(ii) Other gains and losses

Details of other gains and losses of the Group were as follows:

| | Three months ended June 30, | | Six months ended June 30, | |
|---|---|---|---|---|
| | **2023** | **2022** | **2023** | **2022** |
| Foreign exchange (losses) gains | $ (10,718) | 1,790 | (12,292) | 15,356 |
| Gains on financial assets at fair value through profit or loss | 207 | - | 243 | - |
| Gains (losses) on disposals of property, plant and equipment | 181 | (78) | 365 | 3,681 |
| Government grants | 8 | 590 | 803 | 1,576 |
| Others | 283 | 217 | 645 | 343 |
| | **$ (10,039)** | **2,519** | **(10,236)** | **20,956** |

(iii) Finance costs

Details of finance costs of the Group were as follows:

| | Three months ended June 30, | | Six months ended June 30, | |
|---|---|---|---|---|
| | **2023** | **2022** | **2023** | **2022** |
| Interest expenses | | | | |
| Bank loans | $ - | - | - | - |
| Lease liabilities | 179 | 276 | 347 | 557 |
| | **$ 179** | **276** | **347** | **557** |

(v) Financial Instruments

Except for the contention mentioned below, there was no significant change in the fair value of the Group’s financial instruments and degree of exposure to credit risk, liquidity risk and market risk arising from financial instruments. For related information, please refer to note 6(v) of the consolidated financial statements for the year ended December 31, 2022.

(i) Credit risk

1) Credit risk exposure

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

**WINWAY TECHNOLOGY CO., LTD. AND SUBSIDIARIES**
**Notes to the Consolidated Financial Statements**

2) Concentration to credit risk

The customers of the Group has a significant concentration on electronics industry. To reduce the credit risk, the Group regularly evaluates the collectability of accounts receivable and notes receivable. As of June 30, 2023, and December 31 and June 30, 2022, the Group does not have a significant concentration of credit risk.

3) Credit risk of receivables and debt instruments

For credit risk exposure of notes and accounts receivables, please refer to note 6(c).

Other financial assets at amortized cost include other receivables, refundable deposits and other financial assets.

The following table presents whether the assets measured at amortized cost were subject to a 12-month ECL or lifetime ECL allowance, and in the latter case, whether they were credit-impaired:

| | June 30, 2023 | | |
|---|---|---|---|
| | At amortized cost | | |
| | **12-month ECL** | **Lifetime ECL-not credit-impaired** | **Lifetime ECL-credit-impaired** |
| Other receivables | $ 459 | - | 3,609 |
| Refundable deposits | 5,192 | - | - |
| Other financial assets | 51,747 | - | - |
| Loss allowance | - | - | (3,609) |
| Amortized cost | **$ 57,398** | **-** | **-** |
| Carrying amount | **$ 57,398** | **-** | **-** |

| | December 31, 2022 | | |
|---|---|---|---|
| | At amortized cost | | |
| | **12-month ECL** | **Lifetime ECL-not credit-impaired** | **Lifetime ECL-credit-impaired** |
| Other receivables | $ 647 | - | 3,609 |
| Refundable deposits | 7,476 | - | - |
| Other financial assets | 51,644 | - | - |
| Loss allowance | - | - | (3,609) |
| Amortized cost | **$ 59,767** | **-** | **-** |
| Carrying amount | **$ 59,767** | **-** | **-** |

**WINWAY TECHNOLOGY CO., LTD. AND SUBSIDIARIES**
**Notes to the Consolidated Financial Statements**

| | June 30, 2022 | | |
|---|---|---|---|
| | At amortized cost | | |
| | 12-month ECL | Lifetime ECL-not credit-impaired | Lifetime ECL-credit-impaired |
| Other receivables | $ 692 | - | 3,609 |
| Refundable deposits | 7,481 | - | - |
| Other financial assets | 51,642 | - | - |
| Loss allowance | - | - | (3,609) |
| Amortized cost | $ **59,815** | **-** | **-** |
| Carrying amount | $ **59,815** | **-** | **-** |

The movements in the allowance for impairment for debt investments at amortized cost were as follows:

| | For the six months ended June 30, 2023 | | | |
|---|---|---|---|---|
| | 12-month ECL | Lifetime ECL-not credit-impaired | Lifetime ECL-credit-impaired | Total |
| Balance at January 1, 2023(equal to balance at June 30, 2023) | $ **-** | **-** | **3,609** | **3,609** |

| | For the six months ended June 30, 2022 | | | |
|---|---|---|---|---|
| | 12-month ECL | Lifetime ECL-not credit-impaired | Lifetime ECL-credit-impaired | Total |
| Balance at January 1, 2022(equal to balance at June 30, 2022) | $ **-** | **-** | **3,609** | **3,609** |

(ii) Liquidity Risk

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

| | Carrying amount | Contracted cash flows | Due within 6 months | Due in 6-12 months | Due in 1~2 years | Due in 2~5 years | over 5 years |
|---|---|---|---|---|---|---|---|
| **June 30, 2023** | | | | | | | |
| Non-derivative financial liabilities | | | | | | | |
| Notes and accounts payable (non-interest-bearing) | $ 477,760 | 477,760 | 477,760 | - | - | - | - |
| Other payables (non-interest-bearing) | 1,162,509 | 1,162,509 | 1,162,509 | - | - | - | - |
| Lease liabilities (included due within one year) (fix interest rate) | 61,012 | 74,142 | 6,173 | 2,797 | 4,164 | 6,819 | 54,189 |
| Guarantee deposits(non-interest-bearing) | 200 | 200 | 200 | - | - | - | - |
| | $ **1,701,481** | **1,714,611** | **1,646,642** | **2,797** | **4,164** | **6,819** | **54,189** |

# WINWAY TECHNOLOGY CO., LTD. AND SUBSIDIARIES
## Notes to the Consolidated Financial Statements

| | Carrying amount | Contracted cash flows | Due within 6 months | Due in 6-12 months | Due in 1~2 years | Due in 2~5 years | over 5 years |
|---|---|---|---|---|---|---|---|
| **December 31, 2022** | | | | | | | |
| Non-derivative financial liabilities | | | | | | | |
| Notes and accounts payable (non-interest-bearing) | $ 1,026,645 | 1,026,645 | 1,026,645 | - | - | - | - |
| Other payables (non-interest-bearing) | 542,881 | 542,881 | 542,881 | - | - | - | - |
| Lease liabilities (included due within one year) (fix interest rate) | 61,041 | 74,343 | 6,566 | 5,278 | 2,384 | 5,187 | 54,928 |
| Guarantee deposits(non-interest-bearing) | 200 | 200 | - | 200 | - | - | - |
| | $ 1,630,767 | 1,644,069 | 1,576,092 | 5,478 | 2,384 | 5,187 | 54,928 |
| **June 30, 2022** | | | | | | | |
| Non-derivative financial liabilities | | | | | | | |
| Notes and accounts payable (non-interest-bearing) | $ 636,019 | 636,019 | 636,019 | - | - | - | - |
| Other payables (non-interest-bearing) | 756,847 | 756,847 | 756,847 | - | - | - | - |
| Lease liabilities (included due within one year) (fix interest rate) | 104,463 | 118,323 | 43,937 | 6,587 | 6,886 | 5,067 | 55,846 |
| | $ 1,497,329 | 1,511,189 | 1,436,803 | 6,587 | 6,886 | 5,067 | 55,846 |

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

(iii) Market risk

1) Currency risk

The Group's significant exposure to foreign currency risk was as follow:

| | June 30, 2023 | | | December 31, 2022 | | | June 30, 2022 | | |
|---|---|---|---|---|---|---|---|---|---|
| | Foreign currency | Exchange rate | TWD | Foreign currency | Exchange rate | TWD | Foreign currency | Exchange rate | TWD |
| Financial assets | | | | | | | | | |
| Monetary items | | | | | | | | | |
| USD | $ 30,819 | 31.140 | 959,709 | 71,023 | 30.710 | 2,181,128 | 18,448 | 29.720 | 548,301 |
| JPY | 700,059 | 0.2150 | 150,513 | 594,639 | 0.2324 | 138,194 | 272,972 | 0.2182 | 59,562 |
| Financial liabilities | | | | | | | | | |
| Monetary items | | | | | | | | | |
| USD | 18,790 | 31.140 | 585,118 | 45,772 | 30.710 | 1,405,669 | 23,239 | 29.720 | 690,659 |
| JPY | 79,938 | 0.2150 | 17,187 | 181,616 | 0.2324 | 42,207 | 87,152 | 0.2182 | 19,017 |

The foreign currency risk mainly arose from the translation of cash and cash equivalents, accounts receivable, other receivables, accounts payable, and other payables. As of June 30, 2023 and 2022, if the exchange rate of TWD versus USD and JPY had increased or decreased by 1%, given no changes in other factors, profit after tax would have increased or decreased by $4,063 and $815, for the six months ended June 30, 2023 and 2022, respectively. The method of analysis remains the same as 2022.

Since the Group has many kinds of functional currency, the information on foreign exchange gain (loss) on monetary items is disclosed by total amount. For the three months ended June 30, 2023 and 2022 and six months ended June 30, 2023 and 2022, the foreign exchange gain (loss) (including realized and unrealized portions) amounted to $(10,718), $1,790, $(12,292) and $15,356, respectively.

# WINWAY TECHNOLOGY CO., LTD. AND SUBSIDIARIES
## Notes to the Consolidated Financial Statements

(iv) Fair value of financial instruments

1) Fair value hierarchy

The fair value of financial assets and liabilities at fair value through profit or loss are measured on a recurring basis. The carrying amount and fair value of the Group's financial assets and liabilities, including the information on fair value hierarchy are stated below; however, except as described in the following paragraphs, for financial instruments not measured at fair value whose carrying amount is reasonably close to the fair value, and lease liabilites, disclosure of fair value information is not required:

| | June 30, 2023 | | | | |
|---|---|---|---|---|---|
| | Book Value | Fair Value | | | |
| | | Level 1 | Level 2 | Level 3 | Total |
| **Financial assets measured at amortized cost** | | | | | |
| Cash and cash equivalents | $ 1,124,261 | - | - | - | - |
| Domestic-time deposits | 29,700 | - | - | - | - |
| Notes and accounts receivables | 1,210,915 | - | - | - | - |
| Other receivables | 459 | - | - | - | - |
| Other financial assets | 51,747 | - | - | - | - |
| Refundable deposits | 5,192 | - | - | - | - |
| **Total** | **$ 2,422,274** | | | | |
| **Financial liabilities measured at amortized cost** | | | | | |
| Accounts payables | $ 477,760 | - | - | - | - |
| Other payables | 1,162,509 | - | - | - | - |
| Lease liabilities | 61,012 | - | - | - | - |
| Guarantee deposits | 200 | - | - | - | - |
| **Total** | **$ 1,701,481** | | | | |

| | December 31, 2022 | | | | |
|---|---|---|---|---|---|
| | Book Value | Fair Value | | | |
| | | Level 1 | Level 2 | Level 3 | Total |
| **Financial assets measured at amortized cost** | | | | | |
| Cash and cash equivalents | $ 1,504,089 | - | - | - | - |
| Domestic-time deposits | 29,700 | - | - | - | - |
| Notes and accounts receivables | 1,612,788 | - | - | - | - |
| Other receivables | 647 | - | - | - | - |
| Other financial assets | 51,644 | - | - | - | - |
| Refundable deposits | 7,476 | - | - | - | - |
| **Total** | **$ 3,206,344** | | | | |
| **Financial liabilities measured at amortized cost** | | | | | |
| Accounts payables | $ 1,026,645 | - | - | - | - |
| Other payables | 542,881 | - | - | - | - |
| Lease liabilities | 61,041 | - | - | - | - |
| Guarantee deposits | 200 | - | - | - | - |
| **Total** | **$ 1,630,767** | | | | |

(Continued)

**WINWAY TECHNOLOGY CO., LTD. AND SUBSIDIARIES**
**Notes to the Consolidated Financial Statements**

| | June 30, 2022 | | | | |
|---|---|---|---|---|---|
| | Book Value | Fair Value Level 1 | Level 2 | Level 3 | Total |
| **Financial assets measured at amortized cost** | | | | | |
| Cash and cash equivalents | $ 1,424,122 | - | - | - | - |
| Domestic-time deposits | 129,700 | - | - | - | - |
| Notes and accounts receivables | 1,105,562 | - | - | - | - |
| Other receivables | 692 | - | - | - | - |
| Other financial assets | 51,642 | - | - | - | - |
| Refundable deposits | 7,481 | - | - | - | - |
| **Total** | **$ 2,719,199** | | | | |
| **Financial liabilities measured at amortized cost** | | | | | |
| Notes and accounts payables | $ 636,019 | - | - | - | - |
| Other payables | 756,847 | - | - | - | - |
| Lease liabilities | 104,463 | - | - | - | - |
| **Total** | **$ 1,497,329** | | | | |

1) Valuation techniques of financial instruments not measured at fair value

The Group's valuation techniques and assumptions used for financial instruments not measured at fair value are as follows:

a) Financial assets measured at amortized cost

If the quoted prices in active markets are available, the market price is established as the fair value. However, if quoted prices in active markets are not available, the estimated valuation or prices used by competitors are adopted.

b) Financial assets and financial liabilities measured at amortized cost

If there is quoted price generated by transactions, the recent transaction price and quoted price data is used as the basis for fair value measurement. However, if no quoted prices are available, the discounted cash flows are used to estimate fair values.

2) Valuation techniques of financial instruments measured at fair value

Non-derivative financial instruments

Financial instruments traded in active market are based on quoted market prices. The quoted price of a financial instrument obtained from main exchanges and on-the-run bonds from Taipei Exchange can be used as a basis to determine the fair value of the listed companies equity instrument and debt instrument of the quoted price in an active market.

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If a quoted price of a financial instrument can be obtained readily and regularly from exchanges, brokers, underwriters, industrial union, pricing institute, or authorities, and such price can reflect those actual trading and regularly occurring in the market. Then the financial instrument is considered to have a quoted price in an active market. If a financial instrument is not in accord with the definition mentioned above, then it is considered to be without a quoted price in an active market. In general, market with low trading volume or high bid-ask spreads is an indication of a non-active market.

(w) Financial risk management

There were no significant changes in the Group' s financial risk management and policies as disclosed in note 6(w) of the consolidated financial statements for the year ended December 31, 2022.

(x) Capital management

Management believes that the objectives, policies and processes of capital management of the Group has been applied consistently with those described in the consolidated financial statements for the year ended December 31, 2022. Also, management believes that there were no significant changes in the Group' s capital management information as disclosed for the year ended December 31, 2022. Please refer to note 6(x) of the consolidated financial statements for the year ended December 31, 2022 for further details.

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

Reconciliation of liabilities arising from financing activities was as follows:

| | January 1, 2023 | Cash flows | Non-Cash changes: Foreign exchange movement | Non-Cash changes: Changes in lease payments | Non-Cash changes: Others | June 30, 2023 |
|---|---|---|---|---|---|---|
| Lease liabilities | $ 61,041 | (7,130) | (270) | 7,371 | - | 61,012 |
| Total liabilies from financing activities | **$ 61,041** | **(7,130)** | **(270)** | **7,371** | **-** | **61,012** |

| | January 1, 2022 | Cash flows | Non-Cash changes: Foreign exchange movement | Non-Cash changes: Changes in lease payments | Non-Cash changes: Others | June 30, 2022 |
|---|---|---|---|---|---|---|
| Lease liabilities | $ 101,703 | (9,495) | 273 | 11,982 | - | 104,463 |
| Total liabilies from financing activities | **$ 101,703** | **(9,495)** | **273** | **11,982** | **-** | **104,463** |

## (7) Related-party transactions:

(a) Names and relationship with related parties

The followings are related parties that have had transactions with the Group during the periods covered in the consolidated financial statements:

| Name of related party | Relationship with the Group |
|---|---|
| Kaohsiung City WinWay Charity Association | Same key management personnel with the Group |

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(b) Significant related party transactions

For the three months and six months ended June 30, 2023, the Group has donated $0 and $1,000 which were recognized in operating expenses, to Kaohsiung City WinWay Charity Association.

(c) Key management personnel compensation

Key management personnel compensation comprised:

| | Three months ended June 30, 2023 | Three months ended June 30, 2022 | Six months ended June 30, 2023 | Six months ended June 30, 2022 |
|---|---|---|---|---|
| Short-term employee benefits | $ 10,203 | 13,299 | 28,028 | 23,367 |
| Post-employment benefits | 54 | 54 | 108 | 108 |
| | **$ 10,257** | **13,353** | **28,136** | **23,475** |

## (8) Assets pledged as security:

The carrying amounts of assets pledged as security were follows:

| Assets pledged as security | Liabilities secured by pledge | June 30, 2023 | December 31, 2022 | June 30, 2022 |
|---|---|---|---|---|
| Other financial assets-non-current–demand deposits | Guarantee for customs duty | $ 1,517 | 1,513 | 1,512 |
| Other financial assets-non-current–time deposits | Construction of plant | 50,230 | 50,131 | 50,130 |
| Property, plant, and equipment | Bank borrowings | 130,533 | 130,946 | 132,003 |
| | | **$ 182,280** | **182,590** | **183,645** |

## (9) Significant commitments and contingencies:

(a) MPI Corporation (hereinafter referred to as MPI) filed a business secret civil lawsuit against the Group and the chairman of the Board of Directors in the Intellectual Property Court on September 19, 2019, and jointly claimed $44,000 compensation from the Group, $9,270 from 4 employees, and the interest was calculated at 5% per annum from the day after the complaint was served to the settlement date.

In addition, MPI filed an additional lawsuit and a petition to stop the trial in December 2020, and raised the claim amount to $158,910. The Group agreed to stop the trial from March 2022 to November 21, 2022. As of August 4, 2023, after the renewal of MPI's petition for continuation of the above-mentioned lawsuit, no substantive proceedings have been conducted, and it is not yet possible to determine the probable final outcome of the above-mentioned lawsuit.

The main products of the Group are highly customized, and the Group always respects intellectual property rights and is committed to the research and development of technology. There is no unlawful acquisition or use of its business secrets as stated by MPI.

## WINWAY TECHNOLOGY CO., LTD. AND SUBSIDIARIES
## Notes to the Consolidated Financial Statements

(b) As of June 30, 2023 and December 31, and June 30, 2022, significant outstanding purchase commitments for construction in progress, property, plant and equipment the amounts of $438,406, $633,397 and $727,007.

**(10) Losses Due to Major Disasters: none**

**(11) Significant Subsequent Events:**

On July 21, 2023, the Board of Directors' meeting approved the second issuance of 250 thousand restricted stocks to employees. The base date of the capital increase to be July 21, 2023.

**(12) Other:**

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

| | Three months ended June 30, | | | | | |
|---|---|---|---|---|---|---|
| **By function** | **2023** | | | **2022** | | |
| **By item** | **Cost of sales** | **Operating expenses** | **Total** | **Cost of sales** | **Operating expenses** | **Total** |
| Employee benefits | | | | | | |
| Salary | 92,187 | 108,939 | 201,126 | 94,382 | 133,411 | 227,793 |
| Labor and health insurance | 10,198 | 9,636 | 19,834 | 7,192 | 5,994 | 13,186 |
| Pension | 3,260 | 3,914 | 7,174 | 2,503 | 4,091 | 6,594 |
| Remuneration of directors | - | (37) | (37) | - | 4,282 | 4,282 |
| Others | 5,885 | 4,383 | 10,268 | 4,836 | 3,786 | 8,622 |
| Depreciation | 20,446 | 6,188 | 26,634 | 21,890 | 6,138 | 28,028 |
| Amortization | 969 | 2,141 | 3,110 | 989 | 1,847 | 2,836 |

| | Six months ended June 30, | | | | | |
|---|---|---|---|---|---|---|
| **By function** | **2023** | | | **2022** | | |
| **By item** | **Cost of sales** | **Operating expenses** | **Total** | **Cost of sales** | **Operating expenses** | **Total** |
| Employee benefits | | | | | | |
| Salary | 188,806 | 232,556 | 421,362 | 174,403 | 235,265 | 409,668 |
| Labor and health insurance | 21,061 | 18,716 | 39,777 | 14,775 | 12,982 | 27,757 |
| Pension | 6,544 | 8,005 | 14,549 | 5,069 | 8,480 | 13,549 |
| Remuneration of directors | - | 2,027 | 2,027 | - | 6,728 | 6,728 |
| Others | 11,424 | 8,963 | 20,387 | 9,463 | 7,823 | 17,286 |
| Depreciation | 41,123 | 12,131 | 53,254 | 42,142 | 12,611 | 54,753 |
| Amortization | 2,001 | 4,290 | 6,291 | 1,928 | 3,467 | 5,395 |

(b) Seasonality of operations

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

# WINWAY TECHNOLOGY CO., LTD. AND SUBSIDIARIES
## Notes to the Consolidated Financial Statements

**(13) Other disclosures:**

(a) Information on significant transactions:

The following is the information on significant transactions required by the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" for the Group for the six months ended June 30, 2023.

(i) Lending to other parties:None

(ii) Guarantees and endorsements for other parties: None

(iii) Securities held as of June 30, 2023 (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:

| Name of company | Category and name of security | Account name | Name of counter-party | Relationship with the company | Beginning Balance | | Purchases | | Sales | | | | Ending Balance | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Shares | Amount | Shares | Amount | Shares | Price | Cost | Gain (loss) on disposal | Shares | Amount | Note |
| The Company | Taishin 1699 Money Market Fund | Financial assets at fair value through profit or loss | - | - | - | - | 7,244,040.87 | 100,000 | 7,244,040.87 | 100,243 | 100,000 | 243 | - | - | - |

# WINWAY TECHNOLOGY CO., LTD. AND SUBSIDIARIES
## Notes to the Consolidated Financial Statements

(v) Acquisition of individual real estate with amount exceeding the lower of NT$300 million or 20% of the capital stock:

| Name of company | Name of property | Transaction date | Transaction amount | Status of payment | Counter-party | Relationship with the Company | If the counter-party is a related party, disclose the previous transfer information | | | | References for determining price | Purpose of acquisition and current condition | Others |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | Owner | Relationship with the Company | Date of transfer | Amount | | | |
| The Company | Hsinchu Tai-Yuan presold offices | January 27, 2021 | 281,363 | 61,905 | WEN SHENG DEVELOPMENT CO., LTD. | Non-related party | - | - | - | - | Bidding | Plant expansion | |
| The Company | Nanzih Technology Industrial Park-plant construction | February 28, 2021 | 71,000 | 71,000 | HSIN HSIUNG CONSTRUCTION CO., LTD. | Non-related party | - | - | - | - | Bidding | Plant expansion | |
| The Company | Nanzih Technology Industrial Park-plant construction | August 26, 2021 | 460,000 | 428,720 | HSIN HSIUNG CONSTRUCTION CO., LTD. | Non-related party | - | - | - | - | Bidding | Plant expansion | |
| The Company | Nanzih Technology Industrial Park-plant construction | August 26, 2021 | 204,000 | 190,740 | SEAN KUNG ELECTRIC ENGINEERING CO., LTD. | Non-related party | - | - | - | - | Bidding | Plant expansion | |
| The Company | Nanzih Technology Industrial Park-plant construction | February 10, 2022 | 145,000 | 140,519 | CHENG DA ELECTRIC ENGINEERING CO., LTD. | Non-related party | - | - | - | - | Bidding | Plant expansion | |

(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:

| Name of company | Related party | Nature of relationship | Transaction details | | | | Transactions with terms different from others | | Notes/Accounts receivable (payable) | | Note |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | Purchase/Sale | Amount | Percentage of total purchases/sales | Payment terms | Unit price | Payment terms | Ending balance | Percentage of total notes/accounts receivable (payable) | |
| The Company | WINWAY TECHNOLOGY (SUZHOU) LTD. | Subsidiary | Sale | 336,649 | 19.84 % | 90 Days | (Note 1) | The main customers are 60 to 120 days | 336,282 | 28.88 % | (Note) |
| WINWAY TECHNOLOGY (SUZHOU) LTD. | The Company | Parent Company | Purchase | 336,649 | 87.95 % | 90 Days | (Note 1) | The main suppliers are 60 to 120 days | 336,282 | 94.53 % | (Note) |

Note : It was eliminated in the consolidation.
Note 1: No comparable transactions as the goods were specific.

# WINWAY TECHNOLOGY CO., LTD. AND SUBSIDIARIES
## Notes to the Consolidated Financial Statements

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

| Name of company | Related party | Nature of relationship | Ending balance | Turnover rate | Overdue | | Amounts received in subsequent period | Allowance for bad debts | Note |
|---|---|---|---|---|---|---|---|---|---|
| | | | | | Amount | Action taken | | | |
| The Company | WINWAY TECHNOLOGY (SUZHOU) LTD. | Subsidiary | Accounts receivable $336,282 | 124.70 % | 94,352 | Expected to be recovered in August 2023. | Accounts receivable $33,790 | - | (Note) |

Note : It was eliminated in the consolidation.

(ix) Trading in derivative instruments:None

(x) Business relationships and significant intercompany transactions:

| No. | Name of company | Name of counter-party | Nature of relationship (Note) | Intercompany transactions | | | |
|---|---|---|---|---|---|---|---|
| | | | | Account name | Amount | Trading terms | Percentage of the consolidated net revenue or total assets |
| 0 | The Company | WINWAY TECHNOLOGY INTERNATIONAL INC. | 1 | Accounts payable | 6 | Commissions are not comparable with similar transactions. | 0.00 % |
| | | | | Other payable | 4,732 | | 0.09 % |
| | | | | Sales expenses | 23,033 | | 1.14 % |
| 0 | The Company | WINWAY TECHNOLOGY (SUZHOU) LTD. | 1 | Accounts receivable | 336,282 | Selling price offered could not be compared to those offered to third-party customers; the collection terms are 90 days; the payment terms are 60 days; were not significantly different from those with third-party customers. | 6.60 % |
| | | | | Accounts payable | 173 | | 0.00 % |
| | | | | Other payable | 334 | | 0.01 % |
| | | | | Sales revenue | 336,649 | | 16.63 % |
| | | | | Cost of goods sold | 169 | | 0.01 % |
| | | | | Sales expenses | 1,387 | | 0.07 % |

Note : No. 1 represents transactions from parent company to subsidiaries.
No. 2 represents transactions from subsidiaries to parent company.
No. 3 represents transactions between subsidiaries.

(Continued)

# WINWAY TECHNOLOGY CO., LTD. AND SUBSIDIARIES
## Notes to the Consolidated Financial Statements

(b) Information on investments:

The following is the information on investees for the six months ended June 30, 2023 (excluding information on investees in Mainland China):

| Name of investor | Name of investee | Location | Main businesses and products | Original investment amount | | Balance as of December 31, 2022 | | | Net income (losses) of investee | Share of profits/losses of investee | Note |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | June 30, 2023 | December 31, 2022 | Shares | Percentage of ownership | Carrying value | | | |
| The Company | WINWAY INTERNATIONAL CO., LTD. | SAMOA | Investment holding | 204,599 | 204,599 | 6,580,000 | 100 % | 221,653 | (15,255) | (15,255) | Subsidiary (Note) |
| The Company | WINWAY TECHNOLOGY INTERNATIONAL INC. | America | Sales of optoelectronic product test fixtures, integrated circuit test interfaces and fixtures | 73,785 | 73,785 | 781,934 | 100 % | 4,210 | (8,159) | (8,159) | Subsidiary (Note) |

Note : It was eliminated in the consolidation.

(c) Information on investment in mainland China:

(i) The names of investees in Mainland China, the main businesses and products, and other information:

| Name of investee | Main businesses and products | Total amount of paid-in capital | Method of investment | Accumulated remittance from Taiwan as of January 1, 2023 | Investment flows | | Accumulated remittance from Taiwan as of June 30, 2023 | Net income (Losses) of investee | Indirect investment holding percentage | Share of profit/losses of investee | Book value (Note) | Accumulated remittance of earnings in current period |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Outflow | Inflow | | | | | | |
| WINWAY TECHNOLOGY (SUZHOU) LTD. | Process and sales of optoelectronic product test fixtures, integrated circuit test interfaces and fixtures | 204,599 | Indirect investment in Mainland China through an existing company registered in the third country. | 204,599 | - | - | 204,599 | (15,256) | 100% | (15,256) | 255,351 | - |

(Continued)

**WINWAY TECHNOLOGY CO., LTD. AND SUBSIDIARIES**
**Notes to the Consolidated Financial Statements**

(ii) Limitation on investment in Mainland China:

| Accumulated remittance from Taiwan to China as of June 30, 2023 | Investment Amounts Authorized by Investment Commission, MOEA (Note 1) | Upper Limit on investment in Mainland China set by Investment Commission, Ministry of Economic Affairs |
|---|---|---|
| 204,599 (USD6,580,000) | 204,901 (USD6,580,000) | 1,944,350 |

Note : It was eliminated in the consolidation.

Note 1: The amounts denominated in foreign currencies were translated using the rate of exchange at June 30, 2023.

Note 2: Investment income (loss) recognized was based on financial statements reviewed by the member audit firm of the Company.

(iii) Significant transactions:

The significant inter-company transactions with the subsidiaries in Mainland China, which were eliminated in the preparation of consolidated financial statements, are disclosed in "Information on significant transactions".

(d) Major shareholders:

| Shareholding / Shareholder's Name | Shares | Percentage |
|---|---|---|
| HE WEI INVESTMENT CO., LTD. | 3,499,559 | 10.13 % |

Note: (1) The information on major shareholders, which is provided by the Taiwan Depository & Clearing Corporation, summarized the shareholders who held over 5% of the total nonphysical common stocks and preferred stocks (including treasury stocks) on the last business date of each quarter. The registered nonphysical stocks may be different from the capital stocks disclosed in the financial statement due to different calculations basis.

Note: (2) If the aforementioned data contained shares which were kept in trust by the shareholders, the data disclosed will be deemed as the settlor's separate account for the fund set by the trustee. As for the shareholder who reports its share equity as an insider and whose shareholding ratio is greater than 10% in accordance with Securities and Exchange Act and include its self-owned shares and trusted shares, as well as the shares of the individuals who have power to decide how to allocate the trust assets. For the information on reported share equity of the insider, please refer to the Market Observation Post System.

(Continued)

## WINWAY TECHNOLOGY CO., LTD. AND SUBSIDIARIES
## Notes to the Consolidated Financial Statements

**(14) Segment information:**

The Group has one reportable segment. This segment is mainly the manufacturing and sales of optoelectronic products test fixtures. Accounting policies for the operating segments correspond to those stated in note 4. The profit before tax of the operating segment of the Group is measured by using the earnings before tax as the basis for performance measurement.