

(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 Nine Months Ended September 30, 2021 and 2020**

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

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## 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 September 30, 2021 and 2020, and the related consolidated statements of comprehensive income for the three months and nine months ended September 30, 2021 and 2020, as well as the changes in equity and cash flows for the nine months ended September 30, 2021 and 2020, and notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

### Scope of Review

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

### Conclusion

Based on our reviews, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Group as of September 30, 2021 and 2020, and of its consolidated financial performance for the three months and nine months ended September 30, 2021 and 2020, as well as its consolidated cash flows for the nine months ended September 30, 2021 and 2020 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.



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

KPMG

Taipei, Taiwan (Republic of China)

November 10, 2021

#### 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 review such consolidated financial statements are those generally accepted and applied in the Republic of China.

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

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)  
**Reviewed only, not audited in accordance with generally accepted auditing standards as of September 30, 2021 and 2020**

**WINWAY TECHNOLOGY CO., LTD. AND SUBSIDIARIES**

**Consolidated Balance Sheets**

**September 30, 2021, December 31, 2020, and September 30, 2020**

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

Assets	September 30, 2021		December 31, 2020		September 30, 2020		Liabilities and Equity	September 30, 2021		December 31, 2020		September 30, 2020	
	Amount	%	Amount	%	Amount	%		Amount	%	Amount	%	Amount	%
<b>Current assets:</b>							<b>Current liabilities:</b>						
Cash and cash equivalents (note 6(a))	\$ 910,495	26	680,104	28	579,704	23	Short-term borrowings (note 6(l))	\$ -	-	-	-	108,000	4
Current financial assets at fair value through profit or loss (note 6(b))	400,567	12	-	-	-	-	Notes payable	-	-	-	-	500	-
Financial assets measured at amortized cost (note 6(c))	149,000	4	-	-	-	-	Accounts payable	377,920	11	213,212	9	400,858	16
Notes receivable, net (note 6(d))	7,512	-	11,327	-	9,708	-	Other payables (note 6(p))	218,235	6	209,860	8	236,067	9
Accounts receivable, net (note 6(d))	708,013	20	530,003	22	754,530	30	Current provisions (note 6(n))	6,679	-	5,405	-	7,064	-
Other receivables (note 6(e))	1,808	-	-	-	52	-	Current lease liabilities (note 6(o))	16,725	1	20,123	1	15,576	1
Current tax assets	2,932	-	-	-	2,815	-	Current tax liabilities	69,035	2	39,642	2	42,029	2
Inventories, net (note 6(f))	312,507	9	417,221	17	461,210	19	Other current liabilities (note 6(u))	542	-	2,623	-	465	-
Other current assets (note 6(k))	28,887	1	9,654	-	26,179	1	<b>Total current liabilities</b>	689,136	20	490,865	20	810,559	32
<b>Total current assets</b>	2,521,721	72	1,648,309	67	1,834,198	73	<b>Non-Current liabilities:</b>						
<b>Non-current assets:</b>							Long-term borrowings (notes 6(m) and 8)	10,000	-	40,000	2	40,000	2
Property, plant and equipment (notes 6(g) and 8)	667,275	19	522,122	22	520,628	21	Deferred tax liabilities	1,745	-	69	-	-	-
Right-of-use assets (note 6(h))	118,722	4	135,105	6	53,451	2	Non-current lease liabilities (note 6(o))	91,983	3	103,574	4	38,333	1
Intangible assets (note 6(i))	33,479	1	36,483	2	36,664	1	<b>Total non-current liabilities</b>	103,728	3	143,643	6	78,333	3
Deferred tax assets	46,700	1	39,091	2	41,325	2	<b>Total liabilities</b>	792,864	23	634,508	26	888,892	35
Refundable deposits	6,006	-	7,652	-	7,537	-	<b>Equity attributable to owners of parent (notes 6(q)(r)(s)):</b>						
Other non-current financial assets (notes 6(j) and 8)	51,511	2	1,511	-	1,511	-	Capital stock	338,820	10	305,710	13	305,530	12
Other non-current assets (note 6(k))	37,181	1	15,805	1	20,211	1	Advance receipts for share capital	90	-	-	-	120	-
<b>Total non-current assets</b>	960,874	28	757,769	33	681,327	27		338,910	10	305,710	13	305,650	12
							Capital surplus	1,688,255	48	609,440	25	588,527	23
							Retained earnings	675,083	19	864,414	36	746,265	30
							Other equity	(12,517)	-	(7,994)	-	(13,809)	-
							<b>Total equity</b>	2,689,731	77	1,771,570	74	1,626,633	65
<b>Total assets</b>	\$ 3,482,595	100	2,406,078	100	2,515,525	100	<b>Total liabilities and equity</b>	\$ 3,482,595	100	2,406,078	100	2,515,525	100

See accompanying notes to financial statements.

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**Reviewed only, not audited in accordance with generally accepted auditing standards**

**WINWAY TECHNOLOGY CO., LTD. AND SUBSIDIARIES**

**Consolidated Statement of Comprehensive Income**

**For the nine months ended September 30, 2021 and 2020**

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

	For the three months ended September 30,				For the nine months ended September 30,			
	2021		2020		2021		2020	
	Amount	%	Amount	%	Amount	%	Amount	%
<b>Operating revenue (notes 6(u) and 14)</b>	\$ 754,569	100	826,703	100	1,942,819	100	2,287,484	100
<b>Operating costs (notes 6(f)(i)(n)(o)(p)(s) and 12)</b>	447,228	59	492,129	60	1,192,476	61	1,391,709	61
<b>Gross profit</b>	307,341	41	334,574	40	750,343	39	895,775	39
<b>Operating expenses (notes 6((d)(i)(o)(p)(s)(v), 7 and 12):</b>								
Selling expenses	66,751	9	59,053	7	185,659	10	175,863	8
General and administrative expenses	44,426	6	44,602	5	116,039	6	126,900	5
Research and development expenses	48,944	6	32,433	4	137,257	7	92,321	4
Expected credit impairment gain and losses	(601)	-	6,279	1	(2,460)	-	(26,846)	(1)
<b>Total operating expenses</b>	159,520	21	142,367	17	436,495	23	368,238	16
<b>Net operating income</b>	147,821	20	192,207	23	313,848	16	527,537	23
<b>Non-operating income and expenses (note 6(w)):</b>								
Interest income	649	-	178	-	1,769	-	545	-
Other gains and losses	2,342	-	4,628	1	(1,756)	-	(4,248)	-
Finance costs	(327)	-	(503)	-	(1,058)	-	(854)	-
<b>Total non-operating income and expenses</b>	2,664	-	4,303	1	(1,045)	-	(4,557)	-
<b>Profit before income tax</b>	150,485	20	196,510	24	312,803	16	522,980	23
<b>Income tax expenses (note 6(q))</b>	29,946	4	39,996	5	62,227	3	110,164	5
<b>Profit</b>	120,539	16	156,514	19	250,576	13	412,816	18
<b>Other comprehensive income (note 6(r)):</b>								
<b>Items that will be reclassified subsequently to profit or loss</b>								
Exchange differences on translation of foreign financial statements	(161)	-	3,923	-	(4,523)	-	(2,355)	-
Income tax related to components of other comprehensive income that will be reclassified to profit or loss	-	-	-	-	-	-	-	-
<b>Other comprehensive income</b>	(161)	-	3,923	-	(4,523)	-	(2,355)	-
<b>Comprehensive income</b>	<u>\$ 120,378</u>	<u>16</u>	<u>160,437</u>	<u>19</u>	<u>246,053</u>	<u>13</u>	<u>410,461</u>	<u>18</u>
<b>Earnings per share (note 6(t)):</b>								
<b>Basic earnings per share (in New Taiwan Dollars)</b>	<u>\$ 3.57</u>		<u>5.12</u>		<u>7.46</u>		<u>13.56</u>	
<b>Diluted earnings per share (in New Taiwan Dollars)</b>	<u>\$ 3.52</u>		<u>5.00</u>		<u>7.37</u>		<u>13.19</u>	

See accompanying notes to financial statements.

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**WINWAY TECHNOLOGY CO., LTD. AND SUBSIDIARIES**

**Consolidated Statement of Changes in Equity**

**For the nine months ended September 30, 2021 and 2020**

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

	Equity attributable to owners of parent							Total other equity interest	
	Ordinary shares	Captial collected in advance	Capital surplus	Retained earnings			Total retained earnings	Exchange differences on translation of foreign financial statements	Total equity
				Legal reserve	Special reserve	Unappropriated retained earnings			
Balance at January 1, 2020	\$ 302,980	-	575,513	64,499	13	635,501	700,013	(11,454)	1,567,052
Profit	-	-	-	-	-	412,816	412,816	-	412,816
Other comprehensive income	-	-	-	-	-	-	-	(2,355)	(2,355)
Total comprehensive income	-	-	-	-	-	412,816	412,816	(2,355)	410,461
Appropriation and distribution of retained earnings:									
Legal reserve appropriated	-	-	-	55,704	-	(55,704)	-	-	-
Special reserve appropriated	-	-	-	-	11,441	(11,441)	-	-	-
Cash dividends of ordinary share	-	-	-	-	-	(366,564)	(366,564)	-	(366,564)
Exercise of employee stock options	2,550	120	6,675	-	-	-	-	-	9,345
Stock options compensation cost	-	-	6,339	-	-	-	-	-	6,339
Balance at September 30, 2020	\$ 305,530	120	588,527	120,203	11,454	614,608	746,265	(13,809)	1,626,633
Balance at January 1, 2021	\$ 305,710	-	609,440	120,203	11,454	732,757	864,414	(7,994)	1,771,570
Profit	-	-	-	-	-	250,576	250,576	-	250,576
Other comprehensive income	-	-	-	-	-	-	-	(4,523)	(4,523)
Total comprehensive income	-	-	-	-	-	250,576	250,576	(4,523)	246,053
Appropriation and distribution of retained earnings:									
Legal reserve appropriated	-	-	-	53,096	-	(53,096)	-	-	-
Reversal of special reserve	-	-	-	-	(3,460)	3,460	-	-	-
Cash dividends of ordinary share	-	-	-	-	-	(439,907)	(439,907)	-	(439,907)
Capital increase by cash	30,460	-	1,069,045	-	-	-	-	-	1,099,505
Exercise of employee stock options	2,650	90	6,834	-	-	-	-	-	9,574
Stock options compmpensation cost	-	-	2,936	-	-	-	-	-	2,936
Balance at September 30, 2021	\$ 338,820	90	1,688,255	173,299	7,994	493,790	675,083	(12,517)	2,689,731

See accompanying notes to financial statements.

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**WINWAY TECHNOLOGY CO., LTD. AND SUBSIDIARIES**

**Consolidated Statement of Cash Flows**

**For the nine months ended September 30, 2021 and 2020**

(Expressed in Thousands of New Taiwan Dollars)

	For the nine months ended September 30,	
	2021	2020
<b>Cash flows from operating activities:</b>		
Profit before income tax	\$ 312,803	522,980
<b>Adjustments:</b>		
Adjustments to reconcile profit (loss):		
Depreciation expenses	84,542	80,232
Amortization expenses	8,877	8,815
Expected credit impairment gains	(2,460)	(26,846)
Gain on financial assets at fair value through profit or loss	(763)	(336)
Interest expenses	1,058	854
Interest income	(1,769)	(545)
Share-based payment transactions	2,936	6,339
Losses on disposal of property, plant and equipment	25	8,030
Unrealized foreign exchange loss	3,729	946
Gains on lease modification	-	(99)
Gains on rent concessions	-	(59)
<b>Total adjustments to reconcile profit</b>	<u>96,175</u>	<u>77,331</u>
<b>Changes in operating assets and liabilities:</b>		
Decrease (increase) in notes receivable	3,656	(581)
(Increase) decrease in accounts receivable	(178,305)	100,597
(Increase) decrease in other receivable	(1,652)	1
Decrease (increase) in inventories	103,714	(121,283)
(Increase) decrease in other current assets	(19,367)	2,479
Increase in notes payable	-	500
Increase in accounts payable	164,789	65,885
Increase in other payable	1,179	14,662
Increase in current provisions	1,274	1,635
Decrease in other current liabilities	(2,058)	(4,899)
<b>Total adjustments</b>	<u>169,405</u>	<u>136,327</u>
Cash inflow generated from operations	482,208	659,307
Interest received	1,601	545
Interest paid	(1,058)	(854)
Income taxes paid	(41,683)	(181,528)
<b>Net cash flows from operating activities</b>	<u>441,068</u>	<u>477,470</u>
<b>Cash flows (used in) from investing activities:</b>		
Acquisition of financial assets at amortized cost	(149,000)	-
Acquisition of financial assets at fair value through profit or loss	(600,000)	(180,000)
Proceeds from disposal of financial assets at fair value through profit or loss	200,196	180,336
Acquisition of property, plant and equipment	(175,038)	(49,321)
Proceeds from disposal of property, plant and equipment	9	3,192
Decrease (Increase) in refundable deposits	1,615	(596)
Acquisition of intangible assets	(4,479)	(11,159)
Increase in other financial assets	(50,000)	(1)
Increase in prepayments for equipment	(56,207)	(22,275)
<b>Net cash flows used in investing activities</b>	<u>(832,904)</u>	<u>(79,824)</u>
<b>Cash flows (used in) from financing activities:</b>		
Increase in short-term borrowings	-	108,000
Proceeds from long-term borrowings	30,000	40,000
Repayments of long-term borrowings	(60,000)	-
Payments of lease liabilities	(14,702)	(14,369)
Cash dividends paid	(439,907)	(366,564)
Capital increase by cash	1,099,505	-
Proceeds from exercise of employee stock options	9,574	9,345
<b>Net cash flows from (used in) financing activities</b>	<u>624,470</u>	<u>(223,588)</u>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<u>(2,243)</u>	<u>(422)</u>
<b>Net increase in cash and cash equivalents</b>	230,391	173,636
<b>Cash and cash equivalents at the beginning of period</b>	680,104	406,068
<b>Cash and cash equivalents at the end of period</b>	<u>\$ 910,495</u>	<u>579,704</u>

See accompanying notes to financial statements.



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## **WINWAY TECHNOLOGY CO., LTD. AND SUBSIDIARIES**

### **Notes to Consolidated Financial Statements**

**September 30, 2021 and 2020**

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

**(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 November 10, 2021.

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

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

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

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

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

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

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

The Group assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2022, would not have a significant impact on its consolidated financial statements:

- Amendments to IAS 16 “Property, Plant and Equipment — Proceeds before Intended Use”
- Amendments to IAS 37 “Onerous Contracts — Cost of Fulfilling a Contract”
- Annual Improvements to IFRS Standards 2018–2020
- Amendments to IFRS 3 “Reference to the Conceptual Framework”

(Continued)

## WINWAY TECHNOLOGY CO., LTD. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

- (c) 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 IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”
- IFRS 17 “Insurance Contracts” and amendments to IFRS 17 “Insurance Contracts”
- Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”
- Amendments to IAS 1 “Disclosure of Accounting Policies”
- Amendments to IAS 8 “Definition of Accounting Estimates”
- Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”

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

- (a) Statement of compliance

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

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

- (b) Basis of consolidation

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

Name of Investor	Name of Subsidiary	Business Activity	Percentage Ownership			Description
			September 30, 2021	December 31, 2020	September 30, 2020	
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.	Sales of optoelectronic product test fixtures, integrated circuit test interfaces and fixtures	100 %	100 %	100 %	Non-significant subsidiary.
WINWAY INTERNATIONAL CO., LTD.	WINWAY TECHNOLOGY (SUZHOU) LTD.	Process and sales of optoelectronic product test fixtures, integrated circuit test interfaces and fixtures	100 %	100 %	100 %	Significant subsidiary

(Continued)

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

(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 IAS 34 “Interim Financial Reporting”.

Income tax expenses for the period are best estimated by multiplying pre-tax income for the interim reporting period using the effective annual tax rate as forecasted by the management. This should be recognized 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, 2020.

**(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, 2020.

(a) Cash and cash equivalents

	<b>September 30, 2021</b>	<b>December 31, 2020</b>	<b>September 30, 2020</b>
Cash and cash on hand	\$ 390	512	389
Demand deposits	500,105	679,592	579,315
Time deposits	410,000	-	-
Cash and cash equivalents in the consolidated statement of cash flows	<b>\$ 910,495</b>	<b>680,104</b>	<b>579,704</b>

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

(Continued)

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

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

	<b>September 30, 2021</b>	<b>December 31, 2020</b>	<b>September 30, 2020</b>
Financial assets mandatorily measured at fair value through profit or loss – current:			
Open-end mutual funds	\$ <b><u>400,567</u></b>	<u>-</u>	<u>-</u>

For the net gain or loss on financial assets measured at fair value, please refer to note 6(x).

The Group's financial assets measured at fair value through profit or loss mentioned above were not restricted nor pledged as collateral.

(c) Financial assets measured at amortized cost

	<b>June 30, 2021</b>	<b>December 31, 2020</b>	<b>June 30, 2020</b>
Domestic time deposits	\$ <b><u>149,000</u></b>	<u>-</u>	<u>-</u>

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 investment 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.

(d) Notes and accounts receivable

	<b>September 30, 2021</b>	<b>December 31, 2020</b>	<b>September 30, 2020</b>
Notes receivable from operating activities	\$ 7,512	11,327	9,708
Accounts receivable—measured as amortized cost	708,592	533,048	776,213
Less: Loss allowance	<u>(579)</u>	<u>(3,045)</u>	<u>(21,683)</u>
	<b><u>\$ 715,525</u></b>	<b><u>541,330</u></b>	<b><u>764,238</u></b>

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 was determined as follows:

(Continued)

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

<b>September 30, 2021</b>			
	<b>Gross carrying amount—notes receivable and accounts receivable from operating activities</b>	<b>Weighted- average loss rate</b>	<b>Loss allowance provision</b>
Current	\$ 638,246	0.00 %	1
1 to 30 days past due	50,528	0.00 %	2
31 to 60 days past due	9,583	0.01 %	1
61 to 90 days past due	7,571	0.33 %	25
91 to 180 days past due	9,486	0.46 %	43
181 to 365 days past due	418	56.32 %	235
More than 365 days past due	272	100.00 %	272
	<b>\$ 716,104</b>		<b>579</b>
<b>December 31, 2020</b>			
	<b>Gross carrying amount—notes receivable and accounts receivable from operating activities</b>	<b>Weighted- average loss rate</b>	<b>Loss allowance provision</b>
Current	\$ 420,401	0.03 %	130
1 to 30 days past due	61,835	0.00 %	1
31 to 60 days past due	32,728	0.00 %	1
61 to 90 days past due	7,469	0.01 %	1
91 to 180 days past due	21,017	9.45 %	1,987
181 to 365 days past due	-	0.00 %	-
More than 365 days past due	925	100.00 %	925
	<b>\$ 544,375</b>		<b>3,045</b>
<b>September 30, 2020</b>			
	<b>Gross carrying amount—notes receivable and accounts receivable from operating activities</b>	<b>Weighted- average loss rate</b>	<b>Loss allowance provision</b>
Current	674,645	0.52 %	3,526
1 to 30 days past due	46,267	3.12 %	1,445
31 to 60 days past due	33,658	8.40 %	2,826
61 to 90 days past due	14,905	29.16 %	4,346
91 to 180 days past due	9,680	28.66 %	2,774
More than 181 days past due	6,766	100.00 %	6,766
	<b>\$ 785,921</b>		<b>21,683</b>

(Continued)

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

The movement in the allowance for notes receivable and accounts receivable was as follow:

	<b>Nine months ended September 30,</b>	
	<b>2021</b>	<b>2020</b>
Balance on January 1	\$ 3,045	48,529
Impairment losses reversed	(2,460)	(26,846)
Effects of changes in foreign exchange rates	(6)	-
Balance on September 30	<u><u>\$ 579</u></u>	<u><u>21,683</u></u>

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(x).

(e) Other receivables

	<b>September 30, 2021</b>	<b>December 31, 2020</b>	<b>September 30, 2020</b>
Other receivables	\$ 5,417	3,609	3,661
Less: Loss allowance	(3,609)	(3,609)	(3,609)
	<u><u>\$ 1,808</u></u>	<u><u>-</u></u>	<u><u>52</u></u>

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

(f) Inventories

	<b>September 30, 2021</b>	<b>December 31, 2020</b>	<b>September 30, 2020</b>
Raw materials and supplies	\$ 153,615	304,393	332,954
Work in progress	83,984	56,276	79,600
Finished goods	74,908	56,552	48,656
	<u><u>\$ 312,507</u></u>	<u><u>417,221</u></u>	<u><u>461,210</u></u>

The details of the cost of sales were as follows:

	<b>Three months ended September 30,</b>		<b>Nine months ended September 30,</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
Recognized as operating costs	\$ 420,134	466,086	1,093,772	1,313,351
Write-down of inventories	16,515	12,563	59,308	37,463
Income from sale of scrap and wastes	(14)	(172)	(62)	(268)
Others	10,593	13,652	39,458	41,163
	<u><u>\$ 447,228</u></u>	<u><u>492,129</u></u>	<u><u>1,192,476</u></u>	<u><u>1,391,709</u></u>

As of September 30, 2021 and December 31, and September 30, 2020, the Group did not provide any inventories as collateral or restricted.

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

(g) Property, plant and equipment

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

	<u>Buildings</u>	<u>Machinery and equipment</u>	<u>Other equipment</u>	<u>Construction in progress</u>	<u>Total</u>
Cost or deemed cost:					
Balance at January 1, 2021	\$ 209,958	508,075	204,934	1,700	924,667
Additions	1,969	12,744	16,228	151,487	182,428
Reclassifications (note)	-	16,207	17,214	-	33,421
Disposal	-	(118)	(1,175)	-	(1,293)
Effect of movements in exchange rates	(13)	(2,080)	(743)	-	(2,836)
Balance at September 30, 2021	<u>\$ 211,914</u>	<u>534,828</u>	<u>236,458</u>	<u>153,187</u>	<u>1,136,387</u>
Balance at January 1, 2020	\$ 208,884	455,331	166,382	-	830,597
Additions	355	24,224	27,475	-	52,054
Reclassifications (note)	-	36,975	4,240	-	41,215
Disposal	-	(22,091)	(300)	-	(22,391)
Effect of movements in exchange rates	(18)	(807)	(289)	-	(1,114)
Balance at September 30, 2020	<u>\$ 209,221</u>	<u>493,632</u>	<u>197,508</u>	<u>-</u>	<u>900,361</u>
Accumulated depreciation:					
Balance at January 1, 2021	\$ 72,213	205,254	125,078	-	402,545
Depreciation	5,536	40,911	22,022	-	68,469
Disposal	-	(115)	(1,144)	-	(1,259)
Effect of movements in exchange rates	(13)	(329)	(301)	-	(643)
Balance at September 30, 2021	<u>\$ 77,736</u>	<u>245,721</u>	<u>145,655</u>	<u>-</u>	<u>469,112</u>
Balance at January 1, 2020	\$ 63,191	167,144	95,196	-	325,531
Depreciation	7,017	35,729	22,843	-	65,589
Disposal	-	(10,869)	(300)	-	(11,169)
Effect of movements in exchange rates	(18)	(72)	(128)	-	(218)
Balance at September 30, 2020	<u>\$ 70,190</u>	<u>191,932</u>	<u>117,611</u>	<u>-</u>	<u>379,733</u>
Carrying amounts:					
Balance at January 1, 2021	<u>\$ 137,745</u>	<u>302,821</u>	<u>79,856</u>	<u>1,700</u>	<u>522,122</u>
Balance at September 30, 2021	<u>\$ 134,178</u>	<u>289,107</u>	<u>90,803</u>	<u>153,187</u>	<u>667,275</u>
Balance at January 1, 2020	<u>\$ 145,693</u>	<u>288,187</u>	<u>71,186</u>	<u>-</u>	<u>505,066</u>
Balance at September 30, 2020	<u>\$ 139,031</u>	<u>301,700</u>	<u>79,897</u>	<u>-</u>	<u>520,628</u>

(note) Reclassifications are transferred from other non-current assets-prepayments for equipment.

As of September 30, 2021 and December 31, and September 30, 2020, 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.

(h) Right-of-use assets

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

	<u>Land</u>	<u>Buildings</u>	<u>Total</u>
Cost :			
Balance at January 1, 2021	\$ 96,766	61,367	158,133
Effect of movements in exchange rates	-	(463)	(463)
Balance at September 30, 2021	<u>\$ 96,766</u>	<u>60,904</u>	<u>157,670</u>

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# WINWAY TECHNOLOGY CO., LTD. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

	<u>Land</u>	<u>Buildings</u>	<u>Total</u>
Balance at January 1, 2020	\$ 20,444	55,408	75,852
Additions	-	7,854	7,854
Write-off	(195)	(3,172)	(3,367)
Effect of movements in exchange rates	-	(194)	(194)
Balance at September 30, 2020	<u>\$ 20,249</u>	<u>59,896</u>	<u>80,145</u>
Accumulated depreciation :			
Balance at January 1, 2021	\$ 1,029	21,999	23,028
Depreciation	1,644	14,429	16,073
Effect of movements in exchange rates	-	(153)	(153)
Balance at September 30, 2021	<u>\$ 2,673</u>	<u>36,275</u>	<u>38,948</u>
Balance at January 1, 2020	\$ 465	14,792	15,257
Depreciation	346	14,297	14,643
Write-off	-	(3,172)	(3,172)
Effect of movements in exchange rates	-	(34)	(34)
Balance at September 30, 2020	<u>\$ 811</u>	<u>25,883</u>	<u>26,694</u>
Carrying amounts :			
Balance at January 1, 2021	<u>\$ 95,737</u>	<u>39,368</u>	<u>135,105</u>
Balance at September 30, 2021	<u>\$ 94,093</u>	<u>24,629</u>	<u>118,722</u>
Balance at January 1, 2020	<u>\$ 19,979</u>	<u>40,616</u>	<u>60,595</u>
Balance at September 30, 2020	<u>\$ 19,438</u>	<u>34,013</u>	<u>53,451</u>

### (i) Intangible assets

	<u>Software</u>	<u>Patent</u>	<u>Trademark</u>	<u>other</u>	<u>Total</u>
Cost :					
Balance at January 1, 2021	\$ 82,509	140,970	67,666	3,400	294,545
Additions	4,479	-	-	-	4,479
Reclassifications (note)	1,410	-	-	-	1,410
Effect of movements in exchange rates	(30)	-	-	-	(30)
Balance at September 30, 2021	<u>\$ 88,368</u>	<u>140,970</u>	<u>67,666</u>	<u>3,400</u>	<u>300,404</u>
Balance at January 1, 2020	\$ 68,456	140,970	67,666	3,400	280,492
Additions	11,159	-	-	-	11,159
Effect of movements in exchange rates	(2)	-	-	-	(2)
Balance at September 30, 2020	<u>\$ 79,613</u>	<u>140,970</u>	<u>67,666</u>	<u>3,400</u>	<u>291,649</u>
Accumulated amortization and impairment losses :					
Balance at January 1, 2021	\$ 51,744	140,970	65,348	-	258,062
Amortization for the period	8,423	-	454	-	8,877
Effect of movements in exchange rates	(14)	-	-	-	(14)
Balance at September 30, 2021	<u>\$ 60,153</u>	<u>140,970</u>	<u>65,802</u>	<u>-</u>	<u>266,925</u>
Balance at January 1, 2020	\$ 40,458	140,970	64,743	-	246,171
Amortization for the period	8,361	-	454	-	8,815
Effect of movements in exchange rates	(1)	-	-	-	(1)
Balance at September 30, 2020	<u>\$ 48,818</u>	<u>140,970</u>	<u>65,197</u>	<u>-</u>	<u>254,985</u>

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

	<u>Software</u>	<u>Patent</u>	<u>Trademark</u>	<u>other</u>	<u>Total</u>
Carrying value :					
Balance at January 1, 2021	\$ 30,765	-	2,318	3,400	36,483
Balance at September 30, 2021	\$ 28,215	-	1,864	3,400	33,479
Balance at January 1, 2020	\$ 27,998	-	2,923	3,400	34,321
Balance at September 30, 2020	\$ 30,795	-	2,469	3,400	36,664

(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:

	<u>Three months ended September 30,</u>		<u>Nine months ended September 30,</u>	
	<u>2021</u>	<u>2020</u>	<u>2020</u>	<u>2020</u>
Costs of sales	\$ 911	811	2,435	2,493
Operating expenses	1,748	2,130	6,442	6,322
Total	\$ 2,659	2,941	8,877	8,815

As of September 30, 2021 and December 31, and September 30, 2020, the Group did not provide any intangible assets as collateral or restricted.

(j) Other non-current financial assets

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Restricted deposits	\$ 51,511	1,511	1,511

Other non-current financial assets were restricted deposits, please refer to note 8 for details of collateral.

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

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

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Prepaid expenses	\$ 10,001	6,925	7,772
Prepayments	9,676	21	2,340
Offset against business tax payable	6,357	1,522	14,499
Prepayments for equipment	37,181	15,805	20,211
Other	2,853	1,186	1,568
	\$ 66,068	25,459	46,390

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

	September 30, 2021	December 31, 2020	September 30, 2020
Current	\$ 28,887	9,654	26,179
Non-current	37,181	15,805	20,211
	<u><u>\$ 66,068</u></u>	<u><u>25,459</u></u>	<u><u>46,390</u></u>

(i) Prepaid expenses

Prepaid expenses were primarily for prepayments for insurance and warranty of software.

(ii) Prepayments

Prepayments were primarily for prepayments for suppliers.

(iii) Others

Others were primarily for prepayments for business activities and inspection fees.

(l) Short-term borrowings

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

	September 30, 2021	December 31, 2020	September 30, 2020
Unsecured bank loans	\$ -	-	108,000
Unused short-term credit lines	\$ 453,370	592,060	253,880
Range of interest rates	-	-	0.90%~1.00%

(m) Long-term borrowings

	September 30, 2021	December 31, 2020	September 30, 2020
Unsecured bank loans	\$ 10,000	40,000	40,000
Less: current portion	-	-	-
Total	\$ 10,000	40,000	40,000
Unused long-term credit lines	\$ 2,080,000	290,000	290,000
Range of interest rates	0.55%	1.10%	1.10%

The collateral for long-term borrowings, please refer to note 8.

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

(n) Provisions

	<b>Provisions for warrant</b>
Balance at January 1, 2021	\$ 5,405
Provisions made during the period	6,679
Provision used and reversed during the period	(5,405)
Balance at September 30, 2021	<u>\$ 6,679</u>
Balance at January 1, 2020	\$ 5,429
Provisions made during the period	7,064
Provision used and reversed during the period	(5,429)
Balance at September 30, 2020	<u>\$ 7,064</u>

(o) Lease liabilities

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

	<b>September 30, 2021</b>	<b>December 31, 2020</b>	<b>September 30, 2020</b>
Current	\$ <u>16,725</u>	<u>20,123</u>	<u>15,576</u>
Non-current	\$ <u>91,983</u>	<u>103,574</u>	<u>38,333</u>

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

The amounts recognized in profit or loss were as follows:

	<b>Three months ended September 30,</b>		<b>Nine months ended September 30,</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
Interests on lease liabilities	\$ <u>317</u>	<u>170</u>	<u>1,026</u>	<u>512</u>
Expenses relating to short-term leases	\$ <u>1,819</u>	<u>1,306</u>	<u>4,875</u>	<u>3,992</u>
Covid-19-related rent concessions(recognized as other income and losses)	\$ <u>-</u>	<u>-</u>	<u>-</u>	<u>59</u>

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

	<b>Nine months ended September 30,</b>	
	<b>2021</b>	<b>2020</b>
Total cash outflow for leases	\$ <u>21,381</u>	<u>19,047</u>

(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.

(Continued)

**WINWAY TECHNOLOGY CO., LTD. AND SUBSIDIARIES**  
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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.

(p) 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 employee retirement systems adopted by WINTEST ENTERPRISES LTD., WINWAY TECHNOLOGY (Suzhou) LTD. and WINWAY TECHNOLOGY INTERNATIONAL INC. are defined contribution plans based on their respective local regulations, wherein the costs are recognized in current profit or loss. Additionally, WINWAY INTERNATIONAL CO., LTD. never had any employee.

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

	<b>Three months ended</b>		<b>Nine months ended</b>	
	<b>September 30,</b>		<b>September 30,</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
Operating cost	\$ 2,830	2,640	7,953	7,450
Selling expenses	1,952	990	5,445	3,505
Administration expenses	861	578	2,419	1,740
Research and development expenses	1,393	708	4,057	1,972
Total	<u>\$ 7,036</u>	<u>4,916</u>	<u>19,874</u>	<u>14,667</u>

(ii) Short-term benefit obligation

As of September 30, 2021 and December 31, and September 30, 2020, the Group's short-term benefit liabilities for paid leave were \$13,747, \$11,862 and \$11,809, respectively, which were recognized as other payables in the consolidated balance sheets.

(q) Income taxes

Income tax expenses for the period are best estimated by multiplying pre-tax income for the interim reporting period using the annual effective tax rate as forecasted by the management.

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

The amounts of income tax were as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Current tax expense				
Current period	\$ 31,148	40,882	69,047	105,285
Adjustment for prior periods	-	659	(887)	(4,380)
	<u>31,148</u>	<u>41,541</u>	<u>68,160</u>	<u>100,905</u>
Deferred tax expense (benefit)				
Origination and reversal of temporary differences	(1,202)	(1,545)	(5,933)	9,259
Income tax expense	<u>\$ 29,946</u>	<u>39,996</u>	<u>62,227</u>	<u>110,164</u>

For the nine months ended September 30, 2021 and 2020, the Group did not directly recognize the income tax in equity or in other comprehensive income.

The Company's tax returns for the years through 2019 were examined and approved by the ROC tax authorities.

(r) 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 September 30, 2021 and 2020. For the related information, please refer to note 6(p) of the consolidated financial statements for the year ended December 31, 2020.

(i) Capital stock

The Company's total authorized shares of common stock of 50,000 thousand shares, with a par value of \$10 per share, included 33,891 thousand shares, 30,571 thousand shares and 30,565 thousand shares as of September 30, 2021 and December 31, and September 30, 2020, respectively. All issued shares were paid up upon issuance.

A resolution was passed during the board meeting held on November 12, 2020 for the issuance of 3,046 thousand shares for cash, with par value of \$10 per share, amounting to \$30,460, and the date of capital increases was January 18, 2021. The relevant statutory registration procedures have since been completed.

For the nine months ended September 30, 2021 and 2020, the Company had issued 274 thousand shares and 267 thousand shares at par value, amounting to \$9,590 and \$9,345, respectively, for its employee stock options; of which, the relevant statutory registration procedures of 265 thousand shares and 255 thousand shares, respectively, had since been completed and all the capital had been received.

(Continued)

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

(ii) Capital surplus

The balances of capital surplus were as follows:

	September 30, 2021	December 31, 2020	September 30, 2020
Additional paid-in capital	\$ 1,659,827	575,847	574,577
Employee stock options	25,788	30,953	11,310
Employee stock options-expired	<u>2,640</u>	<u>2,640</u>	<u>2,640</u>
	<u><u>\$ 1,688,255</u></u>	<u><u>609,440</u></u>	<u><u>588,527</u></u>

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.

(iii) 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;
- 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.

(Continued)

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

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. In accordance with Ruling No. 1010012865 issued by the FSC on April 6, 2012, an increase in retained earnings due to the first-time adoption of IFRSs shall be retained as a special reserve, and when the relevant assets are used, disposed of, or reclassified, this special reserve shall be reversed as distributable earnings proportionately.

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 September 30, 2021, December 31, and September 30, 2020, the balance of special reserve amounted to \$7,994, \$11,454 and \$11,454, respectively.

3) Earnings distribution

The amount of cash dividends of appropriation of earnings for 2020 had been approved in the board meeting held on March 19, 2021, and the other appropriation of earnings for 2020 had been approved in the shareholders' meeting on July 30, 2021. The appropriation of earnings for 2019 had been approved in the shareholders' meeting on May 28, 2020. These earnings were appropriated as follows:

	<b>2020</b>	<b>2019</b>
Legal reserve	\$ <u>53,096</u>	<u>55,704</u>
Special reserve	\$ <u>(3,460)</u>	<u>11,441</u>
Dividends distributed to ordinary shareholders:		
Cash	\$ <u>439,907</u>	<u>366,564</u>

(Continued)

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

(iv) Other equity interest

	<b>Exchange differences on foreign operations</b>
January 1, 2021	\$ (7,994)
Component entities of the Group	(4,523)
Balance at September 30, 2021	<u><u>\$ (12,517)</u></u>
	<b>Exchange differences on foreign operations</b>
January 1, 2020	\$ (11,454)
Component entities of the Group	(2,355)
Balance at September 30, 2020	<u><u>\$ (13,809)</u></u>

(s) Share-based payment

(i) 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.

(Continued)



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

	Nine months ended September 30,			
	2021		2020	
	Weighted average exercise price (price NTD)	Number of options (Units)	Weighted average exercise price (price NTD)	Number of options (Units)
Outstanding at January 1	35	689,000	35	965,000
Forfeited during the period	34.94	12,000	35	1,000
Exercised during the period	34.94	274,000	35	255,000
Outstanding at September 30	<u>\$ 33.3</u>	<u>403,000</u>	<u>35</u>	<u>709,000</u>
Exercisable at September 30	<u>\$ 33.3</u>	<u>30,200</u>	<u>35</u>	<u>34,500</u>

- 3) For the three months ended September 30, 2021 and 2020 and for the nine months ended September 30, 2021 and 2020, the compensation cost resulting from granted employee share options were \$975, \$2,112, \$2,936 and \$6,339, respectively.

(ii) Issuance of new shares reserved for employee subscription

As of December 10, 2020, the issuance of new shares reserved for employee subscription were 457,000 shares, and the subscription price was \$317 per share. In additions, the compensation cost resulting from granted employee share options were \$18,655 in 2020.

The Company used the Black-Scholes Option Pricing Model in measuring the fair value of the share-based payment at the grant date. The main inputs were as follows:

	Cash subscription reserved for employee subscription
Fair value at grant date (in dollar)	\$ 346
Subscription price at grant date (in dollar)	317 %
Risk free interest rate	0.42 %
Stock volatility	58.75 %
Cash dividend yield	0.00 %
Fair value per share at grant date (in dollar)	41

(t) Earnings per share

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

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
<b>Basic earnings per share</b> <b>(expressed in New Taiwan</b> <b>dollars)</b>				
Profit attributable to ordinary shareholders of the Company	<u>\$ 120,539</u>	<u>156,514</u>	<u>250,576</u>	<u>412,816</u>

(Continued)

# WINWAY TECHNOLOGY CO., LTD. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

	<u>Three months ended September 30,</u>		<u>Nine months ended September 30,</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Weighted-average number of ordinary shares outstanding (shares in thousands)	<u>33,864</u>	<u>30,550</u>	<u>33,584</u>	<u>30,451</u>
<b>Basic earnings per share</b>	<u>\$ 3.57</u>	<u>5.12</u>	<u>7.46</u>	<u>13.56</u>
<b>Diluted earnings per share</b> (expressed in New Taiwan dollars)				
Profit attributable to ordinary shareholders of the Company	<u>\$ 120,539</u>	<u>156,514</u>	<u>250,576</u>	<u>412,816</u>
Weighted-average number of ordinary shares outstanding (shares in thousands)	33,864	30,550	33,584	30,451
Effect of dilutive potential ordinary shares				
Effect of employee stock options (shares in thousands)	31	653	104	750
Effect of employee stock bonus (shares in thousands)	394	64	334	101
Weighted-average number of ordinary shares (diluted) (shares in thousands)	<u>34,289</u>	<u>31,267</u>	<u>34,022</u>	<u>31,302</u>
<b>Diluted earnings per share</b>	<u>\$ 3.52</u>	<u>5.00</u>	<u>7.37</u>	<u>13.19</u>

(u) Revenue from contracts with customers

(i) Disaggregation of revenue

	<u>Three months ended September 30,</u>		<u>Nine months ended September 30,</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Primary geographical markets:				
Taiwan	\$ 292,667	326,831	749,093	851,376
America	134,001	271,355	387,700	519,147
China	217,208	165,138	555,063	653,220
Europe	6,751	2,136	15,838	13,403
Canada	3,807	11,507	15,785	16,080
Asia	100,135	49,736	219,340	234,258
	<u>\$ 754,569</u>	<u>826,703</u>	<u>1,942,819</u>	<u>2,287,484</u>
Major products/services lines:				
Test Socket	\$ 499,322	522,789	1,265,517	1,625,976
Contact Element	123,166	126,449	391,936	392,076
Probe Card	73,001	130,166	143,802	155,257
Other	59,080	47,299	141,564	114,175
	<u>\$ 754,569</u>	<u>826,703</u>	<u>1,942,819</u>	<u>2,287,484</u>

(Continued)

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

(ii) Contract balances

	September 30, 2021	December 31, 2020	September 30, 2020
Notes receivable	\$ 7,512	11,327	9,708
Accounts receivable	708,592	533,048	776,213
Less: loss allowance	(579)	(3,045)	(21,683)
	<u>\$ 715,525</u>	<u>541,330</u>	<u>764,238</u>
Contract liabilities-advance collections (included in other current liabilities)	<u>\$ 542</u>	<u>2,623</u>	<u>465</u>

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

The amount of revenue recognized for the three months ended September 30, 2021 and 2020, and for the nine months ended September 30, 2021 and 2020 that were included in the contract liability balance at the beginning of the period were \$38, \$4,251, \$2,582 and \$5,169, respectively.

(v) 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 September 30, 2021 and 2020, and for the nine months ended September 30, 2021 and 2020, the Company estimated its employee remuneration amounting to \$8,113, \$10,132, \$16,633 and \$27,588, and directors' remuneration amounting to \$1,641, \$1,585, \$4,197 and \$3,068, 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, 2020 and 2019, the remuneration to employees amounted to \$34,337 and \$37,008, and the remuneration to directors amounted to \$3,068 and \$9,699, respectively. The aforementioned approved amounts were the same as the amounts charged against the earnings in 2020 and 2019. Related information would be available at the Market Observation Post System website.

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

(w) Non-operating income and expenses

(i) Interest income

Details of interest income of the Group were as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Interest income				
Bank deposits	\$ 647	174	1,758	532
Others	<u>2</u>	<u>4</u>	<u>11</u>	<u>13</u>
	<u><u>\$ 649</u></u>	<u><u>178</u></u>	<u><u>1,769</u></u>	<u><u>545</u></u>

(ii) Other gains and losses

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

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Foreign exchange losses, net	\$ 1,928	4,186	(4,650)	(2,865)
Net gains of financial assets at fair value through profit or loss	231	-	763	336
Gain (loss) on disposal of property, plant and equipment, net	(7)	-	(25)	(8,030)
Government grants	43	347	1,046	5,312
Others	<u>147</u>	<u>95</u>	<u>1,110</u>	<u>999</u>
	<u><u>\$ 2,342</u></u>	<u><u>4,628</u></u>	<u><u>(1,756)</u></u>	<u><u>(4,248)</u></u>

(iii) Finance costs

Details of finance costs of the Group were as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Interest expenses				
Bank loans	\$ 10	333	32	342
Lease liabilities	<u>317</u>	<u>170</u>	<u>1,026</u>	<u>512</u>
	<u><u>\$ 327</u></u>	<u><u>503</u></u>	<u><u>1,058</u></u>	<u><u>854</u></u>

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

(x) 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 6(v) of the consolidated financial statements for the year ended December 31, 2020.

(i) Credit risk

1) Credit risk exposure

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

2) Concentration 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 September 30, 2021, December 31, and September 30 2020, 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(d).

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

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

	<b>September 30, 2021</b>		
	<b>At amortized cost</b>		
	<b>12-month ECL</b>	<b>Lifetime ECL-not credit-impaired</b>	<b>Lifetime ECL credit-impaired</b>
Other receivables	\$ 1,808	-	3,609
Refundable deposits	6,006	-	-
Other financial assets	51,511	-	-
Loss allowance	-	-	(3,609)
Amortized cost	<u>\$ 59,325</u>	<u>-</u>	<u>-</u>
Carrying amount	<u>\$ 59,325</u>	<u>-</u>	<u>-</u>

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

	<b>December 31, 2020</b>		
	<b>At amortized cost</b>		
	<b>12-month ECL</b>	<b>Lifetime ECL-not credit-impaired</b>	<b>Lifetime ECL credit-impaired</b>
Other receivables	\$ -	-	3,609
Refundable deposits	7,652	-	-
Other financial assets	1,511	-	-
Loss allowance	-	-	(3,609)
Amortized cost	<u>\$ 9,163</u>	<u>-</u>	<u>-</u>
Carrying amount	<u>\$ 9,163</u>	<u>-</u>	<u>-</u>

	<b>September 30, 2020</b>		
	<b>At amortized cost</b>		
	<b>12-month ECL</b>	<b>Lifetime ECL-not credit-impaired</b>	<b>Lifetime ECL credit-impaired</b>
Other receivables	\$ 52	-	3,609
Refundable deposits	7,537	-	-
Other financial assets	1,511	-	-
Loss allowance	-	-	(3,609)
Amortized cost	<u>\$ 9,100</u>	<u>-</u>	<u>-</u>
Carrying amount	<u>\$ 9,100</u>	<u>-</u>	<u>-</u>

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

	<b>For the nine months ended September 30, 2021</b>			
	<b>12-month ECL</b>	<b>Lifetime ECL-not credit-impaired</b>	<b>Lifetime ECL credit-impaired</b>	<b>Total</b>
Balance at January 1, 2021(equal to balance at September 30, 2021)	<u>\$ -</u>	<u>-</u>	<u>3,609</u>	<u>3,609</u>

(Continued)

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

	<b>For the nine months ended September 30, 2020</b>			
	<b>12-month ECL</b>	<b>Lifetime ECL- not credit- impaired</b>	<b>Lifetime ECL credit- impaired</b>	<b>Total</b>
Balance at January 1, 2020(equal to balance at September 30, 2020)	\$ <u>-</u>	<u>-</u>	<u>3,609</u>	<u>3,609</u>

(ii) Liquidity Risk

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

	<b>Carrying amount</b>	<b>Contracted cash flows</b>	<b>Due within 6 months</b>	<b>Due in 6-12 months</b>	<b>Due in 1-2 years</b>	<b>Due in 2-5 years</b>	<b>over 5 years</b>
<b>September 30, 2021</b>							
Non-derivative financial liabilities							
Bank borrowings (interest-bearing)	\$ 10,000	10,298	27	27	55	5,347	4,842
Notes and accounts payable (non-interest-bearing)	377,920	377,920	377,920	-	-	-	-
Other payables (non-interest-bearing)	218,235	218,235	218,235	-	-	-	-
Lease liabilities(fix interest rate)	108,708	123,461	10,488	7,365	42,961	6,025	56,622
	<u>\$ 714,863</u>	<u>729,914</u>	<u>606,670</u>	<u>7,392</u>	<u>43,016</u>	<u>11,372</u>	<u>61,464</u>
<b>December 31, 2020</b>							
Non-derivative financial liabilities							
Bank borrowings (interest-bearing)	\$ 40,000	41,222	120	120	240	24,258	16,484
Notes and accounts payable (non-interest-bearing)	213,212	213,212	213,212	-	-	-	-
Other payables (non-interest-bearing)	209,860	209,860	209,860	-	-	-	-
Lease liabilities(fix interest rate)	123,697	139,482	10,496	10,559	50,479	10,283	57,665
	<u>\$ 586,769</u>	<u>603,776</u>	<u>433,688</u>	<u>10,679</u>	<u>50,719</u>	<u>34,541</u>	<u>74,149</u>
<b>September 30, 2020</b>							
Non-derivative financial liabilities							
Bank borrowings (interest-bearing)	\$ 148,000	149,416	108,336	122	245	21,823	18,890
Notes and accounts payable (non-interest-bearing)	401,358	401,358	401,358	-	-	-	-
Other payables (non-interest-bearing)	236,067	236,067	236,067	-	-	-	-
Lease liabilities (fix interest rate)	53,909	59,851	8,415	7,703	12,294	9,479	21,960
	<u>\$ 839,334</u>	<u>846,692</u>	<u>754,176</u>	<u>7,825</u>	<u>12,539</u>	<u>31,302</u>	<u>40,850</u>

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

(iii) Currency risk

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

	September 30, 2021			December 31, 2020			September 30, 2020			
	Foreign currency	Exchange rate	TWD	Foreign currency	Exchange rate	TWD	Foreign currency	Exchange rate	TWD	
<u>Financial assets</u>										
<u>Monetary items</u>										
USD	\$	10,411	27.85	289,935	11,781	28.48	335,534	29,288	29.10	855,187
JPY		134,115	0.2490	33,395	20,234	0.2760	5,591	40,550	0.2756	11,176
<u>Financial liabilities</u>										
<u>Monetary items</u>										
USD		7,149	27.85	199,108	3,237	28.48	92,183	18,765	29.10	546,072
JPY		98,418	0.2490	24,506	44,587	0.2760	12,319	76,573	0.2756	21,103

(Continued)

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

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 September 30, 2021 and 2020, if the exchange rate 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 \$798 and \$2,393, for the nine months ended September 30, 2021 and 2020, respectively. The method of analysis remains the same as 2020.

With varieties of functional currencies within the consolidated entities of the Group, the information of foreign exchange gain (loss) on monetary items is disclosed by total amount. For the three months ended September 30, 2021 and 2020 and nine months ended September 30, 2021 and 2020, the foreign exchange (loss) gain (including realized and unrealized portions) amounted to \$1,928, \$4,186, \$(4,650) and \$(2,865), respectively.

(iv) Interest rate analysis

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

The following sensitivity analysis is based on the risk exposure to interest rate on the non-derivative financial instruments on the reporting date. Regarding the liabilities with variable interest rates, the analysis is on the basis of the assumption that the amount of liabilities outstanding at the reporting date was outstanding throughout the year. The rate of change is expressed as the interest rate increases or decreases by 0.5% when reporting to management internally, which also represents management of the Group's assessment on the reasonably possible interval of interest rate change.

If the interest rate had increased or decreased by 0.5%, the net profit after tax would have increased or decreased by \$30, for the nine months ended September 30, 2021 which would be mainly resulted from the borrowings with variable interest rates.

(v) Other market price risk

For the nine months ended September 30, 2021 and 2020, the sensitivity analyses for the changes in the securities price at the reporting date were performed using the same basis for profit or loss as illustrated below:

	Nine months ended September 30,			
	2021		2020	
	Other comprehensive income after tax	Net income	Other comprehensive income after tax	Net income
Prices of securities at the reporting date				
Increasing 3%	\$ -	9,614	-	-
Decreasing 3%	\$ -	9,614	-	-

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# WINWAY TECHNOLOGY CO., LTD. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

### (vi) 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, disclosure of fair value information is not required:

September 30, 2021					
	Book Value	Fair Value			Total
		Level 1	Level 2	Level 3	
<b>Financial assets at fair value through profit or loss</b>					
Open fund	\$ 400,567	400,567	-	-	400,567
<b>Financial assets measured at amortized cost</b>					
Cash and cash equivalents	910,495	-	-	-	-
Domestic-time deposits	149,000	-	-	-	-
Notes and accounts receivables	715,525	-	-	-	-
Other receivables	1,808	-	-	-	-
Other financial assets	51,511	-	-	-	-
Refundable deposits	6,006	-	-	-	-
Subtotal	1,834,345				
<b>Total</b>	<b>\$ 2,234,912</b>				
<b>Financial liabilities measured at amortized cost</b>					
Notes and accounts payables	\$ 377,920	-	-	-	-
Other payables	218,235	-	-	-	-
Lease liabilities	108,708	-	-	-	-
Long-term borrowings	10,000	-	-	-	-
<b>Total</b>	<b>\$ 714,863</b>				

December 31, 2020					
	Book Value	Fair Value			Total
		Level 1	Level 2	Level 3	
<b>Financial assets measured at amortized cost</b>					
Cash and cash equivalents	\$ 680,104	-	-	-	-
Notes and accounts receivables	541,330	-	-	-	-
Other financial assets	1,511	-	-	-	-
Refundable deposits	7,652	-	-	-	-
<b>Total</b>	<b>\$ 1,230,597</b>				
<b>Financial liabilities measured at amortized cost</b>					
Notes and accounts payables	\$ 213,212	-	-	-	-
Other payables	209,860	-	-	-	-
Lease liabilities	123,697	-	-	-	-
Long-term borrowings	40,000	-	-	-	-
<b>Total</b>	<b>\$ 586,769</b>				

September 30, 2020					
	Book Value	Fair Value			Total
		Level 1	Level 2	Level 3	
<b>Financial assets measured at amortized cost</b>					
Cash and cash equivalents	\$ 579,704	-	-	-	-
Notes and accounts receivables	764,238	-	-	-	-
Other receivables	52	-	-	-	-
Other financial assets	1,511	-	-	-	-
Refundable deposits	7,537	-	-	-	-
<b>Total</b>	<b>\$ 1,353,042</b>				
<b>Financial liabilities measured at amortized cost</b>					
Short-term borrowings	\$ 148,000	-	-	-	-
Notes and accounts payables	401,358	-	-	-	-
Other payables	236,067	-	-	-	-
Lease liabilities	53,909	-	-	-	-
<b>Total</b>	<b>\$ 839,334</b>				

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## WINWAY TECHNOLOGY CO., LTD. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

When the Group evaluated its assets and liabilities, it used market observable input values as much as possible. The fair value of different levels were classified based on the input values used in the evaluation technology as follows:

- a) Level 1: quoted prices (unadjusted) in active markets for identifiable assets or liabilities.
  - b) Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
  - c) Level 3: inputs for the assets or liability that are not based on observable market data (unobservable inputs).
- 2) 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.

- 3) 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.

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.

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

(y) Financial risk management

Except for the following disclosures, 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, 2020.

(z) Capital management

Management believes that the objectives, policies and processes of capital management of the Group has been applied consistently with those described in the consolidated financial statements for the year ended December 31, 2020. Also, management believes that there were no significant changes in the Group's capital management information as disclosed for the year ended December 31, 2020. Please refer to Note 6(x) of the consolidated financial statements for the year ended December 31, 2020 for further details.

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

Reconciliation of liabilities arising from financing activities was as follows:

	January 1, 2021	Cash flows	Non-Cash changes			September 30, 2021
			Foreign exchange movement	Increase in right-of-use assets	Changes in lease payments	
Long-term borrowings	\$ 40,000	(30,000)	-	-	-	10,000
Lease liabilities	123,697	(14,702)	(287)	-	-	108,708
	<u>\$ 163,697</u>	<u>(44,702)</u>	<u>(287)</u>	<u>-</u>	<u>-</u>	<u>118,708</u>

  

	January 1, 2020	Cash flows	Non-Cash changes			September 30, 2021
			Foreign exchange movement	Increase in right-of-use assets	Changes in lease payments	
Short-term borrowings	\$ -	108,000	-	-	-	108,000
Long-term borrowings	-	40,000	-	-	-	40,000
Lease liabilities	60,933	(14,369)	(156)	7,854	(353)	53,909
	<u>\$ 60,933</u>	<u>133,631</u>	<u>(156)</u>	<u>7,854</u>	<u>(353)</u>	<u>201,909</u>

**(7) Related-party transactions:**

(a) Key management personnel compensation

Key management personnel compensation comprised:

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Short-term employee benefits	\$ 8,164	17,086	17,460	33,092
Post-employment benefits	-	81	81	243
	<u>\$ 8,164</u>	<u>17,167</u>	<u>17,541</u>	<u>33,335</u>

(Continued)

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

**(8) Pledged assets:**

The carrying values of pledged assets were as follows:

<b>Pledged assets</b>	<b>Pledge to secure</b>	<b>September 30, 2021</b>	<b>December 31, 2020</b>	<b>September 30, 2020</b>
Other financial assets-non-current– demand deposits	Guarantee for customs duty	\$ 1,511	1,511	1,511
Other financial assets-non- current–time deposits	Construction of plant	50,000	-	-
Property, plant, and equipment	Bank borrowings	134,178	137,745	139,031
		<u><u>\$ 185,689</u></u>	<u><u>139,256</u></u>	<u><u>140,542</u></u>

**(9) Commitments and contingencies:**

- (a) MPI Corporation (hereinafter referred to as MPI) filed a business secret civil lawsuit against the Group and the chair of the board in the Intellectual Property Court on September 19, 2018, 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.

After the prosecution was filed, MPI applied for evidence preservation. The Intellectual Property Court approved the application on February 6, 2019 and executed the Group for evidence preservation on March 5, 2019. The assets of the Group were not be frozen and no seizure. The Intellectual Property Court held its first session on August 14, 2019 to determine the jurisdiction of the court, and there is no further progress.

In addition, MPI added a lawsuit and petition to stop the trial in December 2020 and raised the claim amount to \$158,910. The Group has appointed lawyers to handle it and it is not yet possible to judge the final possible outcome. The Group is continuously evaluating the substance of these lawsuits.

The main products of the Group are mostly highly customized and the Group always respects intellectual property rights and are committed to technology research and development. There is no statement by MPI that the Group illegally obtained or used business secrets or related infringing intellectual property rights.

- (b) On July 30, 2021, Johnstech International Corp. filed a patent infringement action against the Group to the United States District Court, Northern District of California. The Group has appointed lawyers to take necessary responses in accordance with the proceedings and regulations of the United States District Court. Currently the mediation process is ongoing. The Group expect the litigation will not have material impact, so the impact was not recognized on the financial statements.
- (c) As at September 30, 2021 and December 31, and September 30, 2020, significant outstanding purchase commitments for construction in progress, property, plant and equipment the amounts of \$919,742, \$28,788 and \$27,926.

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

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

**(11) Significant Subsequent Events: none**

**(12) Other:**

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

	Three months ended September 30,					
By function	2021			2020		
By item	Cost of sales	Operating expenses	Total	Cost of sales	Operating expenses	Total
Employee benefits						
Salary	80,561	97,547	178,108	77,075	85,468	162,543
Labor and health insurance	7,365	6,084	13,449	6,920	4,577	11,497
Pension	2,830	4,206	7,036	2,640	2,276	4,916
Remuneration of directors	-	1,657	1,657	-	1,593	1,593
Others	4,483	2,939	7,422	4,671	3,082	7,753
Depreciation	22,304	5,953	28,257	23,183	4,560	27,743
Amortization	911	1,748	2,659	811	2,130	2,941

	Nine months ended September 30,					
By function	2021			2020		
By item	Cost of sales	Operating expenses	Total	Cost of sales	Operating expenses	Total
Employee benefits						
Salary	214,990	254,732	469,722	218,407	247,101	465,508
Labor and health insurance	20,588	17,336	37,924	18,585	12,291	30,876
Pension	7,953	11,921	19,874	7,450	7,217	14,667
Remuneration of directors	-	4,277	4,277	-	3,140	3,140
Others	12,596	8,716	21,312	13,366	7,830	21,196
Depreciation	67,477	17,065	84,542	66,258	13,974	80,232
Amortization	2,435	6,442	8,877	2,493	6,322	8,815

(b) Seasonality of operations

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

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## WINWAY TECHNOLOGY CO., LTD. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

#### (13) Other disclosures:

##### (a) Information on significant transactions:

The following were the information on significant transactions required by the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” for the Group for the nine months ended September 30, 2021.

##### (i) Lending to other parties:

Name of lender	Name of borrower	Account name	Related party	Highest balance of financing to other parties during the period	Ending balance	Actual usage amount during the period	Range of interest rates during the period	Purposes of fund financing for the borrower	Transaction amount for business between two parties	Reasons for short-term financing	Allowance for bad debt	Collateral		Individual funding loan limits	Maximum limit of fund financing	Note
												Item	Value			
The Company	WINWAY TECHNOLOGY INTERNATIONAL INC.	Other receivables-related parties	Yes	13,925 (USD 500,000) (Note 3)	-	-	2.616	Short-term financing	-	Operating requirements	-	-	-	537,946 (Note 2)	1,075,892 (Note 2)	(Note 1)

Note 1: It was eliminated in the consolidation.

Note 2: The aggregate loan amount and the individual loans were limited to 40% and 20%, respectively, of the Company net equity.

Note 3: The amounts denominated in foreign currencies were translated using the rate of exchange at September 30, 2021.

##### (ii) Guarantees and endorsements for other parties:

No.	Name of guarantor	Counter-party of guarantee and endorsement		Limitation on amount of guarantees and endorsements for a enterprise individual	Highest balance for guarantees and endorsements during the period	Balance of guarantees and endorsements as of reporting date	Actual usage amount during the period	Property pledged for guarantees and endorsements (Amount)	Ratio of accumulated amounts of guarantees and endorsements to net equity of the latest financial statements	Maximum amount for guarantees and endorsements	Endorsements/ guarantees by parent company	Subsidiary endorsements/ guarantees by a subsidiary	Endorsements/ guarantees to a subsidiary in Mainland China
		Name	Relationship with the Company										
0	The Company	WINWAY TECHNOLOGY (SUZHOU) LTD.	Subsidiary	268,973 (Note 1)	25,065 (USD 900,000) (Note 3)	25,065 (USD 900,000) (Note 3)	-	-	0.93 %	537,946 (Note 2)	Y	-	Y
0	The Company	WINTEST ENTERPRISES LTD.	Subsidiary	268,973 (Note 1)	58,485 (USD 2,100,000) (Note 3)	58,485 (USD 2,100,000) (Note 3)	-	-	2.17 %	537,946 (Note 2)	Y	-	Y

Note 1: The endorsement/guarantee provided to individual party shall not exceed 10% of the most recent reviewed net equity of the Company.

Note 2: The aggregate endorsement/guarantee amount provided shall not exceed 20% of the most recent reviewed net equity of the Company.

Note 3: The amounts denominated in foreign currencies were translated using the rate of exchange at September 30, 2021.

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

(iii) Securities held as of September 30, 2021 (excluding investment in subsidiaries, associates and joint ventures):

Name of holder	Category and name of security	Relationship with company	Account name	Ending balance				Note
				Shares/Units	Carrying value	Percentage of ownership (%)	Fair value	
The Company	Taishin 1699 Money Market Fund	-	Financial assets at fair value through profit or loss	8,790,242.88	120,171	-	120,171	-
The Company	Mega Diamond Money Market Fund	-	Financial assets at fair value through profit or loss	14,224,276.48	180,247	-	180,247	-
The Company	Franklin Templeton Sinoam Money Market Fund	-	Financial assets at fair value through profit or loss	9,585,567.98	100,149	-	100,149	-

(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	-	-	-	-	8,790,242.88	120,000	-	-	-	-	8,790,242.88	120,171	-
The Company	Mega Diamond Money Market Fund	Financial assets at fair value through profit or loss	-	-	-	-	14,224,276.48	180,000	-	-	-	-	14,224,276.48	180,247	-
The Company	FSITC Money Market Fund	Financial assets at fair value through profit or loss	-	-	-	-	555,858.19	100,000	555,858.19	100,106	100,000	106	-	-	-
The Company	Franklin Templeton Sinoam Money Market Fund	Financial assets at fair value through profit or loss	-	-	-	-	9,585,567.98	100,000	-	-	-	-	9,585,567.98	100,149	-

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## WINWAY TECHNOLOGY CO., LTD. AND SUBSIDIARIES

### Notes to 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	Hinchu Tai-Yuen presold offices	January 27, 2021	281,363	27,524	WEN SHENG DEVELOPMENT CO., LTD.	Non-related party				-	Bidding	Plant expansion	
The Company	Nanzih Technology Industrial Park-plant construction	February 28, 2021	71,000	70,810	HSIN HSIUNG CONSTRUCTION CO., LTD.	Non-related party				-	Bidding	Plant expansion	
The Company	Nanzih Technology Industrial Park-plant construction	August 26, 2021	460,000	-	HSIN HSIUNG CONSTRUCTION CO., LTD.	Non-related party				-	Bidding	Plant expansion	
The Company	Nanzih Technology Industrial Park-plant construction	August 26, 2021	204,000	40,800	SEAN KUNG 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	WINTEST ENTERPRISES LTD.	Subsidiary	Sale	374,716	20.35 %	150 Days	(Note 1)	The main customers are 60 to 120 days	250,617	33.40 %	(Note)
WINTEST ENTERPRISES LTD.	The Company	Parent company	Purchase	374,716	83.69 %	150 Days	(Note 1)	The main suppliers are 60 to 120 days	(250,617)	92.88 %	(Note)
WINWAY TECHNOLOGY (SUZHOU) LTD.	WINTEST ENTERPRISES LTD.	Subsidiary	Sale	72,940	97.60 %	150 Days	(Note 1)	The main suppliers are 60 to 120 days	19,200	97.65 %	(Note)
WINTEST ENTERPRISES LTD.	WINWAY TECHNOLOGY (SUZHOU) LTD.	Subsidiary	Purchase	72,940	16.09 %	150 Days	(Note 1)	The main suppliers are 60 to 120 days	(19,200)	7.12 %	(Note)

Note : It was eliminated in the consolidation.

Note 1: No comparable transactions as the goods were specific.

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**WINWAY TECHNOLOGY CO., LTD. AND SUBSIDIARIES**  
**Notes to 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
					Amount	Action taken		
The Company	WINTEST ENTERPRISES LTD.	Subsidiary	Accounts receivable \$250,617	205.23 %	-	-	Accounts receivable \$55,700	-

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 Other payable Sales expenses	25 11,602 35,991	Commissions are not comparable with similar transactions.	0.00 % 0.33 % 1.85 %
0	The Company	WINTEST ENTERPRISES LTD.	1	Accounts receivable Other payable Sales revenue Sales expenses	250,617 2,134 374,716 3,640	Selling price offered could not be compared to those offered to third-party customers; the collection terms are 150 days; were not significantly different from those with third-party customers. Commissions are not comparable with similar transactions.	7.20 % 0.06 % 19.29 % 0.19 %
0	The Company	WINWAY TECHNOLOGY (SUZHOU) LTD.	1	Accounts receivable Accounts payable Sales revenue Cost of goods sold	970 464 1,919 1,795	Selling price offered could not be compared to those offered to third-party customers; the collection terms are 60 days; were not significantly different from those with third-party customers.	0.03 % 0.01 % 0.10 % 0.09 %
1	WINTEST ENTERPRISES LTD.	WINWAY TECHNOLOGY (SUZHOU) LTD.	3	Accounts payable Cost of goods sold	19,200 72,940	No other trading terms for comparison.	0.55 % 3.75 %

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.

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## WINWAY TECHNOLOGY CO., LTD. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

(b) Information on investments:

The following is the information on investees for the nine months ended September 30, 2021 (excluding information on investees in Mainland China):

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of June 30, 2021			Net income (losses) of investee	Share of profits/losses of investee	Note
				June 30, 2021	December 31, 2020	Shares	Percentage of ownership	Carrying value			
The Company	WINWAY INTERNATIONAL CO., LTD.	SAMOA	Investment holding	204,599	204,599	6,580,000	100 %	226,282	(999)	(4,201)	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 %	16,862	1,603	1,603	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, 2021	Investment flows		Accumulated remittance from Taiwan as of June 30, 2021	Net income (Losses) of investee (Note 2)	Indirect investment holding percentage	Share of profit/losses of investee	Book value (Note)	Accumulated remittance of earnings in current period
					Outflow	Inflow						
WINTEST ENTERPRISES LTD.	Sales of optoelectronic product test fixtures, integrated circuit test interfaces and fixtures	9,200	Indirect investment in Mainland China through an existing company registered in the third country.	9,200	-	-	9,200	(5,310)	100%	(5,310)	79,956	-
WINWAY TECHNOLOGY (SUZHOU) LTD.	Process and sales of optoelectronic product test fixtures, integrated circuit test interfaces and fixtures	195,399	Indirect investment in Mainland China through an existing company registered in the third country.	195,399	-	-	195,399	4,311	100%	4,311	168,414	-

Note : It was eliminated in the consolidation.

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

(ii) Limitation on investment in Mainland China:

<b>Accumulated remittance from Taiwan to China as of June 30, 2021</b>	<b>Investment Amounts Authorized by Investment Commission, MOEA (Note 1)</b>	<b>Upper Limit on investment in Mainland China set by Investment Commission, Ministry of Economic Affairs</b>
204,599 (USD6,580,000)	183,253 (USD6,580,000)	1,613,839

Note 1: The amounts denominated in foreign currencies were translated using the rate of exchange at September 30, 2021.

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 (13) (a) "Information on significant transactions".

(d) Major shareholders:

<b>Shareholder's Name</b>	<b>Shareholding</b>	<b>Shares</b>	<b>Percentage</b>
HE WEI INVESTMENT CO., LTD.		3,499,559	10.32 %

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.

**(14) Segment information:**

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