

Stock Code:6515



# **2021 Annual Report**

Annual Report Website: <http://mops.twse.com.tw/>

WinWay Technology's website: <http://www.winwayglobal.com>

Published on April 25, 2022

**I. Company Spokesperson and Deputy Spokesperson**

Name of spokesperson: JQ Lee

Title: Senior Vice President

Contact number: (07)361-0999

E-mail: JQ.lee@winwayglobal.com

**II. Deputy Spokesperson**

Name of deputy spokesperson: Jason Chen

Title: Vice President

Contact number: (03)553-7632

E-mail: Jason.chen@winwayglobal.com

**III. Addresses and telephone numbers of the head office, branch offices, and factories**

Name	Address	Telephone
Headquarters and Kaohsiung Processing Plant	EPZA, No. 68 Chuangyi South Road, Nanzih District, Kaohsiung City	07-361-0999
Benjhou Factory	No. 2, 6, 8, 10 Bengong 5th Road, Gangshan District, Kaohsiung City	07-624-5778
VPC Factory	No. 38-2, Taiyuan Street, Zhubei City, Hsinchu County	03-553-7632
Hsinchu Processing Plant	No. 67, Lane 269, Huanbei Road Section 1, Zhubei City, Hsinchu County	03-656-8282

**IV. Stock Transfer Agency**

Name: Stock Agent Department, Yuanta Securities

Address: B1, No. 210, Chengde Road Section 3, Datong District, Taipei City

Website: www.yuanta.com.tw

Telephone: (02)2586-5859

**V. CPA for most recent financial report**

Name: CPA Cheng-Lung Hsu, CPA Guo-Yang Tzang

Accounting Firm: KPMG Taiwan

Address: 68F, No. 7, Xinyi Road Section 5, Xinyi District, Taipei City

Website: www.kpmg.com.tw

Telephone: 02-8101-6666

**VI. Name of overseas stock exchange and method for accessing information on overseas negotiable securities: N/A****VII. Company website: <https://www.winwayglobal.com>**

# WinWay Technology Co., Ltd

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Annex 1 - 2021 Consolidated Financial Report

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## I. Letter to Shareholders

### I. 2021 Business Report

#### (I) Business results

Demand in the semiconductor market is fluctuating heavily due to the impact of both the US China trade war and COVID-19. WinWay has maintained even performance in a variable-filled environment through a foundation of diverse customer groups and long-term global customers as well as the timely adjustment of customer structure ratio; in addition to existing high-end test socket products, WinWay has continued investing in vertical probe cards for wafer testing and implemented local production to service nearby customers. In 2021, vertical probe cards for wafer testing have become one of the primary drivers of revenue growth at WinWay. Additionally, the excellent reliability of WinWay's high-end burn-in sockets in the field of aging tests has resulted in its broad application in aging tests at various chip companies, establishing it as a product line with potential growth.

#### (II) Financial Performance and profitability analysis

Unit: NTD Thousands

Year		2021	2020
Item			
Financial Performance	Operating revenue	2,887,296	2,909,821
	Gross profit	1,209,081	1,166,681
	Net operating profit	591,929	667,838
	Net profit after tax	486,629	530,965
Profitability	Return on assets	15.37%	22.53%
	Return on equity	20.70%	31.81%
	Net profit margin	16.85%	18.25%
	Earnings Per Share (NT\$)	14.46	17.42

#### (III) R&D Overview

Taiwan's semiconductor industry holds a global competitive advantage in advanced processes, IC substrate, silicon wafer and IC design. There will be 2 major development trends for semiconductors in 2022, one being the continuous expansion of virtual worlds and the other being electric vehicle related industries which have garnered the attention of markets. All digitalization demands will ultimately result in single chips for different applications and drive the sustained

development of the semiconductor market. The trends of high-speed data transmission, electric vehicles, and semiconductor clusters which are the core of Taiwan's competitiveness are within the market category of testing. WinWay Technology's years of R&D investment into semiconductor test interfaces, probe cards, precision spring probe, and thermal control modules as well as crossing over into professional fields such as 3rd gen semiconductors, silicon photonics, and extreme test environments allows us to continually provide comprehensive test solutions and excellent service to our customers.

The 2021 R&D results of this company include:

- (I) As 5G applications, including Sub-6G and the market's latest mmWave application IC, gradually spread to countries around the world, WinWay has addressed the design differences of various end products by continuing to provide and optimize low loss and reflection of high-end test instruments for AIP (Antenna in Package) required in mass production test environments.
- (II) Large size IC package and high power consumption designs that are driving the latest semiconductor development trends in markets such as high performance computing (HPC), artificial intelligence (AI), and Metaverse. Successful development of high-efficiency coolers (800W), high resistance (200 kg) engineering pressure measurement fixtures (Lid) and other products by utilizing high-efficiency thermal conduction design and new labor-saving mechanisms; these products are combined with coaxial test sockets to form an optimal integrated solution for highly efficient IC testing. As front-end testing demand increases, optimized probe cards can improve the performance of existing solutions while the simultaneous development of corresponding MEMS probes satisfy market demand for high pin count, high current, and low contact force testing.
- (III) Integrated lab simulations with tested technologies to complete verification of high-speed transfer signals; received customer approval and jointly conducted channel simulation to ensure that the results of mass production tests meet evaluated expectations.
- (IV) Launched vehicle IC testing fixtures required for high electrical current (1000A) and voltage (1200V) tests. As the market share of electric vehicles continues to increase, the automotive chip market will exhibit a high compound annual growth rate; the customer engineering experimental testing has currently been passed and we are moving towards mass production evaluation.
- (V) Advance the specifications of contact component materials towards higher hardness and lower resistivity.
- (VI) Active thermal controller (E Flux4.0) that achieves 1500W cooling power for precision thermal control when working with high power IC.

(VII) With the rapid development of technologies related to 5G transfer of high-definition videos, the rise of virtual worlds, and continued release of high-speed transfer interfaces, our company provides test fixtures that meet current market requirements for the testing of various high-speed transfer interfaces to achieve faster, more efficient, and precise data transfers.

## **II. 2022 Business Plan**

### **(I) Operational guidelines**

With the continued impact of COVID-19 and the gradual stabilization of relations between US and China, people's lifestyles are changing; increasing demand from the stay-at-home economy has driven a massive demand surge in the semiconductor industry. News of Taiwan's major foundries and package and testing plants reaching full or expanding capacity continue to appear but the increasing demand of heterogeneous integration and advanced packaging manufacturing processes and broad application in 5G smart homes is increasing demand for testing various chips. The requirements on testing interface technologies also brings many different challenges. In addition to our investment into R&D of high-end test socket technologies, WinWay is also addressing the increased demand in advanced packaging by developing highly integrated testing interface platforms for applications in high-speed transfer and complex test conditions. We are also able to work with the special demands of customers to jointly develop customized testing interface solutions; in order to further provide customers with comprehensive test solutions, our existing products such as high-end test sockets, vertical probe cards for wafer testing, aging test interface, and wide temperature thermal control equipment are used as a foundation to develop test interfaces that meet customer demand and market activity. By building comprehensive simulation testing equipment that provide customers with the highest product quality, we stand at the customer's perspective when considering semiconductor testing requirements. Through customer participation, technological innovation, production management, and supply chain integration, we continue to insist on quality and global service in our efforts to maximize benefits for customers, employees, suppliers, shareholders, and fulfill our corporate social responsibility.

### **(II) Important production and sales policies**

1. Commitment to technical autonomy
2. Comprehensive R&D team
3. High degree of customization, extensive work with major global chip suppliers
4. Serving global customers through the geographical advantage of Taiwan

### **III. Future Development Strategy**

Our customization oriented business model and continued technology innovation provides high-end test sockets that fulfill semiconductor testing requirements such as miniaturization, high frequency, and high speed. We will continue expansion of R&D in various high-end test interfaces to satisfy global customer's testing requirements from the lab to mass production; in order to meet capacity requirements, WinWay's second plant in the Nanzih Technology Industrial Park in Kaohsiung is expected to be completed in Q1 of 2023 and is predicted to provide significant benefits and boost future operations.

### **IV. Impact of Competitive, Regulatory, and Operating Environments**

Continued investment in talent cultivation and R&D in innovative technologies to increase trust from our global customers. Continual strengthening of compliance to laws and regulations to develop a good corporate culture of governance, fulfill our corporate social responsibility, and achieve a good balance between the benefits of shareholders, employees, customers, and stakeholders. Strong business development, sustainable operations, create a more comprehensive and valuable semiconductor industry chain in Taiwan to service global customers.

Responsible person: Mark Wang

President: Mark Wang

Accounting Manager: Canon Tsai



## II. Company profile

I. Date of Establishment: April 10, 2001

II. Company History:

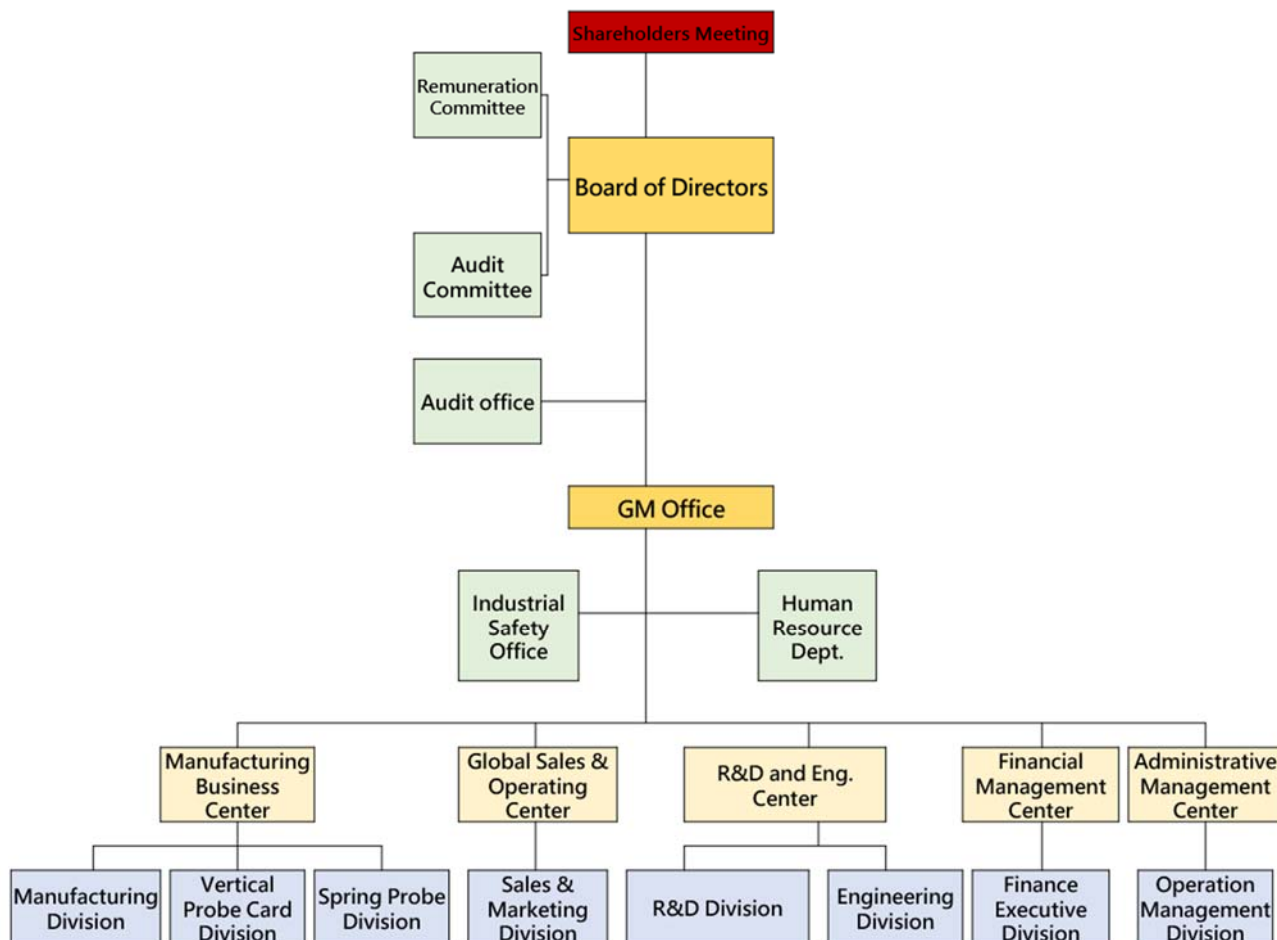
Year	Significant Events
2001	Founded WinWay Technology Co., Ltd with a capital of NTD\$ 2 million.
2003	Established the North America branch office to provide customers with immediate technology support and services.
2004	Official launch of CMOS image sensor and BGA package socket.
2005	Developed a new integrated circuit component socket and obtained patents, obtained an invention patent for testing and burn-in pin connectors in the same year.
2006	Passed ISO-9001 quality certification. Launched innovative Top&Bottom Plunger GCR Socket application technology. Developed new wafer test connector and obtained patents.
2007	Established subsidiary WINWAY INTERNATIONAL CO., LTD. in Samoa. Established subsidiary WINTEST ENTERPRISES LTD. in Shanghai, China. Established Hsinchu branch office to integrate business and services. First to launch PCR <sup>®</sup> Socket, developed conductive rubber test connector and obtained patents.
2008	Established US subsidiary WinWay Technology International Inc. in California. Launched ATC Thermal Controller applied products and technologies. Developed and obtained patents for a high frequency testing contact element that could prevent burnout at high currents. Developed and obtained patents for a manual device for semiconductor test sockets.
2009	Launched WLCSP Probe Head, Kelvin Contact application. Developed and obtained invention patents for integrated circuit component test connectors. Developed and obtained patents for a semiconductor component test collet and its cooling device.
2010	Launched Coaxial Socket/developed and obtained patents for high performance wafer testing interface components.
2011	Launched fine pitch WLCSP probe head/probe card/direct docking solution.
2012	Taiwan Headquarters was completed in Park II of the Nanzih Export Processing Zone, research results were published at BiTS workshop. Developed and obtained patents for testing probe cards.
2013	Received the 16th Rising Star Award and 22nd National Award of Outstanding SMEs from the Ministry of Economic Affairs. Developed and obtained patents for a coaxial semiconductor testing device.
2014	Established subsidiary WinWay Technology (Suzhou) Ltd. in Suzhou, China. Passed ISO-14001 environmental certification. Purchased the rights to Saber Probe based patents, trademarks, and other assets from US-based company Wentworth Laboratories Inc. Organized the public offering of company shares.

Year	Significant Events
2015	<p>Selected for the 3rd Taiwan Mittelstand Award by the Ministry of Economic Affairs.</p> <p>Launched Brownie Coaxial Sockets and E-Flux.</p> <p>The purchase of rights to Saber Probe based patents and trademarks were ineffective, resulting in losses; as such, the OTC listing plan was temporarily postponed, halting the public offering of shares.</p>
2016	Launched a high efficiency active thermal controller (HEATCon).
2017	Launched 0.4 mm pitch Brownie coaxial wafer probe card.
2018	<p>Established plant in Benjhou, Kaohsiung.</p> <p>Established Hsinchu probe card manufacturing center.</p> <p>Launched 0.35 mm pitch coaxial sockets and burn-in socket.</p> <p>Launched 80 um pitch probe card solution.</p> <p>Developed probe card turnkey solution.</p>
2019	<p>Won the 15th Golden Torch Awards for Top 10 Outstanding Companies of the Year.</p> <p>Initial public offering approved by Taipei Exchange (TPEX) in August, 2019.</p> <p>Approved for registration as an emerging stock by Taipei Exchange (TPEX) in November, 2019.</p> <p>Passed ISO-45001 occupational health and safety management systems certification.</p> <p>Development of E-Flux 3.1.</p> <p>Development and implementation of AIP Socket.</p>
2020	<p>Brownie package test solution.</p> <p>Development of burn-in socket with independent thermal control.</p> <p>Substrate and load board design.</p>
2021	<p>Listed on the Taiwan Stock Exchange in January 2021.</p> <p>Broke ground for a new plant at Park I of Nanzih Technology Industrial Park in January 2021.</p> <p>Developed new style of rolling contact element.</p> <p>Developed 80GHz coaxial test solution.</p> <p>Developed automatic probing equipment.</p> <p>Developed probe resistance machinery.</p> <p>Verification of wide temperature range conductive tape.</p> <p>Developed coaxial test solution Brownie Lite.</p>
As of the publication date of the 2022 annual report	<p>Development of high power active thermal controller E-Flux 4.0.</p> <p>Newly designed probing equipment.</p> <p>Wide temperature range conductive tape with high mechanical strength.</p>

### III. Corporate Governance Report

#### I. Organization chart

##### (I) Organization structure



##### (II) Business operations of major departments

Departments	Duties and responsibilities
Office of the President	Approve and supervise the company's operating policy and goals as well as implement and execute various projects and improvement plans.
Auditing Office	Establish internal auditing systems as well as the planning and execution of auditing plans. Examine and evaluate whether internal control systems are sound, provide analysis and recommendations.
Industrial Safety Office	Planning and supervision of labor safety and hygiene. Planning and execution of matters relating to factory environments.
Human Resource Department	Planning and execution of human resource policies, remuneration, and bonuses. Planning and execution of personnel administration, employee benefits, and training. The maintenance and communication of labor relations. Plan and execute general affairs.
Operation Management Division	1. Information Department - Planning and implementation of internal information systems integration, management and maintenance of information communication equipment/network. technical support, management, and maintenance of computers. 2. Production Management Section - Planning and execution of production schedules, warehouse management.

	3. Quality Assurance Department - The testing and improvement of product quality, establishing quality specifications and standards.
Financial Executive Division	Implementation of financial policies, schedule and manage funds. Maintaining account systems and accounts, planning and execution of tax operations. Cost control analysis, control and supervision of expenses. Formulation of various financial statements and providing management information. Management of reinvested businesses and relevant matters.
Manufacturing Division	Managing the production, manufacturing processes, capacity, assembly, and delivery schedules of various products; control and supervision of production performance, analyze and improve production cost controls.
Global Sales & Marketing Division	1. Sales Department - Market research, industry analysis and product marketing, customer and market development, assist in the development and promotion of new products. 2. Applied Product Technology Department - Provide customers with new product implementation, product technology support, and manage post-sale services.
R&D and Engineering Division	1. R&D Department - Research and development of new products, manufacturing processes, and improving performance of existing products. 2. Engineering Design Department and Mechanism Development Department - Product engineering design and specifications, establishing standards for various raw materials. 3. Procurement Department - Executing the procurement of raw materials and assets, managing supplier prices and delivery.
Vertical Probe Card Division	Design, development, manufacturing, sales, and technical services focused on VPC related products.
Spring Probe Division	Responsible for the processing, manufacturing, and assembly of probe components, development of new probes.

## II. Profile of Board Directors, President, Vice Presidents, Assistant Vice Presidents, and Department Directors of various departments and branches

### (I) Information on Board Directors

#### 1. Name, gender, work experience, education, shareholding, and nature of directors.

April 25, 2022; unit: shares

Title	Name	Gender Age	Nationality or place of registration	Date of first election	Date of appointment	Term (year)	Shares held when elected		Shares currently held		Current shares held by spouse and underage children		Shares held in the name of others		Main work (education) experiences	Other concurrent positions within the Company or elsewhere	Spouse or relatives of second degree or closer acting as directors, supervisors, or other department heads		
							Shares held	Shareholding ratio	Shares held	Shareholding ratio	Shares held	Shareholding ratio	Shares held	Shareholding ratio			Title	Name	Relationship
Chairman	Hewei Investment Co., Ltd. (Note 1)	-	ROC	2012.10.22	2020.1.10	3	3,499,559	11.46%	3,499,559	10.21%	-	-	-	-	-	-	-	-	-
	Representative of legal person director: Mark Wang (Note 2)	M 51-60	ROC	2001.4.18	2020.1.10	3	682,820	2.24%	682,820	1.99%			4,421,210	12.9%	Chung Yuan Christian University, Department of Mechanical Engineering Manager, Manufacturing Department, ASE Test Engineer, Chunghwa Picture Tubes	President of this company Chairman, Hewei Investment Co., Ltd. Chairman, Weicheng Investment Co., Ltd. Director, WINWAY TECHNOLOGY INTERNATIONAL INC. Director, WINWAY INTERNATIONAL CO., LTD	-	-	-
Director	Cliff Liu	M 61-65	ROC	2015.2.12	2020.1.10	3	1,114,962	3.65%	1,114,962	3.25%	-	-	-	-	Master of Electrical Engineering, Rutgers University President, Premier Technology	Board Director, Liquan Industrial Supervisor, Liqin Investment Supervisor, Liben International	-	-	-
Director	JQ Lee	M 61-65	ROC	2007.8.16	2020.1.10	3	1,443,155	4.72%	1,443,155	4.21%	-	-	-	-	Political Science, National Taiwan University Manager, Trust Department, China Development Industrial Bank CFO, AMtek SEMICONDUCTORS Consultant, Industrial	Senior Vice President of this company	-	-	-

Title	Name	Gender Age	Nationality or place of registration	Date of first election	Date of appointment	Term (year)	Shares held when elected		Shares currently held		Current shares held by spouse and underage children		Shares held in the name of others		Main work (education) experiences	Other concurrent positions within the Company or elsewhere	Spouse or relatives of second degree or closer acting as directors, supervisors, or other department heads		
							Shares held	Shareholding ratio	Shares held	Shareholding ratio	Shares held	Shareholding ratio	Shares held	Shareholding ratio			Title	Name	Relationship
															Technology Research Institute				
Director	Jason Chen	M 51-60	ROC	2015.2.12	2020.1.10	3	468,053	1.53%	468,053	1.37%	78,667	0.23%	-	-	Electronics, Lunghwa University of Science and Technology Sales Director, AzureWave Technologies Chief of Product Engineering, VIA Technologies IC Design Engineer, Syntek Semiconductor	Vice President of this company Executive Director, WINTEST ENTERPRISES LTD. Executive Director and President, WinWay Technology(Suzhou) Ltd.	-	-	-
Director	CHIANG HOCK WOO	M 61-65	Singapore	2021.7.30	2021.7.30	3	-	-	-	-	-	-	-	-	Bachelor of Science for Electrical, Engineering, University of Texas at Austin MBA, Sloan Fellow, Sloan School of Management, Massachusetts Institute of Technology Senior Vice President– Worldwide Sales&Service ,COHU, INC Director–Asia SOC Marketing&New Business Development,TERADYNE (ASIA)PTE LTD Managing Director,TERADYNE SHANGHAI LTD, SHANGHAI, CHINA	Director-SBE Technology Pte Ltd	-	-	-
Independent Director	Hsiu Yi Hung	M 51-60	ROC	2020.1.10	2020.1.10	3	-	-	-	-	-	-	-	-	Master of Law, National Chengchi University District court judge in	Lawyer, Hsiu Yi Hung Law Offices	-	-	-

Title	Name	Gender Age	Nationality or place of registration	Date of first election	Date of appointment	Term (year)	Shares held when elected		Shares currently held		Current shares held by spouse and underage children		Shares held in the name of others		Main work (education) experiences	Other concurrent positions within the Company or elsewhere	Spouse or relatives of second degree or closer acting as directors, supervisors, or other department heads		
							Shares held	Shareholding ratio	Shares held	Shareholding ratio	Shares held	Shareholding ratio	Shares held	Shareholding ratio			Title	Name	Relationship
															Yunlin and Chiayi, Taiwan Public defender at the district courts of Penghu, Kaohsiung, Yunlin, and Pingtung, Taiwan				
Independent Director	Ted Lee	M 51-60	ROC	2020.1.10	2020.1.10	3	-	-	-	-	-	-	-	-	Business Administration, National Taiwan University President and General Manager, AzureWave Technologies Vice President, VIA Technologies Inc.	Chairman, HLJ Technology Co., Ltd Chairman, Qiyi Electronics Director, Ant Digital	-	-	-
Independent Director	Wilson Wang	M 51-60	ROC	2020.1.10	2020.1.10	3	-	-	-	-	-	-	-	-	Department of Industrial Management, National Taiwan University of Science and Technology General Manager, LUMENTUM TAIWAN Co., Ltd. (Taiwan Branch) Yangzhou Yangjie Electronic Technology Co., Ltd. CEO	Director, Advanced Micro Devices Inc. (Taiwan Branch)	-	-	-
Independent Director	Dennis Chang	M 51-60	ROC	2021.7.30	2021.7.30	3	-	-	-	-	-	-	-	-	Department of Accounting, Chung Yuan Christian University Senior Manager, Tax Department, Deloitte & Touche	Chia-Chung Accounting Firm Lead Accountant President, Force- MOS Technology Co., Ltd. Director, Logah Technology Corp. Director, Honggao Investment Co., Ltd. Director, Jinhuang Investment Co., Ltd.	-	-	-

Title	Name	Gender Age	Nationality or place of registration	Date of first election	Date of appointment	Term (year)	Shares held when elected		Shares currently held		Current shares held by spouse and underage children		Shares held in the name of others		Main work (education) experiences	Other concurrent positions within the Company or elsewhere	Spouse or relatives of second degree or closer acting as directors, supervisors, or other department heads		
							Shares held	Shareholding ratio	Shares held	Shareholding ratio	Shares held	Shareholding ratio	Shares held	Shareholding ratio			Title	Name	Relationship
																Director, Jingyun Development Co., Ltd. Director, Hongqing Development Co., Ltd.			

(Note 1) Hewei Investment Co., Ltd. was dismissed from this company's Board of Directors on June 28, 2018 and re-elected on January 10, 2020.

(Note 2) If the President, Vice President, or persons of similar rank (top level manager) is the same individual, are spouses, or first-degree relatives, the reasoning, rationale, necessity, and countermeasures should be explained:

The company's Chairman and President regularly and frequently communicates with directors on the company's operation overview, plans, and policies in order to improve the efficiency of operations and management, execution of decisions, and implement governance. The company elected 2 additional directors (including 1 independent director) at the 2021 regular shareholders meeting, increasing the number of independent directors on the board from 3 to 4 to improve the Board of Directors job role and enhance supervisory functions. The company currently has the following measures:

1. The 4 current independent directors are experts in the fields of law, finance, accounting, industry, and are capable of exercising their job function in a supervisory role.
2. Each year, arrangements are made for directors to attend professional director courses organized by the Securities & Futures Institute and other external certification bodies to improve the operation and performance of the Board of Directors.
3. Independent directors are able to engage in discussions and propose recommendations in various functional committees so that the Board of Directors may reference them and implement governance.
4. More than half of the directors in the Board of Directors do not concurrently serve as an employee or manager.



## 2. Major shareholders of institutional shareholders

April 25, 2022

Name of institutional shareholder	Major shareholders of institutional shareholders
Hewei Investment Co., Ltd.	Mark Wang (100%)

## 3. Expertise and independence of directors

Qualifications Name	Professional qualifications and experience	Independence	Number of other Taiwanese public companies concurrently served as an independent director
Hewei Investment Co., Ltd. representative: Mark Wang	Graduated from the Department of Mechanical Engineering, Chung Yuan Christian University and serves as the company's President. More than 5 years work experience in business, finance, and operations necessary for the job; worked in the semiconductor industry and relevant fields for 25 years. Capable of professional leadership, marketing, operational management, and strategic planning. Leads the company towards being an industry pioneer and sustainable operations.	Does not meet any of the conditions stated in Article 30 of the Company Act.	0
Cliff Liu	Graduated with a master's in electrical engineering from Rutgers University. Former President of Premier Technology and has more than 5 years work experience in business, finance, and operations necessary for the job. Highly experienced and specializes in market strategy and sales promotion.		0
CHIANG HOCK WOO	Graduated with a MBA, Sloan Fellow from the Sloan School of Management at Massachusetts Institute of Technology. Former Senior Vice President - Worldwide Sales & Service at Cohu, Inc. and has more than 35 years of organizational leadership experience in the		0

	semiconductor industry. Specializes in market assessment and strategic management.		
Jason Chen	Graduated from Lunghwa University of Science and Technology with a degree in electronic engineering. Currently the Vice President of Global Sales & Operating Center at this company and has more than 5 years work experience in business, finance, and operations necessary for the job. Worked in the semiconductor industry for more than 25 years and is capable of leadership in the competitive market of globalized sales.		0
JQ Lee	Graduated from the Department of Political Science, National Taiwan University. Former Manager of the Trust Department at China Development Industrial Bank and consultant for the Industrial Technology Research Institute. Current Senior Vice President of this company's Financial Management Center and has more than 5 years work experience in business, finance, and operations necessary for the job. Highly experienced in corporate operations and financial planning.		0
Hsiu Yi Hung	Graduated with a masters from the College of Law, National Chengchi University and is currently a lawyer at Xiu Yi Hong Law Offices as well as the convener of this company's Audit Committee and Remuneration Committee. Former district court judge in Yunlin and Chiayi, has more than 5 years work experience in business, finance, and operations necessary for the job. Experienced in professional law for over 25 years and assists the company with legal consultation.	<p>Qualified for the following independence requirements for 2 years prior to election and during their term period:</p> <p>(1) Not an employee of the company or any of its affiliates.</p> <p>(2) Not a director or supervisor of the company or any of its affiliates (except where the person is concurrently an independent director of the company and its parent company, a subsidiary, or another subsidiary of the same parent company appointed pursuant to the Act or local regulations).</p> <p>(3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, underage children, or held by the person under others' names, in an aggregate amount of 1% of the total number of issued shares of the company or ranks as one of its top ten shareholders.</p> <p>(4) Not a manager listed in (1) or a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship or closer to anyone listed in (2) or (3).</p> <p>(5) Not a director, supervisor, or employee of an institutional shareholder who holds directly 5% or more of the company's shares, is</p>	0
Ted Lee	Graduated in Business Administration from National Taiwan University, passed the R.O.C. national accounting exam. Former Chairman and President of AzureWave Technologies, current Chairman of HLJ Technology Co., Ltd and member of this company's Audit Committee and Remuneration Committee. More than 5 years work experience in business, finance, and operations necessary for the job; in addition to being highly experienced in the industry and operations management, he also has a		0

	professional background in corporate financial analysis.	one of the top five shareholders, or is a representative appointed as director or supervisor of the company pursuant to Paragraph 1 or 2, Article 27 of the Company Act (except where the person is concurrently an independent director of the company and its parent company, a subsidiary, or another subsidiary of the same parent company appointed pursuant to the Act or local regulations).	
Wilson Wang	Graduated from the Department of Industrial Management at National Taiwan University of Science and Technology. Former CEO of Yangzhou Yangjie Electronic Technology Co., Ltd, current Director of the Taiwan branch of Advanced Micro Devices Inc. and a member of this company's Audit Committee and Remuneration Committee. More than 5 years work experience in business, finance, and operations necessary for the job; expertise in industry experience and market strategy.	(6) Not a director, supervisor, or employee of another company that has the same directors as the company or is controlled by the same person that has more than half of the voting power in the company (except where the person is concurrently an independent director of the company or its parent company, a subsidiary, or another subsidiary of the same parent company appointed pursuant to the Act or local regulations). (7) Not a director, supervisor, or employee of another company or institution that has the same chairperson, president, or person with the equivalent rank as the company, or a spouse in one of these roles (except where the person is concurrently an independent director of the company and its parent company, a subsidiary, or another subsidiary of the same parent company appointed pursuant to the Act or local regulations).	0
Dennis Chang	Graduated from the Department of Accounting at Chung Yuan Christian University and passed the R.O.C. national accounting exam. Current head accountant of Chia-Chung Accounting Firm and a member of this company's Audit Committee. Former Chairman of Force-MOS Technology Co., Ltd. and a director of various companies. More than 5 years work experience in business, finance, and operations necessary for the job; expertise in professional accounting and corporate financial management.	(8) Not a director, supervisor, manager, or shareholder holding 5% or more of the shares of a specific company or institution that has a financial or business relationship with the company (except where that specific company or institution holds 20% or more but no more than 50% of the company's issued shares and is concurrently an independent director of the company and its parent company, a subsidiary, or another subsidiary of the same parent company appointed pursuant to the Act or local regulations). (9) Not a professional who provides audit or received no more than NT\$500,000 in cumulative compensation in the last two years for commercial, legal, financial, or accounting services to the company or its affiliates, nor an owner, partner, director, supervisor, or manager of a sole proprietorship, partnership, company, or organization that provides such services to the company or its affiliates; or the spouse of any of the above. This does not apply to members of the Remuneration Committee, Public Tender Offer Review Committee, or Merger and Acquisition Special Committee performing duties in accordance with the Securities and Exchange Act or laws and regulations related to mergers and acquisitions.	0

		<p>(10) Does not have a marital relationship with or is not a relative within the second degree of kinship to any other director of the company.</p> <p>(11) Does not meet any of the conditions stated in Article 30 of the Company Act.</p> <p>(12) Not elected as a government, legal person or its institutional representative as described in Article 27 of the Company Act.</p>	
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#### 4. Diversity and Independence of the Board of Directors

(I) According to Article 20 of the company's "Corporate Governance Best Practice Principles", the Board of Director's composition should be diversified and plan diversified policies based on its operation, operating model, and development needs and include but not be limited to the standards from the 2 major aspects below:

1. Basic requirements and values: Gender, age, nationality, and culture.
2. Professional knowledge and expertise: A professional background (e.g., law, accounting, industry, finance, marketing, or technology), professional skills, and industry experience.

Board of Directors members should possess the knowledge, skills, and competencies required to perform their duties. In order to accomplish the preferred governance goals of the Company, the Board of Directors shall generally be equipped with the following capabilities:

1. Ability to make sound business judgments.
2. Ability to perform accounting and financial analysis.
3. Ability to manage a business.
4. Ability to handle crisis management.
5. Industry knowledge.
6. An understanding of international markets.
7. Leadership capability.
8. Decision-making ability.

This company's Board of Directors has a total of 9 members (including 4 independent directors) and possesses capabilities that meet the company's future development needs as well the company's diversity policy.

Within the Board of Directors, 4 are independent directors (44%), 3 directors (33%) also have roles as employees; 4 independent directors have a term period of less than 3 years, 6 directors (67%) are between the ages of 51~60, 3 directors (33%) are between the ages of 61~65, 1 director (11%) is a Singapore national.

Name \ Qualifications	Composition				Industry experience								Professional capabilities		
	Nationality	Concurrent employee	Age		Years as independent director	Semiconductors	Accounting and financial analysis	Professional services and marketing	Information and technology	Production and manufacturing	Marketing and management	Risk management	Decision-making ability	Finance and accounting	Law
			51 - 60	61 - 65											
Mark Wang	ROC	✓	✓			✓		✓		✓	✓	✓	✓		
Cliff Liu	ROC			✓		✓		✓	✓	✓	✓	✓	✓		
CHIANG HOCK WOO	Singapore			✓		✓		✓		✓	✓	✓	✓		
Jason Chen	ROC	✓	✓			✓		✓		✓	✓	✓	✓		
JQ Lee	ROC	✓		✓		✓	✓					✓	✓	✓	
Hsiu Yi Hung	ROC		✓		✓							✓			✓
Ted Lee	ROC		✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	
Wilson Wang	ROC		✓		✓	✓		✓		✓	✓	✓	✓		
Dennis Chang	ROC		✓		✓	✓	✓					✓	✓	✓	

5. Achievement progress of general management goals for the diversity policy of directors

Management goals	Progress
Directors who are concurrently employees of the company may not exceed one-third of the number of directors	Achieved
The number of independent directors must exceed one-third of the number of directors	Achieved

(II) Profile of Board Directors, President, Vice Presidents, Assistant Vice Presidents, and Department Directors of various departments and branches

April 25, 2022; unit: shares; %

Title	Name	Gender	Nationality	Appointment Date	Shares held		Shares held by spouse and underage children		Shares held in the name of others		Main work (education) experiences	Concurrent job position in other companies	Other manager who is the spouse or a relative within second degree			Circumstances of managers obtaining employee stock option certificates
					No. of shares	Shareholding ratio (%)	No. of shares	Shareholding ratio (%)	No. of shares	Shareholding ratio (%)			Title	Name	Relationship	
Chairman and President (Note)	Mark Wang	M	ROC	2001.4.18	682,820	1.99	-	-	4,421,210	12.9	Chung Yuan Christian University, Department of Mechanical Engineering Manager, Manufacturing Department, ASE Test Engineer, Chunghwa Picture Tubes	Chairman, Hewei Investment Co., Ltd. Chairman, Weicheng Investment Co., Ltd. Director, WINWAY TECHNOLOGY INTERNATIONAL INC. Director, WINWAY INTERNATIONAL CO., LTD	-	-	-	60,000
Vice President	Jason Chen	M	ROC	2013.4.1	468,053	1.37	78,667	0.23	-	-	Electronics, Lunghwa University of Science and Technology Sales Director, AzureWave Technologies Chief of Product Engineering, VIA Technologies IC Design Engineer, Syntek Semiconductor	Executive Director, WinTest Enterprises (Shanghai) Co., Ltd. Executive Director and President, Suzhou WinWay Interconnect Technology Co., Ltd.	-	-	-	

Title	Name	Gender	Nationality	Appointment Date	Shares held		Shares held by spouse and underage children		Shares held in the name of others		Main work (education) experiences	Concurrent job position in other companies	Other manager who is the spouse or a relative within second degree			Circumstances of managers obtaining employee stock option certificates
					No. of shares	Shareholding ratio (%)	No. of shares	Shareholding ratio (%)	No. of shares	Shareholding ratio (%)			Title	Name	Relationship	
Senior Vice President	JQ Lee	M	ROC	2007.5.25	1,443,155	4.21	-	-	-	-	Political Science, National Taiwan University Manager, Trust Department, China Development Industrial Bank CFO, AMtek SEMICONDUCTORS Consultant, Industrial Technology Research Institute	-	-	-	-	
Senior Assistant Vice President	Ben Chang	M	ROC	2020.9.1	65,610	0.19	-	-	-	-	National Taipei University of Technology Department of Industrial Engineering Manager, Division of Modular Products, AzureWave Technologies	-	-	-	-	
Sales Director	Peter Kao	M	ROC	2004.12.22	66,947	0.20	-	-	-	-	Department of Electronic Engineering, Ta Hwa University of Science and Technology Chief Engineer, ALi Corporation	-	-	-	-	
Assistant Vice President	Jason Lu	M	ROC	2012.7.17	29,000	0.08	-	-	-	-	Master of Mechanical Engineering, National Sun Yat-sen University Director, Manufacturing Division, WinWay Technology	Supervisor, WinTest Enterprises (Shanghai) Co., Ltd. Supervisor, Suzhou Winway Interconnect Technology Co., Ltd.	-	-	-	
Senior Manager	Canon Tsai	M	ROC	2018.5.3	-	-	-	-	-	-	Master of Finance, National Cheng Kung University Director, Financial Headquarters, NAN PAO	-	-	-	-	

Title	Name	Gender	Nationality	Appointment Date	Shares held		Shares held by spouse and underage children		Shares held in the name of others		Main work (education) experiences	Concurrent job position in other companies	Other manager who is the spouse or a relative within second degree			Circumstances of managers obtaining employee stock option certificates
					No. of shares	Shareholding ratio (%)	No. of shares	Shareholding ratio (%)	No. of shares	Shareholding ratio (%)			Title	Name	Relationship	
											CFO, Foresight Optical Finance Director, Chi Mei Lighting Technology					

(Note) If the President, Vice President, or persons of similar rank (top level manager) is the same individual, are spouses, or first-degree relatives, the reasoning, rationale, necessity, and countermeasures should be explained:

The company's Chairman and President regularly and frequently communicates with directors on the company's operation overview, plans, and policies in order to improve the efficiency of operations and management, execution of decisions, and implement governance. The company elected 1 additional directors (increasing the number of independent directors from 3 to 4) at the 2021 regular shareholders meeting to improve the Board of Directors job role and enhance supervisory functions. The company currently has the following measures:

1. The 4 independent directors are experts in the fields of law, finance, accounting, industry, and are capable of exercising their job function in a supervisory role.
2. Each year, arrangements are made for directors to attend professional director courses organized by the Securities & Futures Institute and other external certification bodies to improve the operation and performance of the Board of Directors.
3. Independent directors are able to engage in discussions and propose recommendations in various functional committees so that the Board of Directors may reference them and implement governance.
4. More than half of the directors in the Board of Directors do not concurrently serve as an employee or manager.



### III. Remunerations to the Directors, President, and Vice Presidents

#### (I) Remuneration paid to Directors, President, and Vice Presidents in the latest year (2021)

##### 1. Remuneration of Directors

Unit: NT\$thousands

Title	Name	Director's remuneration								Ratio of total remuneration (A+B+C+D) to net income after tax		Remuneration for part-time employees								Ratio of total compensation (A + B+ C+ D+ E+ F+ G) to net income after tax		Compensation from investments other than subsidiaries
		Remuneration (A)		Severance pay and pension (B)		Director's remuneration (C) (Note 1)		Business execution expenses (D)				Salary, bonuses, and allowances (E) (Note 3)		Severance pay and pension (F)		Employee remuneration (G) (Note 1)						
		The Company	All Consolidated Entities	The Company	All Consolidated Entities	The Company	All Consolidated Entities	The Company	All Consolidated Entities	The Company	All Consolidated Entities	The Company	All Consolidated Entities	The Company	All Consolidated Entities	The Company		All Consolidated Entities		The Company	All Consolidated Entities	
																Cash	Stock	Cash	Stock			
Chairman and President	Mark Wang	-	-	-	-	4,197	4,197	16	16	0.87%	0.87%	14,278	14,278	324	324	1,924	-	1,924	-	4.26%	4.26%	N/A
Director	JQ Lee																					
Director	Jason Chen																					
Director	Cliff Liu																					
Director	CHIANG HOCK WOO (Note 3)																					
Independent Director	Hsin Yi Hung	1,722	1,722	-	-	-	-	96	96	0.37%	0.37%	-	-	-	-	-	-	-	-	0.37%	0.37%	N/A
Independent Director	Ted Lee																					
Independent Director	Wilson Wang																					
Independent Director	Dennis Chang (Note 3)																					

(Note 1) 2021 Directors' compensation has been approved by the Board of Directors but yet to be proposed in the Shareholders Report; the amount to be distributed in 2021 is calculated based on the actual distribution ratio in 2020.

(Note 2) All remuneration to directors who are concurrently employees of the Company, including salary, additional pay, severance pay, bonuses, rewards, transportation allowance, special allowance, stipends, dormitory, and car. Salary expenses recognized in accordance with IFRS 2 Share-based Payment shall also include employee stock option certificates, restricted stock awards, and share subscription in capital increase by cash.

(Note 3) Newly appointed on July 30, 2021.

(1) Please describe the policy, system, standard, and structure of remuneration to independent directors, and the correlation between duties, risk, and time input with the amount of remuneration:

Independent directors shall receive fixed monthly remuneration and shall not participate in directors' remuneration of earnings distribution of cash dividends; the Remuneration Committee shall make adjustments based on their participation level in company operations and value of their contribution.

(2) In addition to the table above, in the most recent fiscal year, compensation for services provided by directors of the company (including as a non-employee advisor for all companies/investees under the parent company/in the Financial Report) is as follows: None.

Remuneration scale

Remuneration scale applicable to the company's Directors	Name of directors			
	Total amount of the first 4 remuneration items (A+B+C+D)		Total amount of the first 7 remuneration items (A+B+C+D+E+F+G)	
	The Company	All consolidated entities H	The Company	All consolidated entities I
Less than NT\$1,000,000	Cliff Liu, JQ Lee, Jason Chen, Chiang Hock Woo, Hsiu Yi Hung, Ted Lee, Wilson Wang, Dennis Chang	Cliff Liu, JQ Lee, Jason Chen, Chiang Hock Woo, Hsiu Yi Hung, Ted Lee, Wilson Wang, Dennis Chang	Cliff Liu, Chiang Hock Woo, Hsiu Yi Hung, Ted Lee, Wilson Wang, Dennis Chang	Cliff Liu, Chiang Hock Woo, Hsiu Yi Hung, Ted Lee, Wilson Wang, Dennis Chang
NT\$1,000,000 (inclusive) to NT\$2,000,000 (exclusive)	Mark Wang	Mark Wang		
NT\$2,000,000 (inclusive) to NT\$3,500,000 (exclusive)				
NT\$3,500,000 (inclusive) to NT\$5,000,000 (exclusive)				
NT\$5,000,000 (inclusive) to NT\$10,000,000 (exclusive)	-	-	Mark Wang, JQ Lee, Jason Chen	Mark Wang, JQ Lee, Jason Chen
NT\$10,000,000 (inclusive) to NT\$15,000,000 (exclusive)	-	-	-	-
NT\$15,000,000 (inclusive) to NT\$30,000,000 (exclusive)	-	-	-	-
NT\$30,000,000 (inclusive) to NT\$50,000,000 (exclusive)	-	-	-	-
NT\$50,000,000 (inclusive) to NT\$100,000,000 (exclusive)	-	-	-	-
NT\$100,000,000 and above	-	-	-	-
Total	9 members	9 members	9 members	9 members

2. Remuneration paid to the company's President and Vice Presidents in the latest year (2021)

Unit: NT\$thousands

Title	Name	Salary (A)		Severance pay and pension (B)		Bonuses, special allowances, etc. (C) (Note 2)		Amount of employee remuneration (D)				Ratio of total remuneration (A+B+C+D) to net income after tax (%)		Compensation from investments other than subsidiaries
		The Company	All Consolidated Entities	The Company	All Consolidated Entities	The Company	All Consolidated Entities	The Company		All Consolidated Entities		The Company	All Consolidated Entities	
								Cash	Stock	Cash	Stock			
Chairman and President	Mark Wang	8,136	8,136	414	414	9,128	9,128	1,924	-	1,924	-	4.03%	4.03%	N/A
Senior Vice President	JQ Lee													
Vice President	Jason Chen													
Vice Presidents (Note 3)	Nicholas Lai													

(Note 1) 2021 Employee compensation has been approved by the Board of Directors but yet to be proposed in the Shareholders Report; the amount to be distributed in 2021 is calculated based on the actual distribution ratio in 2020.

(Note 2) Refers to various bonuses, rewards, transportation allowance, special allowance, stipends, dormitory, cars, and other compensation. Salary expenses recognized in accordance with IFRS 2 Share-based Payment shall also include employee stock option certificates, restricted stock awards, and share subscription in capital increase by cash.

(Note 3) Nicholas Lai resigned on October 22, 2021.

Remuneration scale

Remuneration scale applicable to each President and Vice President of the company	Names of President and Vice Presidents	
	The Company	All Consolidated Entities
Less than NT\$1,000,000	-	-
NT\$1,000,000 (inclusive) to NT\$2,000,000 (exclusive)		
NT\$2,000,000 (inclusive) to NT\$3,500,000 (exclusive)		
NT\$3,500,000 (inclusive) to NT\$5,000,000 (exclusive)	-	-
NT\$5,000,000 (inclusive) to NT\$10,000,000 (exclusive)	Mark Wang, JQ Lee, Jason Chen, Nicholas Lai	Mark Wang, JQ Lee, Jason Chen, Nicholas Lai
NT\$10,000,000 (inclusive) to NT\$15,000,000 (exclusive)	-	-
NT\$15,000,000 (inclusive) to NT\$30,000,000 (exclusive)	-	-
NT\$30,000,000 (inclusive) - NT\$50,000,000 (exclusive)	-	-
NT\$50,000,000 (inclusive) - NT\$100,000,000 (exclusive)	-	-
NT\$100,000,000 and above	-	-
Total	4 members	4 members

4. Names of executive officers that received employee bonuses and status of the distribution in the latest year (2021):

Unit: NT\$ thousands

	Title	Name	Stock	Cash	Total	Total after tax Net profit ratio (%)
Executive officers	Chairman and President	Mark Wang	-	3,495	3,495	0.72%
	Vice President	Jason Chen				
	Senior Vice President	JQ Lee				
	Vice President	Nicholas Lai (Note 2)				
	Senior Assistant Vice President	Ben Chang				
	Sales Assistant Vice President	GM Chen (Note 2)				
	Operating Director	Jacky Lee (Note 2)				
	Sales Director	Peter Kao				
	Assistant Vice President	Jason Lu				
	Senior Manager	Canon Tsai				

(Note 1):2021 Employee compensation has been approved by the Board of Directors but yet to be proposed in the Shareholders Report; the amount to be distributed in 2021 is calculated based on the actual distribution ratio in 2020.

(Note 2): Nicholas Lai resigned on October 22, 2021; GM Chen resigned on December 31, 2021; Jacky Lee was dismissed on December 13, 2021.

(II) Comparison and explanation of the total remuneration paid by the company and all companies in the consolidated report to this company's Directors, President, and Vice President in the last two years as a percentage of net profit after tax of individual financial reports; explain the remuneration policy, standards and portfolios, procedures for determining remuneration, and the relevance to business performance and future risks:

1. Remuneration paid to this company's Directors, President, and Vice President in the last two years as a percentage of net profit after tax of individual financial reports:

Unit: NT\$ thousands

Title	2020		2021	
	Total remuneration as a percentage of net profit after tax		Total remuneration as a percentage of net profit after tax	
	The Company	All companies included in the consolidated statements	The Company	All companies included in the consolidated statements
Director	0.89%	0.89%	1.24%	1.24%
President, Vice President	5.16%	5.16%	4.03%	4.03%

2. Policy and standards of remuneration Relevance with portfolios, procedures to establish remuneration, operating performance, and future risks:

(1) Directors: Independent Directors received fixed monthly remuneration and do

not participate in Directors remuneration distributed from the annual surplus; Director remuneration is based on the bylaws of the Articles of Incorporation and in the event of an annual profit, no more than 3% should be distributed as Director remuneration; however, in the event of accumulated losses in the company, the amount to make up for it should be reserved in advance. The remuneration policy of Directors references industry peer standards and is based on the degree of participation and contributed value to the company's operations; the results of Directors' performance evaluations will be included in considerations and reviewed by the Remuneration Committee for approval by the Board of Directors before being proposed at the Shareholders Meeting.

Traveling expenses will be issued as fixed payments to Directors for attending Board of Director or Shareholders Meetings.

- (2) Remunerations to the President and Vice Presidents: Remuneration of managers is set based on their level of participation and personal performance contributions to the company's operations. The remuneration of managers, including salary and bonuses, references aspects such as industry standards, title, job level, work and education experience, professional ability, and responsibilities; bonuses are based on considerations of a manager's performance evaluation (e.x.: target achievement rate, profitability, operational benefits, and contributions); employee remunerations is based on the Articles of Incorporation. In the event of an annual profit, no less than 5% and no more than 15% should be distributed as employee compensation; in the event of accumulated losses in the company, the amount to make up for it should be reserved in advance. The Remuneration Committee should establish the rules of distribution which shall be approved by the President based on business performance.

The procedure for establishing remuneration should reference the company's overall operating performance as well as an individual's performance achievement rate and contribution to company performance to issue appropriate compensation. In summary of the above, the remuneration policy and procedures for the Directors, President, and Vice presidents has a positive correlation with business performance.

#### IV. Corporate Governance Practices

##### (I) Operation of the Board of Directors:

In the latest year (2021), the Board of Directors convened for 5 meetings (A) with the following attendance:

Title	Name	Actual attendance (B)	Attendance by proxy	Actual attendance rate (B)/(A)	Notes
Chairman	Mark Wang	5	0	100%	
Director	JQ Lee	5	0	100%	
Director	Jason Chen	5	0	100%	
Director	Cliff Liu	4	1	83%	
Director	CHIANG HOCK WOO	2	0	100%	Newly appointed on July 30, 2021
Independent Director	Hsiu Yi Hung	5	0	100%	
Independent Director	Ted Lee	5	0	100%	
Independent Director	Wilson Wang	5	0	100%	
Independent Director	Dennis Chang	2	0	100%	Newly appointed on July 30, 2021

Other disclosures:

- If any of the following circumstances occurs in the operation of the Board of Directors, the date, period, content of the motions, the opinions of all independent directors, and the Company's handling of independent directors' opinions shall be stated:

- (1) Matters referred to in Article 14 -3 of the Securities and Exchange Act:

7th Meeting of the 8th Board of Directors (March 19, 2021)

Agenda	Opinion(s) of the independent director(s)	Response of the Company to the independent director opinion(s):	Resolutions
Proposal for the 2020 internal control system effectiveness assessment and internal control system statement	Approval	N/A	Passed as proposed after the chairperson consulted all attending directors
Proposal for cooperating with the internal rotation of the accounting firm to replace CPAs and assessment of their independence and suitability	Approval	N/A	Passed as proposed after the chairperson consulted all attending directors

8th Meeting of the 8th Board of Directors (May 11, 2021)

Agenda	Opinion(s) of the independent director(s)	Response of the Company to the independent director opinion(s):	Resolutions
Proposal to revise the company's "Chop Management Guidelines"	Approval	N/A	Passed as proposed after the chairperson consulted all attending directors

10th Meeting of the 8th Board of Directors (August 10, 2021)

	Agenda	Opinion(s) of the independent director(s)	Response of the Company to the independent director opinion(s):	Resolutions
	Proposal to revise the company's "Approval Authorization Chart"	Approval	N/A	Passed as proposed after the chairperson consulted all attending directors
	Proposal for remuneration to the company's appointed CPA	Approval	N/A	Passed as proposed after the chairperson consulted all attending directors
11th Meeting of the 8th Board of Directors (November 10, 2021)				
	Agenda	Opinion(s) of the independent director(s)	Response of the Company to the independent director opinion(s):	Resolutions
	Proposal to revise the company's "Internal Control System" and "Internal Audit Implementation Rules"	Approval	N/A	Passed as proposed after the chairperson consulted all attending directors
(2) In addition to the aforementioned matters, other Board meeting resolutions with independent directors' dissenting and unqualified opinions in records or written statements: None.				
2. When there are recusals of directors due to conflicts of interests, names of the directors, contents of resolutions, reasons of recusal, and voting participation should be stated:				
9th Meeting of the 8th Board of Directors (July 13, 2021)				
	Name of directors	Agenda	Reason for recusal:	Participation in voting:
	Mark Wang JQ Lee Jason Chen Cliff Liu	Proposal for the company's 2020 director remuneration distribution	Related to the interests of directors	Passed as proposed by all remaining attending directors
3. Publicly listed companies should disclose information such as the evaluation period and cycle, scope, method, and content of self (or peer) evaluations by the Board of Directors:				
Evaluation cycle	Evaluation period	Evaluation scope	Evaluation method	Evaluation content
Implemented once a year	Evaluate the performance of the Board of Directors from January 1, 2021 to December 31, 2021	Including performance evaluation of the board of directors, individual board members, and functional committees	The Board of Directors meeting internal self evaluations, board members self evaluations, Internal Evaluation of Functional Committees	(1) Board of Directors performance evaluations: Encompasses the level of participation in the company's operations, improving the quality of board decision-making, board composition and structure, appointment of directors and their continuous development, and internal controls. (2) Performance evaluations of individual board members: Grasp of company targets and missions, understanding of a director's role and responsibilities, level of participation in company operations, internal relationship management



				<p>and communications, a director's training and continuous development, and internal controls.</p> <p>(3) Performance evaluations of functional committees (Audit Committee and Remuneration Committee): Level of participation in the company's operations, understanding of the functional committee's role and responsibilities, increasing the quality of the functional committee's decision-making, the committee's composition and member appointment, and internal controls.</p>
<p>The company has completed 2021 performance evaluations for the Board of Directors and functional Committees and submitted the results in the 2022/2/23 Board of Directors report as basis for reflection and improvement. The Board of Directors self evaluation scores averaged 4.595 (full score is 5 points) while board members' self evaluation scores averaged 4.727 (full score is 5 points), showing that the overall operation of the Board of Directors is excellent; the Audit Committee's self evaluation score was 4.96 (full score is 5 points) while the Remuneration Committee's self evaluation score was 4.96 (full score is 5 points), showing that the overall operation of functional committees is excellent and comply with governance operations.</p> <p>4. Programs this year and in the most recent year for strengthening the functionality of the Board (for example, set up an Audit Committee, improve transparency, etc.) and assessment of execution:</p> <p>(1) During the regular shareholders meeting in 2021, the company elected 2 additional directors (including 1 independent director) to increase the number of seats from 7 to 9; the number of independent directors now exceeds one third in the Board of Directors, strengthening their job function and this company's governance.</p> <p>(2) Increase information transparency: The company has appointed a designated person responsible for the declaration of public information on the internet, collect company information, and legal disclosures; an "investors area" is setup on the website, offering a channel to contact the spokesperson as well as allow shareholders to inquire information relating to the company's finances and businesses.</p>				

## (II) Operation of the Audit Committee

The company setup an Audit Committee composed entirely of independent directors as required by Article 14-4 of the Securities and Exchange Act.

### 1. Professional qualifications and experience of members in the Audit Committee

Identity Type	Qualifications Name	Professional qualifications and experience	Independence (Note 2)	Number of other public companies in which the member also serves as a member of their Audit Committee
Independent Director	Hsui Yi Hung	Please refer to pages 13 to 16 - Professional qualifications and independence of directors		0
Independent Director	Ted Lee			0
Independent Director	Wilson Wang			0
Independent Director	Dennis Chang			0

### 2. Key job tasks for the year are as follows:

- (1) Establish or revise internal control systems as per Article 14-1 of the Securities and Exchange Act.
- (2) Review and assess the effectiveness of internal control systems.
- (3) Implementation or amendment of guidelines for major financial operations including asset acquisition and disposal, trading derivatives, lending funds to other parties, and making of endorsement and guarantees for other parties in accordance with Article 36-1 of the Securities and Exchange Act.
- (4) Matters involving conflicts of interest of the directors.
- (5) Transactions of significant assets or derivative commodities.
- (6) Loans of funds, endorsements, or provision of guarantees of a material nature.
- (7) The offering, issuance, or private placement of any equity-type securities.
- (8) The appointment, discharge, or remuneration of CPAs.
- (9) The appointment or discharge of a financial, accounting, or internal audit officer.
- (10) Financial reports signed or stamped by the Chairman, executive officers, and accounting director.
- (11) Significant matters related to regulations of other companies or competent authorities.

### 3. Operation of the Audit Committee

Title	Name	Actual attendance (B)	Attendance by proxy	Actual attendance rate % (B)/(A)	Notes
Independent Director (Convener)	Hsiu Yi Hung	4	0	100%	
Independent Director	Ted Lee	4	0	100%	
Independent Director	Wilson Wang	4	0	100%	
Independent Director	Dennis Chang	2	0	100%	Newly appointed on July 30, 2021

Other disclosures:

I. If one of the situations below occurs during Audit Committee operations, the Audit Committee meeting date, period, proposal content, content of objections, reserved comments or major suggestions made by independent directors, results of the Audit Committee resolution, and the Company's handling of the Audit Committee members' opinions should be described.

(I) Items specified in Article 14-5 of the Securities and Exchange Act.

6th Meeting of the 1st Audit Committee (March 19, 2021)

Agenda	Content of objections, reserved comments or major suggestions made by independent directors	Resolutions of the Audit Committee and the company's handling of Audit Committee recommendations
Proposal for the 2020 internal control system effectiveness assessment and internal control system statement	N/A	Approved by all independent directors in attendance, proposed to the Board of Directors for review
The company's 2020 business report and financial statements	N/A	Approved by all independent directors in attendance, proposed to the Board of Directors for review
Changes in the company's audit officers	N/A	Approved by all independent directors in attendance, proposed to the Board of Directors for review
Proposal for cooperating with the internal rotation of the accounting firm to replace CPAs and assessment of their independence and suitability	N/A	Approved by all independent directors in attendance, proposed to the Board of Directors for review

7th Meeting of the 1st Board of Directors (May 11, 2021)

Agenda	Content of objections, reserved comments or major suggestions made by independent directors	Resolutions of the Audit Committee and the company's handling of Audit Committee recommendations
Proposal to revise the company's "Chop Management Guidelines"	N/A	Approved by all independent directors in attendance, proposed to the Board of Directors for review

8th Meeting of the 1st Board of Directors (August 10, 2021)

Agenda	Content of objections, reserved comments or major suggestions	Resolutions of the Audit Committee and the company's
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	made by independent directors	handling of Audit Committee recommendations
Proposal to revise the company's "Approval Authorization Chart"	N/A	Approved by all independent directors in attendance, proposed to the Board of Directors for review
Proposal for remuneration to the company's appointed CPA	N/A	Approved by all independent directors in attendance, proposed to the Board of Directors for review

9th Meeting of the 1st Board of Directors (November 10, 2021)

Agenda	Content of objections, reserved comments or major suggestions made by independent directors	Resolutions of the Audit Committee and the company's handling of Audit Committee recommendations
Proposal to revise the company's "Internal Control System" and "Internal Audit Implementation Rules"	N/A	Approved by all independent directors in attendance, proposed to the Board of Directors for review
The company's 2022 "Auditing Plan"	N/A	Approved by all independent directors in attendance, proposed to the Board of Directors for review

(II) In addition to matters above, other resolutions that have not been approved by the Audit Committee but have been passed by a vote of two-thirds or more of the entire board of directors: None

II. When there are recusals of independent directors due to conflicts of interests, names of the independent directors, contents of resolutions, reasons of recusal, and voting participation should be stated: No such circumstances

III. Independent directors' communication with internal auditors and CPAs (shall include major matters, methods, and results of communication regarding the company's financial position and business operations)

1. Items of communication between independent directors and internal auditors:

Date	Main points of communication	Opinion(s) of the independent director(s)
2021/3/19	Internal auditors' report on the progress of auditing operations in Q4 2020 Discussion and communication of 2021 internal control systems by internal auditors	No objection No objection
2021/5/11	Internal auditors' report on the progress of auditing operations in Q1 2021 Discussion and communication by internal auditors on revisions to the "Seal Management Guideline"	No objection No objection
2021/8/10	Internal auditors' report on the progress of auditing operations in Q2 2021 Discussion and communication by internal auditors on revisions to the "Approval Authorization Chart"	No objection No objection
2021/11/10	Internal auditors' report on the progress of auditing operations in Q3 2021 Discussion and communication by internal auditors on revisions to the company's "Internal Control Systems" and "Implementation Details of Internal Audits" Discussion and communication by internal auditors on the 2022 auditing plans	No objection No objection No objection

Internal auditors must communicate with independent directors through a monthly audit report; the progress of audit operations must be reported once each quarter in meetings of the Audit Committee but project audit reports should be delivered ad hoc to the independent directors for review and discussion. The company's independent directors and internal auditors maintain good communication

2. Items of communication between independent directors and accountants:

Date	Main points of communication	Opinion(s) of the independent director(s)
2021/3/19	Accountants will discuss the audit results of 2020 consolidated financial statements (including individual financial statements) with the independent directors Accountants will provide explanation to independent directors of the accounting firm's internal rotation to replace certified accountants as well as their independence	No objection No objection
2021/5/11	Accountants will discuss the audit results of Q1 2021 consolidated financial statements (including individual financial statements) with the independent directors	No objection
2021/8/10	Accountants will discuss the audit results of Q2 2021 consolidated financial statements with the independent directors	No objection
2021/11/10	Accountants will discuss the audit results of Q3 2021 consolidated financial statements with the independent directors	No objection

Items of communication between the company's CPAs and independent directors include current financial reports, audit results, and major discoveries, provide statements of independence relating to the code of professional ethics of the CPA affiliated with firm, and the impact of law amendments on the company. As of the publication date of the annual report, the company's independent directors and signed accounting firm have maintained good communication

(III) Corporate governance implementation and deviations from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and the reason for such deviations

Evaluation item	Operating status			Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Summary	
I. Has the company defined and disclosed its corporate governance best practice principles in accordance with the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies?	✓		The company has established Corporate Governance Best Practice Principles and disclosed it on this company's website in accordance with the principles of Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies in order to establish good governance.	No difference
II. Shareholding structure & shareholders' equity	✓		(I) In order to ensure the rights of shareholders, this company has setup a designated website with an investor's area with full disclosure of information relating to the company's operations and governance as well as compliance with laws to announce public operating and material information on the public website. Regular and extraordinary shareholders meetings are convened so that shareholders can understand, participate, and determine key matters. A spokesperson, deputy spokesperson, Shareholders Service Office, and stock transfer agent business is available to handle problems relating to shareholder suggestions or disputes.	No difference
(I) Has the company defined internal operating procedures for dealing with shareholder proposals, doubts, disputes, and litigation as well as implemented those procedures?				
(II) Does the company have a list of major shareholders that have actual control over the company and a list of ultimate owners of those major shareholders?	✓		(II) The company has setup stock service agents and a stock service institution (Yuanta Securities Stock Agency Department) to regularly update the list of shareholders to identify the company's major shareholders and their owners.	
(III) Has the company established and implemented risk management and firewall systems within its conglomerate structure?	✓		(III) The finances and operations of the company and affiliates operate independently. Internal control systems and management guidelines have been established in compliance with "Measures to Administer Transactions of Related Persons" and "Measures to Supervise and Administer Subsidiaries" to establish a comprehensive firewall and implement risk control mechanisms.	
(IV) Does the company have internal				

regulations in place to prevent its internal staff from trading securities based on information yet to be public on the market?	✓		(IV) The company has established a "Measures to Prevent Insider Trading" to prevent and stop individuals from mistakenly participating in insider trading due to unfamiliarity with laws and regulations.	
<p>III. The composition and duties of the Board of Directors</p> <p>(I) Have diversification policies and specific management goals been formulated and implemented by the Board of Directors?</p> <p>(II) Does the company voluntarily establish other functional committees in addition to the Remuneration Committee and Audit Committee?</p> <p>(III) Does the company have an established evaluation method for the Board of Directors that is regularly used for performance evaluations each year, and are their results proposed to the Board of Directors for use as reference in the remuneration of individual directors as well as their nominations for re-election?</p> <p>(IV) Does the company regularly evaluate the independence of CPAs?</p>	<p>✓</p> <p>✓</p> <p>✓</p> <p>✓</p>		<p>(I) The company has established a policy of diversity for the Board of Directors within Corporate Governance Best Practice Principles to set and implement general management targets accordingly; please refer to the "Diversity and Independence of the Board of Directors" (page 17) in this annual report.</p> <p>(II) Aside from establishing a Remuneration Committee and Audit Committee in accordance with laws, the company's governance duties are the responsible of each department; the company may establish additional functional committees in the future based on company operations and relevant laws and regulations.</p> <p>(III) The company has established a performance evaluation method for the Board of Directors on 2019/8/13 and will regularly perform evaluations annually; 2021 performance evaluation results were proposed at the Board of Directors meeting on 2022/2/23 to be applied as reference for the remuneration of individual directors as well as their nominations for re-election.</p> <p>(IV) Each year, the company regularly evaluates (once a year) the competence and independence of CPAs and request that they issue a statement of independence for the entrusted audit operations; 2021 evaluation operations was approved by the Board of Directors on 2021/8/13. (refer to Note 1 for details on the evaluation chart).</p>	No difference
IV. Has the publicly listed company assigned a suitable number of governance officers and appointed a governance supervisor responsible for governance affairs at the company (including but not limited to providing the necessary information for	✓		<p>The company has not established a governance supervisor but may establish one in the future depending on necessity.</p> <p>Currently, the company's governance affairs are performed by a department under the Finance Executive Division that organizes affairs relating to Board of Directors and regular shareholders meetings, produces meeting minutes, performs company registration and change of registration; additionally, the department is responsible for handling directors' requests, assisting directors to ensure that the Board of Directors meetings are orderly and in compliance with laws, and ensuring that members of the</p>	No difference

directors and supervisors to perform their duties, assist directors and supervisors with legal compliance, organize board meetings and regular shareholders meetings according to the law, and compile meeting minutes for board meetings and regular shareholders meetings)?			board maintain good communication with executive officers.	
V. Does the company establish a communication channel and build a designated section on its website for stakeholders (including but not limited to shareholders, employees, customers, suppliers, etc.), and properly respond to corporate social responsibility issues that stakeholders are concerned about?	✓		The company website contains stakeholder contact information in order to maintain good channels of communication with stakeholders (including shareholders, employees, customers, suppliers, and other stakeholders); the company upholds the principles of integrity in providing sufficient operating information to suitably protect the legal rights of stakeholders. For a detailed explanation, please refer (Note 2) to the stakeholders communication channel.	No difference
VI. Has the company designated a professional shareholder service agency to deal with matters of the shareholders' meeting?	✓		The company has designated professional stock agency Yuanta Securities Co., Ltd to deal with matters related to shareholder services.	No difference
VII. Information disclosure (I) Has the company established a corporate website to disclose information regarding the company's financial, business, and corporate governance status? (II) Has the company established other information disclosure channels (e.g., maintaining an English-language website, appointing responsible people to handle information collection and disclosure, appointing spokespersons, or webcasting investor conferences on the company	✓  ✓		(I) The corporate website's URL is <a href="https://www.winwayglobal.com/">https://www.winwayglobal.com/</a> and discloses public information as well as immediate disclosure of information relating to the company's finances, business, and governance.  (II) The company has established an English website, appointed people responsible for handling information collection and disclosure, implemented a spokesperson system, and has made presentation data from the earnings call and relevant information on the corporate website.	No difference



website)? (III) Does the company announce and declare the annual financial report within two months after the end of the fiscal year, and announce and declare the Q1, Q2 and Q3 financial reports and operating status of each month within the prescribed deadline?	✓		(III) The company has announced and declared the annual financial report within two months after the end of the fiscal year, and announced and declared the Q1, Q2, and Q3 financial reports and operating status of each month within the prescribed deadline.	
VIII. Is there any other important information to facilitate a better understanding of the company's corporate governance practices (including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, continuing education of directors and supervisors, the implementation of risk management policies and risk evaluation standards, the implementation of customer relations policies, and purchasing liability insurance for directors and supervisors)?	✓		<p>(I) Employee rights and relations: The company has always protected the rights of our colleagues; in addition to legal guarantees, there are excellent benefits, unobstructed channels of interactions, and various complaint channels.</p> <p>(II) Investor relations: The Market Observation Post System and corporate website sufficiently discloses information, allowing investors to understand the company's operation status; communication with investors is conducted through the shareholders meeting and spokespersons.</p> <p>(III) Supplier relations: The company maintains unobstructed channels of communication and good working relations with suppliers.</p> <p>(IV) Stakeholders' rights: The company upholds principles of integrity and ethics in our governance to maintain good relations and unobstructed communications with shareholders, government agencies, customers, employees, suppliers, and other stakeholders. (refer to Note 2 for stakeholder communication channels)</p> <p>(V) Continuing education of directors: (refer to Note 3 for the continuing education of directors in 2021)</p> <p>(VI) Implementation of risk management policies and stock risk assessment standards: The company has established various internal policies approved by the Board of Directors or shareholders and conducts various risk management and assessments.</p> <p>(VII) Customer policy implementation: The company strives to improve quality and increase professional technology to offer the best services and products to customers.</p>	No difference

			(VIII)The company's purchase of liability insurance for directors: The company has liability insurance for directors as follows: <table><tr><td>Insured subjects</td><td>Insurance company</td><td>Insured amount</td><td>Insured period</td></tr><tr><td>All directors</td><td>Tokio Marine Newa Insurance</td><td>200,000,000</td><td>2021/8/3~2022/8/3</td></tr></table>				Insured subjects	Insurance company	Insured amount	Insured period	All directors	Tokio Marine Newa Insurance	200,000,000	2021/8/3~2022/8/3	
Insured subjects	Insurance company	Insured amount	Insured period												
All directors	Tokio Marine Newa Insurance	200,000,000	2021/8/3~2022/8/3												
IX. Specify the improvement of corporate governance with reference to the evaluation of corporate governance by the Corporate Governance Center of Taiwan Stock Exchange Corporation in the most recent year, and the measures prioritized for issues that require improvement. (Companies not listed for evaluation are exempt)	✓		This item does not apply as the company was not listed for evaluation in 2021.				N/A								

(Note 1)

Evaluation for the independence and competence of CPAs

- (1) The evaluation of "integrity, impartial objectivity, and independence" in accordance with professional ethics and guidelines bulletin number 10 is as follows:

Independence		Compliance of independence	
Item No.	Description	Yes	No
1	If the accountants appointed by the company have direct or significant indirect conflicts of interest with their commissioned matters which affects their impartiality and independence, they should be decommissioned regardless of their recusal.	V	
2	The audit or review of financial statements are to provide high or moderate but not absolute confidence for potential users of these reports; in addition to maintaining substantial independence, the accountant's formal independence holds more importance. As such, the members of the audit service team, other collaborating CPAs, their firms, and their affiliates should maintain independence from the company.	V	
3	Do the CPAs appointed by the company retain the following items: (1) Integrity: CPAs should maintain an attitude of integrity and diligence when performing professional services. (2) Impartial objectivity: When performing professional services, CPAs should maintain impartial objectivity and avoid conflicts of interest that may affect their independence. (3) Independence: When auditing and reviewing financial statements, CPAs should maintain formal and substantial detached independence to fairly express their opinions.	V	
4	Is the independence of CPAs, which is associated with integrity, impartiality, and objectivity lacking or lost in any department during their appointment affecting their position of integrity, impartiality, and objectivity.	V	
5	Is the independence of CPAs affected by self interest, self evaluation, defense, familiarity, and coercion.	V	
6	Independence affected by self interest refers to obtaining financial benefit from this company, or conflicts of interest with the company due to other interests. Whether the following circumstances have not occurred: (1) Having direct or significant indirect financial interest with the company. (2) Having financing or assurances with the company or its directors. (3) Consider the possibility of losing this company. (4) Having close business relationships with the company. (5) Having potential employment relationships with the company. (6) Contingent public expenses related to cases investigated by the company.	V	
7	Independence affected by self evaluations is determined by reports or actions generated by CPAs performance of non-auditing services and an important basis for reviewing conclusions in the process of auditing or reviewing financial statements; or if members in the Audit Committee were formerly directors of this company, or are appointed directly to duties that have significant influence over audit cases. Whether the following circumstances have not occurred: (1) Members of the auditing service team that are currently appointed as directors, executive officers, or job roles with significant influence on audit cases or have been in the past two years. (2) For non-auditing services provided to this company that directly impact key items of independence for the defense of audit cases,	V	
8	meaning auditing service team members becoming defenders of the company's position or opinions resulting in doubt to their objectivity. Whether the following circumstances have not occurred: (1) Advertise or broker the stocks or other securities issued by the company. (2) Appointment as the company's defender or represent the company in coordinating conflicts with third parties.	V	

9	The influence of familiarity on independence refers to close relationships with the company's directors and executive officers which cause CPAs or auditing service team members to show excessive concern or compassion to the interests of the company. Whether the following circumstances have not occurred: (1) Having kinship relations with the company's directors, executive officers, or personnel with significant influence over audit cases. (2) Co-accountants who have been discharged within one year to serve as the company's director, executive officer, or personnel with significant influence over audit cases. (3) Received and accepted gifts of significant value from the company's directors or executive officers.	V	
10	The influence of threat on independence refers to members of the auditing service team being subject to or experiencing intimidation by the company causing doubts of inability to maintain objectivity and clarify professional doubts. Whether the following circumstances have not occurred: (1) Requesting accountants to accept the improper accounting policies or improper disclosure of financial statements as issued by the company's officers. (2) Coercion tactics used on accountants to reduce public expenses, causing the improper reduction of the necessary auditing tasks that must be performed.	V	
11	The accounting firm and members of the auditing service team are responsible for maintaining independence and should consider whether the content of their work have impact on independence and have measures in place to eliminate the aforementioned influence or reduce it to an acceptable level.	V	
12	If influence on independence is confirmed to be significant, determine whether the company, accounting firm, and auditing service group members have taken appropriate measures to eliminate this influence or reduce it to an acceptable level, then record the conclusion.	V	
13	If the company, accounting firm, and auditing service team members have not adopted measures, or if the adopted measures are unable to effectively eliminate influence on independence or decrease it to an acceptable level, determine whether to replace accountants to maintain their independence.	V	

(2) Competence evaluation:

Competence		Compliance of competence	
Item No.	Description	Yes	No
1	Whether the qualifications of an accountant are possessed to perform accounting services.	V	
2	Whether there have been incidents of discipline by competent authorities and CPA associations, or punishment in accordance with Article 37-3 of the Securities and Exchange Act.	V	
3	Whether they have knowledge of industries related to the company.	V	
4	Whether they can perform audits of financial statements in accordance with generally accepted accounting practices and audit financial statements according to accounting rules.	V	
5	Whether they have utilized their position as an accountant to engage in improper competition in business.	V	

(Note 2)

Stakeholders communication channel

Types of stakeholders	Main issues of concern	Communication method (frequency)	Actual stakeholders communication
Shareholder	<ul style="list-style-type: none"> <li>▪ Business performance</li> <li>▪ Integrity based operations</li> <li>▪ Share price</li> <li>▪ Dividend distribution</li> <li>▪ Material information</li> </ul>	<ul style="list-style-type: none"> <li>➤ Telephone number and e-mail (permanent)</li> <li>➤ Spokesperson/deputy spokesperson (permanent)</li> <li>➤ Earnings call (ad hoc)</li> <li>➤ Corporate website and Market Observation Post System (permanent)</li> <li>➤ Regular shareholders meeting (annual)</li> <li>➤ Investors e-mail (<a href="mailto:investor@winwayglobal.com">investor@winwayglobal.com</a>)</li> </ul>	<ul style="list-style-type: none"> <li>▪ 36 Announcements of material information on the Market Observation Post System</li> <li>▪ 1 Regular shareholders meeting convened</li> <li>▪ Invited to attend 3 earnings calls</li> </ul>
Government and competent authorities	<ul style="list-style-type: none"> <li>▪ Occupational health and safety</li> <li>▪ Environmental protection</li> <li>▪ Regulatory compliance</li> <li>▪ Corporate governance</li> <li>▪ Communication with competent authorities</li> </ul>	<ul style="list-style-type: none"> <li>➤ Exchange of official documents (ad hoc)</li> <li>➤ Visits and meetings (ad hoc)</li> <li>➤ Public briefings (ad hoc)</li> <li>➤ Seminars (ad hoc)</li> <li>➤ Environmental health and safety reports (monthly)</li> <li>➤ Compliance with supervision and audits of competent authorities (ad hoc)</li> </ul>	<ul style="list-style-type: none"> <li>▪ Scheduled completion of all matters reported to competent authorities.</li> <li>▪ No violations of occupational health and safety or environmental protection laws resulting in punishment.</li> </ul>
Customers	<ul style="list-style-type: none"> <li>▪ Product performance and promotion of applications</li> <li>▪ Product requirements, services, and price discussions</li> <li>▪ Handling of post-sale product issues</li> <li>▪ Response and handling of other problems proposed</li> </ul>	<ul style="list-style-type: none"> <li>➤ Face-to-face, telephone, or e-mail visitations or discussions.</li> <li>➤ In-person meetings or online conference.</li> <li>➤ Issue product announcements to customers or organize supplier meetings from the customer end.</li> <li>➤ Complaint e-mail: <a href="mailto:sales@winwayglobal.com">sales@winwayglobal.com</a>, or submit complaints through face-to-face discussions, telephone, or e-mail to directors or their superiors.</li> <li>➤ New customer contact e-mail: <a href="mailto:sales@winwayglobal.com">sales@winwayglobal.com</a>.</li> <li>➤ Attend large exhibition events to strengthen the company's brand image, increase the number of diverse channels to interact with customers.</li> <li>➤ Media articles and reports in newspapers and magazines.</li> <li>➤ Post-sale product services e-mail: <a href="mailto:support@winwayglobal.com">support@winwayglobal.com</a></li> </ul>	<ul style="list-style-type: none"> <li>▪ Actual use of in-person or online conferences to discuss technologies, delivery schedules, and new product development was performed for 6~10 customers.</li> <li>▪ Actual updates to customers about the development progress of new technologies for key projects whenever necessary was conducted in a total of 12~20 cases.</li> <li>▪ <a href="mailto:sales@winwayglobal.com">sales@winwayglobal.com</a> received on average 4~5 e-mails each day involving content such as customers, sales, but also</li> </ul>

Types of stakeholders	Main issues of concern	Communication method (frequency)	Actual stakeholders communication
	by customers		<p>media interviews and advertisements; customer business related e-mails are assigned to a corresponding contact and responded within 24 hours.</p> <ul style="list-style-type: none"> <li>▪ support@winwayglobal.com offers customers a contact window for technical inquiries and receives an average of 1~3 e-mails daily; customers are responded to within 12 hours.</li> <li>▪ Due to the impact of COVID-19, some large exhibition events have changed dates. SEMICON China was completed according to schedule from 2021/3/16~3/18, SEMICON SEA was changed to an online event and completed from 2021/8/23~8/27, SEMICON Taiwan was postponed and completed from 2020/12/28~12/30.</li> </ul>
Employees	<ul style="list-style-type: none"> <li>▪ Compensation and benefits</li> <li>▪ Continuing education and training</li> <li>▪ Promotions and examinations</li> <li>▪ Employee compassion</li> <li>▪ Pension scheme</li> </ul>	<ul style="list-style-type: none"> <li>➤ The company's internal bulletin board and shared folders (permanent)</li> <li>➤ Internal employee complaint channel (permanent)</li> <li>➤ Sexual harassment e-mail (permanent)</li> <li>➤ Training (ad hoc)</li> <li>➤ Employee seminars (every 6 months)</li> <li>➤ Employee compassion interviews (ad hoc)</li> <li>➤ Labor conference</li> <li>➤ Employee Welfare Committee (ad hoc)</li> <li>➤ Performance interviews and examinations (quarterly)</li> </ul>	<ul style="list-style-type: none"> <li>▪ Convened 4 employee welfare meetings</li> <li>▪ Organized 2 employee seminars</li> <li>▪ Hosted 42 sessions of internal training in the company</li> <li>▪ Quarterly performance evaluations and interviews for all employees</li> <li>▪ Related records for 62 employee compassion interviews in 2021</li> <li>▪ The number of cases relating to employee opinions and complaints in 2021 is 1; the number of resolved cases is 1.</li> <li>▪ Organized 4 regular labor meetings and 1 ad hoc meeting, reached agreement on a total of 1 item, achievement rate of agreements is 100%.</li> </ul>
Suppliers	<ul style="list-style-type: none"> <li>▪ Supply chain management</li> </ul>	<ul style="list-style-type: none"> <li>➤ Procurement procedures (performed according to requirements)</li> <li>➤ Supplier evaluations (regular)</li> </ul>	<ul style="list-style-type: none"> <li>▪ Supplier questionnaires (twice/year)</li> <li>▪ Supplier evaluations (once/quarter)</li> </ul>

Types of stakeholders	Main issues of concern	Communication method (frequency)	Actual stakeholders communication
	<ul style="list-style-type: none"> <li>▪ Protection of trade secrets</li> <li>▪ Sustainable development strategy</li> <li>▪ Morals and integrity</li> <li>▪ Compliance to environmental protection laws</li> </ul>	<ul style="list-style-type: none"> <li>➤ Supplier audits (ad hoc)</li> <li>➤ Supplier visits or telephone conferences (ad hoc)</li> <li>➤ Review meetings for each department (performed according to product category)</li> <li>➤ Procurement meeting (regular)</li> <li>➤ Supplier e-mail: <a href="mailto:supplier@winwayglobal.com">supplier@winwayglobal.com</a></li> <li>➤ Contact window: Manager Chang</li> </ul>	<ul style="list-style-type: none"> <li>▪ Procurement staff audits (ad hoc)</li> <li>▪ Supplier visits - primary raw materials (once/month)</li> </ul>

(Note 3)

Continuing education of directors in 2021

Title	Name	Date of Training	Organizer	Course Name	Hours
Chairman	Mark Wang	2021/10/28	Securities & Futures Institute	Corporate governance and Board of Directors practices	3
				Application of analysis and decision-making with corporate financial information	3
		2021/11/17		Exploration of compensation between employees and directors - Discussions from revisions to Article 14 of the Securities Exchange Act	3
				Discussion of intellectual property management from a director's perspective	3
Director	JQ Lee	2021/10/28	Securities & Futures Institute	Corporate governance and Board of Directors practices	3
				Application of analysis and decision-making with corporate financial information	3
		2021/10/29		Information transparency and prevention of insider trading	3
				Case studies of intellectual property rights - protections for patent rights and trade secrets	3
Director	Jason Chen	2021/10/28	Securities & Futures Institute	Corporate governance and Board of Directors practices	3
				Application of analysis and decision-making with corporate financial information	3
		2021/10/29		Information transparency and prevention of insider trading	3
				Case studies of intellectual property rights - protections for patent rights and trade secrets	3
Director	Cliff Liu	2021/10/28	Securities & Futures Institute	Corporate governance and Board of Directors practices	3
				Application of analysis and decision-making with corporate financial information	3
		2021/10/29		Information transparency and prevention of insider trading	3
				Case studies of intellectual property rights - protections for patent rights and trade secrets	3
Director	CHIANG HOCK WOO	2021/10/28	Securities & Futures Institute	Corporate governance and Board of Directors practices	3
				Application of analysis and decision-making with corporate financial information	3



		2021/10/29		Information transparency and prevention of insider trading	3	
				Case studies of intellectual property rights - protections for patent rights and trade secrets	3	
Independent Director	Hsiu Yi Hung	2021/10/28	Securities & Futures Institute	Corporate governance and Board of Directors practices	3	
				Application of analysis and decision-making with corporate financial information	3	
		2021/10/29		Information transparency and prevention of insider trading	3	
				Case studies of intellectual property rights - protections for patent rights and trade secrets	3	
Independent Director	Ted Lee	2021/10/28	Securities & Futures Institute	Corporate governance and Board of Directors practices	3	
				Application of analysis and decision-making with corporate financial information	3	
		2021/10/29		Information transparency and prevention of insider trading	3	
				Case studies of intellectual property rights - protections for patent rights and trade secrets	3	
Independent Director	Wilson Wang	2021/10/28	Securities & Futures Institute	Corporate governance and Board of Directors practices	3	
				Application of analysis and decision-making with corporate financial information	3	
		2021/10/29		Information transparency and prevention of insider trading	3	
				Case studies of intellectual property rights - protections for patent rights and trade secrets	3	
Independent Director	Dennis Chang	2021/08/04	Taiwan Corporate Governance Association	Corporate Governance and Securities Laws and Regulations	3	
		2021/10/28	Securities & Futures Institute	Corporate governance and Board of Directors practices	3	
				Application of analysis and decision-making with corporate financial information	3	
				2021/10/29	Information transparency and prevention of insider trading	3
					Case studies of intellectual property rights - protections for patent rights and trade secrets	3

(IV) If the company has a Remuneration Committee, disclose its composition, responsibilities and operations.

1. Members of the Remuneration Committee

Identity Type	Qualifications Name	Professional qualifications and experience	Independence (Note 2)	Number of other public companies in which the member also serves as a member of their remuneration committee
Independent Director	Hsiu Yi Hung	Please refer to pages 13 to 16 - Professional qualifications and independence of directors		0
Independent Director	Ted Lee			0
Independent Director	Wilson Wang			0

2. Roles and Responsibilities of the Remuneration Committee

Committee members must exercise the care of a prudent manager to fulfill the following duties, and offer recommendations to the Board of Directors for discussion.

- (1) Regularly review these regulations and propose corrective suggestions.
- (2) Establish performance evaluation standards, annual and long-term performance targets, remuneration and compensation policies, systems, standards, and structures to regularly review the company's directors, supervisors, and executive officers then disclose the performance evaluation standards in the annual report.
- (3) Regularly evaluate the progress of performance targets for the company's directors, supervisors, and executive officers; set the contents and amount of individual remuneration based on the results of their performance evaluations.

3. Operation of the Remuneration Committee

- (1) The current Remuneration Committee has 3 members.
- (2) Current term of office: March 10, 2020 to January 9, 2023. The Remuneration Committee convened 2 times (A) in 2021, the qualifications and attendance records of members are as follow:

Title	Name	Actual attendance (B)	Attendance by proxy	Actual Attendance rate (B)/(A)	Notes
Convener	Hsiu Yi Hung	2	0	100%	
Committee member	Ted Lee	2	0	100%	
Committee member	Wilson Wang	2	0	100%	

Other disclosures:

- I. If the Board of Directors did not adopt or revised the recommendations of the compensation committee, describe the date of board meeting, term of the board, agenda item, resolutions adopted by the board, and actions taken by the company in response to the opinion of the compensation committee (if the remunerations approved by the board of directors are better than those recommended by the compensation committee, describe the difference and reasons): None.
- II. If with respect to any resolution of the Remuneration Committee, any member has a dissenting or qualified opinion that is on record or stated in a written statement, describe the date of committee meeting, term of the committee, agenda item,

Title	Name	Actual attendance (B)	Attendance by proxy	Actual Attendance rate (B)/(A)	Notes
opinions of all members, and actions taken by the company in response to the opinion of members: None.					

4. Discussions and resolutions by the Remuneration Committee in 2021 and the company's response to the opinion of their members:

5th Meeting of the 2nd Remuneration Committee (March 19, 2021)

Agenda	Resolutions	The Company's response to Remuneration Committee opinions
Proposal for the 2020 distribution of remuneration to employees and directors	Proposal approved as proposed by all members in attendance	Approved by all attending members of the Board of Directors

6th Meeting of the 2nd Remuneration Committee (July 13, 2021)

Agenda	Resolutions	The Company's response to Remuneration Committee opinions
Proposal for the company's 2020 director remuneration distribution	Proposal approved as proposed by all members in attendance	Approved by all attending members of the Board of Directors
Proposal for the 2020 distribution of remuneration to executive officers	Proposal approved as proposed by all members in attendance	Approved by all attending members of the Board of Directors

(V) Promotion status of sustainable development and discrepancy with industry standards in sustainable development practices and reasons

Promoted items	Operating status			Discrepancy with industry standards in sustainable development practices and reasons for listed companies						
	Yes	No	Summary							
I. Does the Company have a governance structure for promoting sustainable developments and exclusively (or concurrently) dedicated units to be in charge of proposing and enforcing sustainable development, and let the Board of Directors entrust the high-ranking management with the implementation and supervise the status?	✓		In 2021, the company established an "ESG Committee" chaired by the Chairman; ESG teams were established in relevant business divisions to establish and review the progress of ESG targets in coordination with executive officers. The environmental health and safety risks that may impact corporate operations are identified, assessed, handled, and managed by relevant management systems and the convening of management review meetings 4 times each year. The daily operations of each department is included and tracked to reduce the influence of unfavorable factors and their potential risks to the sustainable operation of this company.	No difference						
II. Does the company perform assessments of risks in environmental, social, and corporate governance issues relevant to its business activities and devise risk management policies and strategies accordingly?	✓		<div>1. The disclosed information encompasses the sustainable development performance of all factories in the Taiwan region from January 2021 to December 2021.</div> <div>2. The company has devised a risk management policy with general action plans that effectively identify, assess, monitor, and manage environmental, social, and corporate governance issues to reduce the impact of related risks.</div> <table><tr><th>Important issues</th><th>Risk assessment</th><th>Description</th></tr><tr><td>The environment</td><td>Environmental impact and management</td><td><div>1. The company strives to protect the environment through institutionalized management cycles that effectively decrease pollution emissions and their impact towards the environment.</div><div>2. The company obtained "ISO 14001"</div></td></tr></table>	Important issues	Risk assessment	Description	The environment	Environmental impact and management	<div>1. The company strives to protect the environment through institutionalized management cycles that effectively decrease pollution emissions and their impact towards the environment.</div> <div>2. The company obtained "ISO 14001"</div>	No difference
Important issues	Risk assessment	Description								
The environment	Environmental impact and management	<div>1. The company strives to protect the environment through institutionalized management cycles that effectively decrease pollution emissions and their impact towards the environment.</div> <div>2. The company obtained "ISO 14001"</div>								

					<p>certification for environmental management in 2014 and has regularly obtained subsequent certifications.</p> <p>3. Formulate key action plans each year, regularly track and review the progress of each target to ensure that they are achieved.</p> <p>4. In terms of the company's compliance to various environmental laws, internal audit plans are performed each year to confirm that all operations and procedures are regulatory compliant.</p>	
			Community	Occupational safety	<p>1. The company obtained "ISO45001 Occupational health and safety management system" certification in 2019.</p> <p>2. Fire safety drills and occupational safety training are held regularly each year to develop employee competence in emergency response and personal safety management.</p>	
				Product safety	<p>1. All products of the company do not contain any hazardous substances in compliance with government laws and regulations and the EU RoHS Directive. Also, a customer service number and communication website have been established to ensure customer service quality. Each year, customers are regularly contacted to survey their satisfaction of services and to strengthen partnerships with customers.</p> <p>2. The company has taken product liability insurance of USD \$2 million to transfer product liability risks, provide timely guarantees to customers, dampen the loss of property, and increase product</p>	

					safety. The insurance certificate is 51-110-09863205-00002-PDL.	
			Corporate governance	Regulatory compliance	<p>1. The establishment of a governance organization and implementation of internal control mechanisms ensures that all employees and operations of this company comply with the relevant laws and regulations.</p> <p>2. The company's rights and interests are guaranteed through patent applications for products developed by the company.</p>	
				Strengthen the functions of directors	<p>1. Plan continuing education for directors and provide them with the latest regulatory developments, systems, and policies each year.</p> <p>2. Provide directors with liability insurance to protect them from lawsuits or claims.</p>	
				Stakeholder communication	The company analyzes key issues of concern for important stakeholders and establishes various communication channels to actively engage and reduce opposition and misunderstandings. An investors e-mail has been established for which the spokesperson is in charge of handling and responding to investors.	
<p>III. Environmental issues</p> <p>(I) Has the company developed an appropriate environmental management system, given its distinctive characteristics?</p>	✓		<p>The company complies with environmental protection laws as well as relevant international standards and guidelines to fulfill our responsibility in protecting the environment and strive for the development of a sustainable environment. The company implemented the ISO 14001 environmental management system in 2014 and completed ISO 14001 in 2017: 2015 revision certification. The company's environmental policies are established based on industry characteristics; environmental management plans are continuously improved and their effective operation is ensured through internal/external audit systems.</p>			No difference

(II) Does the company endeavor to improve energy usage efficiency and use renewable materials which have a low impact on the environment?	✓		<ol style="list-style-type: none"> <li>1. The company utilizes life cycle as consideration to implement control measures such as environment-oriented product design, waste reduction in manufacturing processes, banning hazardous substances (RoHS), managing chemical raw materials, classifying and managing waste, R.O. wastewater recycling, and energy conservation management to reduce the environmental impact of various products, services, and activities.</li> <li>2. In terms of green manufacturing, the primary raw materials used in production are compliant with international environmental standards such as RoHS and REACH. The company strives to reduce the consumption of natural resources, reduce waste, and develop recycling technologies; eco-friendly packaging materials are selected for use and action plans such as reduce, recycle, and reuse have been adopted.</li> </ol>	No difference
(III) Does the company evaluate the potential risks and opportunities in climate change with regard to the present and future of its business, and take appropriate action to counter climate change issues?	✓		<ol style="list-style-type: none"> <li>1. Climate change is one of the environmental issues of concern at the company. The potential risks and opportunities are regularly reviewed annually and much effort is invested into the implementation of energy and water conservation plans.</li> <li>2. The company has proactively implemented digital operation platforms, reduced the use of printing paper, and is shifting towards the goal of paperless operations in anticipation of becoming an environmentally sustainable low carbon eco-friendly corporation.</li> </ol>	No difference
(IV) Does the company take inventory of its greenhouse gas emissions, water consumption, and total weight of waste in the last two years, and implement policies on greenhouse gas reduction, water use reduction, or waste management?	✓		<p>The company took inventory of total water usage and waste output of factories in 2020 and 2021: annual water usage (including water for manufacturing processes and daily operations) was 10,110 mt and 12,363 mt respectively; total weight of waste (including industrial wastewater) was 435.035 mt and 713.9 mt respectively. Based on the fact that the company's primary source of greenhouse gas emissions is from electricity use and other indirect emission sources which are not required by law to take inventory in the registered industry and manufacturing processes, no relevant statistical data is available. While the company does not take inventory of greenhouse gas emissions, compliance to environmental laws is still observed by fulfilling the responsibilities of waste reduction and environmental protection. The principles of "prevention over treatment" is implemented while offering excellent green products, continuous improvement of environmental management systems for environmental policies, and strive to promote energy conservation and waste reduction plans to achieve the target of energy conservation and reduction of both carbon and greenhouse gases.</p>	No difference

			<p>Results of energy conservation and waste reduction plans implemented in 2020: Average electricity use for lighting purposes in the Kaohsiung and Hsinchu factories were reduced by 11% (all replacements have been completed for areas of operation).</p> <p>The water conservation of manufacturing processes and wastewater reduction plans implemented in 2020 and 2021 effectively conserved 28.9% energy performance and 28.9% waste reduction.</p> <p>In 2020, 99.96 kilowatts of solar photovoltaic was installed to produce 134,360 kWh of green electricity in 2021; annual reduction of carbon emissions was 74.3 mt.</p>	
<p>IV: Social issues</p> <p>(I) Has the company developed its policies and procedures in accordance with laws and the International Bill of Human Rights?</p>	✓		<p>WinWay Technology fulfills our corporate social responsibility and strives to guarantee the basic human rights of all colleagues. We acknowledge and comply with the International Bill of Human Rights, The UN Global Compact, United Nations Guiding Principles on Business and Human Rights, the International Labour Organization, and other international human rights conventions. We also encourage our business partners to eliminate any violations or infringements of human rights in their business activities as well as comply with local labor laws. The scope of WinWay Technology's application of human rights policies on the company and its subsidiaries is as follows:</p> <ol style="list-style-type: none"> <li>1. Provide safe, healthy, hygienic work environments.</li> <li>2. Eliminate all forms of discrimination, bullying, and harassment.</li> <li>3. Support and strive for the physical/mental health and work life balance of employees.</li> <li>4. Ban the hiring of child labor and forced labor.</li> <li>5. Provide various channels for internal/external communication and reporting violations.</li> <li>6. Guarantee job opportunities and equal pay.</li> <li>7. Employees have the freedom of association and to form organizations in compliance with laws.</li> <li>8. Commitment to procure materials from responsible mines.</li> <li>9. Establish various regulations to reduce the risk of human rights violations.</li> <li>10. Respect privacy, ensure that all collection and use of personal data complies with laws and regulations.</li> </ol>	No difference
<p>(II) Does the company establish and implement reasonable employee benefits (including remuneration,</p>	✓		<ol style="list-style-type: none"> <li>1. The company provides good labor conditions and satisfies employee demands. In addition to providing basic guarantees, the Employee Welfare Committee organizes various employee welfare events and subsidies.</li> </ol>	No difference



<p>leave, and other benefits), and ensure business performance or results are reflected adequately in employee remuneration?</p>			<p>Guidelines have been established for remuneration, various bonuses, and examination methods to effectively link work performance to an individual's remuneration.</p> <p>2. The company offers competitive salaries and bonuses in order to attract and retain exceptional talent and to share the results of the company's operations with employees. A reasonable and competitive remuneration system is provided.</p> <p>(1) Competitive and incentivizing remuneration</p> <ul style="list-style-type: none"> <li>◆ Provide annual salary of 15 months</li> <li>◆ Provide reasonable salary adjustments based on work performance (the average 2021 salary adjustment provided for managerial and non-managerial roles in the Taiwan region was 5%, the maximum individual adjustment was 13%).</li> <li>◆ Performance bonuses and annual dividends are based on the results of company profit, division targets, and personal performance evaluations</li> <li>◆ Provide group insurance</li> </ul> <p>(2) Activities for physical and mental balance</p> <ul style="list-style-type: none"> <li>◆ Regularly host year-end banquets</li> <li>◆ Domestic company trips, annual travel subsidies</li> <li>◆ Quarterly department gatherings and club activities from time to time</li> <li>◆ Headquarters offers rooms for pool/table tennis/fitness/nursing/rest</li> </ul> <p>(3) Flexible vacations</p> <ul style="list-style-type: none"> <li>◆ Weekends off/flexible work schedule</li> <li>◆ Paternity leave, maternity leave, parental leave without pay, childcare work hours, family care leave, menstrual leave, etc.</li> </ul> <p>(4) Compassionate colleague assistance</p> <p>Provide gifts for marriage and childbirth, hospitalization consolation money and gifts, funeral consolation money, and emergency rescue funds, etc.</p> <p>(5) Employee Welfare Committee:</p> <p>The company has established an Employee Welfare Committee to plan and organize various employee benefits in accordance to the Employee Welfare Fund Act. The planning of an annual budget and welfare provides employees with assistance in areas such as marriages, funerals, diseases, and childbirth as well as gifts of money on birthdays and holidays, and regular organization of various travel activities to provide employees with good physical and mental balance and improve camaraderie between colleagues.</p>	
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			(6) Employee care Flexible work hours allow employees to independently adjust their work hours.	
(III) Does the company provide employees with a safe and healthy work environment? Are employees trained regularly on safety and health issues?	✓		<p><b><u>Policies and management of occupational safety and health</u></b>  The company complies with requirements of the Occupational Safety and Health Act and the articles and structures of the International Organization for Standardization's (ISO) "Occupational health and safety management system (ISO 45001:2018) in formulating occupational health and safety policy and collecting internal/external issues such as the demands and expectations of stakeholders. The risk assessment of safety and health is performed through the support of executive officers and with the consultation and participation of workers to formulate and execute occupational health and safety targets and performance indicators. The use of measures such as automated joint locking protective devices in machinery, chemical substance management, hazard warning signs, and distribution of protective supplies help eliminate hazards and reduce occupational safety and health risks; regular training in safety and health helps promote awareness in employees while regular employee health examinations are organized with professional medical staff to provide consultation, guidance, and build a safe and healthy workplace environment.</p> <p><b><u>Scope of management system validations</u></b>  The company's headquarters obtained certification for ISO 45001 occupational safety and health management system in 2019 and obtained a SGS certificate (2019.12.25-2022.12.25).</p> <p><b><u>Monitoring of operation environments</u></b>  The planning and execution, sampling, monitoring, and analysis of operational work environments is used to assess employee exposure conditions in their operation environments. Monitoring is performed regularly twice a year to verify that concentrations of hazardous substances in the workplace are lower than permitted exposure standards in order to guarantee the safety of on-site workers.</p> <p><b><u>Work safety inspections</u></b>  <ul style="list-style-type: none"> <li>On-site patrol and management of occupational safety and health</li> </ul> The supervisors of each department perform regular or irregular patrols of health</p>	No difference

		<p>and safety for areas within their responsibility and offer safety guidance to workers with unsafe behavior.</p> <p>The Industrial Safety Office performs ad hoc safety and health inspections both monthly and weekly across factory areas and operation sites. If an exception is discovered during inspections, a notice is issued to the department at fault to implement corrective, preventative, and improvement measures.</p> <ul style="list-style-type: none"><li>• Inspections of contractor construction</li></ul> <p>When contractors enter factory areas, the department requiring construction must notify contractors of operational hazards and compliance to safety and health regulations. During construction, the department requiring construction and the Industrial Safety Office must perform safety inspections, simultaneously providing counsel and auditing, to jointly prevent the occurrence of occupational hazards and protect safety in the workplace.</p> <p><b><u>Occupational safety performance</u></b></p> <ul style="list-style-type: none"><li>• Past 3 years at the company - statistics of incapacitating injuries to employees</li></ul> <table><tr><th>Year \ Accident type</th><th>Death</th><th>Permanent Total disability</th><th>Permanent Partial disability</th><th>Temporary Total disability</th></tr><tr><td>2019</td><td>0</td><td>0</td><td>0</td><td>1</td></tr><tr><td>2020</td><td>0</td><td>0</td><td>0</td><td>0</td></tr><tr><td>2021</td><td>0</td><td>0</td><td>0</td><td>0</td></tr></table> <p>Description: The statistics above are limited to the scope of business conducted within factories and does not include accidents that occur during commutes.</p> <ul style="list-style-type: none"><li>• In 2021, there was 1 case of a work related accident resulting in mild injury. The injury was due to worker carelessness and improper wearing of protective equipment, causing chemical burns from the splashing that occurred due to the breaking of a chemical substance container. Improvement measures have been performed for this case by adjusting the volume of chemical containers so they are easily accessed by workers; training was strengthened for workers, requesting them to properly wear protective equipment to prevent similar incidents from reoccurring.</li></ul>	Year \ Accident type	Death	Permanent Total disability	Permanent Partial disability	Temporary Total disability	2019	0	0	0	1	2020	0	0	0	0	2021	0	0	0	0	
Year \ Accident type	Death	Permanent Total disability	Permanent Partial disability	Temporary Total disability																			
2019	0	0	0	1																			
2020	0	0	0	0																			
2021	0	0	0	0																			
(IV) Does the company set up effective	✓	WinWay Technology's implementation of talent cultivation and competency	No																				

career development and training programs for its employees?			<p>training received acknowledgment in 2021 by receiving a bronze award from Talent Quality Management System (TTQS). The purpose of development and training is to give employees an understanding of the company's operating strategy and organization overview, add to the professional knowledge and technical capabilities required in their jobs, and allow employee's goals to coincide with the company's to maximize value and profit.</p> <p>WinWay Technology emphasizes the training, development, and competency of all colleagues by planning comprehensive learning structures: Basic and general training for new employees, professional training by department, interdepartmental training, and promotion management training are used to construct a comprehensive career development training course that improves the general quality and skills of employees. Additionally, the organization's ability to adapt to environments is strengthened, improving the company's competitiveness and achievement of the established operating strategies and targets.</p>	difference
(V) Does the Company comply with relevant laws and international standards in relation to customer health and safety, customer privacy, marketing, and labeling of products and services, and has it established relevant consumer or customer protection policies and grievance procedures?	✓		<p>The laboratories implemented at the company's R&amp;D center and partner certification agencies comply with international energy efficiency guidelines to ensure that sale of products is legal in global regions and satisfy the product energy efficiency standards of both customers and markets. The company has established procedures for handling customer complaints and a transparent, effective communication channel for products and services. There is also an area for corporate social responsibility on the corporate website which contains a communication channel for stakeholders to facilitate the expression of customer complaints and various stakeholder opinions; customer satisfaction questionnaires are conducted annually and their results are used in analysis and improvement.</p>	No difference
(VI) Does the company implement supplier management policies, requiring suppliers to observe relevant regulations on environmental protection, occupational health and safety, or labor and human rights? If so, describe the results.	✓		<p>The company has established a "Management Guidelines for WinWay Suppliers" which includes screening requirements for suppliers that implement environmental protections, human rights, safety, health, and sustainable development; suppliers are given requirements and expectations in the aspects of environmental safety and health risks, banning child labor, labor management, non-infringement of basic labor rights, moral standards, and integrity based operations.</p> <p>The company has established a supplier counseling plan based supplier selection, audit counseling, performance evaluations, training, and supplier forums; the plan is based on cooperation and implements sustainability requirements in the</p>	No difference

			<p>daily management of supply chains. Currently, 100% of the suppliers working with the company meet the following requirements.</p> <p>Supplier evaluation:</p> <ol style="list-style-type: none"> <li>1. All suppliers must supplier evaluations and comply with the supplier's code of conduct.</li> <li>2. Suppliers of raw materials related to manufacturing processes must pass certification for ISO9001 quality management system.</li> <li>3. Contractors in factory and related operations must obtain certification for ISO45001 occupational safety and health management system.</li> <li>4. Suppliers must obtain valid government issued factory registrations based on their industry category and obtain certification for ISO14001 environmental management. (Latest certificate valid from 2020/7/24-2023/7/24)</li> </ol> <p>Supplier audits:</p> <p>The company has established an audit group and counseling team which focus on tracking the faults of suppliers and their progress of improvement, collaborating to improve quality and technology, strengthening the performance of environmental protections, safety, and health, and implement automation to improve production capacity.</p>	
V. Does the Company adopt internationally widely recognized standards or guidelines when producing sustainability reports and reports disclosing the company's non-financial information? Do the reports above obtain assurance from a third party verification unit?	✓		<p>The company has yet to compile a sustainability report.</p> <p>The company discloses information related to the implementation of sustainable development in the annual report and corporate website.</p>	No difference
<p>VI. If the Company has established sustainable development principles based on Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies, please describe any discrepancy between the principles and their implementation:</p> <p>The company has established best practice principles for sustainable development that operate without any significant differences.</p>				
<p>VII. Other material information that can assist with understanding the progress of implementing sustainable development (such as environmental protection, community participation, social contribution, social services, social welfare, consumer's rights, human rights, safety and health, or any other systems and measures for social responsibility and their fulfillment progress):</p> <p>(I) Environmental protection: Continuous improvement in compliance to environmental protection laws, execution of controls, and implementation of the ISO14001 environmental management system.</p> <p>(II) Community participation, social contribution, social services, social welfare:</p>				

1. 2021: Hired more than the required number of people with disabilities
2. Government agency activities:
  - (1) March 2021: Assisted the Workforce Development Agency Kaohsiung-Pingtung-Penghu-Taitung Regional Branch with organizing the lecturer event [5G NEXT Transitioning to New Future Careers].
  - (2) December 2021: Assisted the Workforce Development Agency Kaohsiung-Pingtung-Penghu-Taitung Regional Branch with organizing the [2021 Service Results Presentation].
  - (3) January 2022: Assisted the Workforce Development Agency Kaohsiung-Pingtung-Penghu-Taitung Regional Branch with organizing the [TDC Bimonthly Invitational Column - Professional Lecturers] event.
3. Results of WinWay's compassion club Charities:
  - (1) January 2021: Partnered with the Children Are Us Foundation to start a charity lunchbox adoption for children event that saw passionate response from 184 colleagues.
  - (2) January 2021: Partnered with the Kaohsiung Jiaxian District Datian Community Development Association to gift winter blankets to seniors living alone and disadvantaged families.
  - (3) February 2021: Partnered with the Chinese Christian Relief Association in a project to donate and help families in distress - nationwide donation warriors event.
  - (4) March 2021: Partnered with the Eden Social Welfare Foundation to host an internal concert with blind musicians and inviting colleagues to attend the music banquet.
  - (5) May 2021: Partnered with the Eden Social Welfare Foundation to sponsor a slow angels music recital.
  - (6) August 2021: Partnered with Step30 to donate supplies.
  - (7) September 2021: Partnered with Down Syndrome Foundation R.O.C. in a Mid-Autumn Festival charity donation event.
  - (8) December 2021: Partnered with Sunshine Social Welfare Foundation in a series of events for donating old books, fundraising, and charity sales.

(III) Consumer's rights: The company has appointed personnel to handle customer complaint cases and service customers.

(IV) Human rights: Employees are recruited under the principle of equal hiring; the company complies with the Labor Standards Act and relevant laws to guarantee human rights and the rights and interests of employees. Guarantee that employee's right to employment are not violated, prohibit discriminatory behavior based on groups, skin color, age, gender, sexual orientation, nationality, pregnancy, religion, political party, club membership, or marital status to ensure that all individuals are treated equally and fairly. Prohibit any form of employment discrimination.

(V) Safety and health: Continuously improve compliance to safety and health regulations, execute controls, and implement the ISO45001 occupational safety and health management system.

1. Optimizing nursing environments in the workplace:

In 2020, the company responded to the Ministry of Labor's Nursing Room Subsidy Implementation Project and procured suitable equipment to improve nursing room environments. Existing nursing rooms were updated to meet the needs and requirements of female employees, increasing the friendliness and satisfaction level of nursing facilities and the willingness of women to return to the workplace after childbirth to utilize their professional skills and increase productivity.

2. Management of health risks in the workplace:

Throughout 2020 and 2021, an epidemic prevention response plan was implemented against COVID-19 along with proactive compliance with information released by the Central Epidemic Command Center. The company made rolling adjustments to epidemic prevention measures and plans, organized safety training or propaganda for workplace epidemic prevention whenever necessary, and encouraged employees to receive their vaccinations to better protect healthy work environments.

3. The company strives to implement measures to prevent smoking in the workplace to build a healthy work environment for employees; in 2021, the company received certification from the Health Promotion Administration, Ministry of Health and Welfare and obtained a Badge of Accredited Healthy Workplace.

VII. If the corporate social responsibility reports have been certified by external institutions, they should state so below: N/A.

(VI) Implementation of ethical corporate management and measures and departure from Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and reasons:

Evaluation item	Operating status			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Summary	
<p>I. Establishment of ethical corporate management policy and approaches</p> <p>(I) Has the company implemented a board-approved ethical corporate management policy and stated in its regulations and external correspondence the ethical corporate management policy and practices, as well as the active commitment of the board of directors and management towards enforcement of such policy?</p> <p>(II) Does the company establish mechanisms for assessing the risk of unethical conduct, periodically analyze and assess operating activities within the scope of business with relatively high risk of unethical conduct, and formulate an unethical conduct prevention plan on this basis, which at least includes preventive measures for conduct specified in Article 7, Paragraph 2 of the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies?</p> <p>(III) Does the company provide clearly the operating procedures, code of conduct, disciplinary actions, and appeal procedures in the programs against unethical conduct? Does the company enforce the programs above effectively and perform regular reviews and amendments?</p>	<p>✓</p> <p>✓</p> <p>✓</p>		<p>(I) The company's Principles for Honest Business Practices was approved by the Board of Directors on December 12, 2019; additionally, the company's Procedures and Guidelines for Ethical Corporate Management Best Practice Principles was approved for revision by the Board of Directors on March 19, 2021.</p> <p>(II) The company has established Procedures and Guidelines for Ethical Corporate Management Best Practice Principles detailing how to prevent unethical behavior and procedures for handling illegitimate interests. By combining regular propaganda of ethical corporate management practices with human resource policies, effective systems for complaints, rewards, and punishment have been established.</p> <p>(III) Establish effective accounting and internal control systems, prohibit the taking and sending of bribes, illegal political donations, the giving or acceptance of inappropriate gifts, entertainment, or other illegitimate interests; the design and execution of these systems are continuously reviewed to ensure they remain effective.</p>	No difference
<p>II. Implementation of ethical corporate management</p> <p>(I) Does the company evaluate the ethical records of counterparties and sign contracts with them?</p>	✓		<p>(I) Prior to establishing a business relationship, the company evaluates the counterparty's legality, ethical corporate management policies, and establish provisions for ethical behavior in contracts signed with primary external suppliers.</p>	No difference



(II) Does the company have a dedicated unit responsible for business integrity under the board of directors which reports the ethical management policy and programs against unethical conduct regularly (at least once a year) to the board of directors while overseeing such operations?	✓		(II) The President's Office is the responsible unit for revisions, execution, explanations, establishing records for reported content, relevant operations, and the overseeing of the procedures and guidelines for ethical corporate management. The implementation progress in 2021 was reported to the Board of Directors on February 23, 2022; the implementation results of various ethical corporate management policies and prevention plans in 2022 are as follows: 1. Supplier commitments: Comprehensively request the signing of a ethical commitment statement and supplier's code of conduct for primary and new suppliers; achievement rate of 100%. 2. Policy propaganda and training: All colleagues at headquarters and the Hsinchu office were given training for data safety and confidentiality through methods such as in-person or online training and announcements; external experts were invited to organize in-person courses for business ethics and corporate anti-corruption to executive officers. 3. Reporting procedures and whistleblower protections: Establish a system for whistleblowers, report e-mail, clear procedures for handling reports, and a designated unit to handle affairs related to complaints and reports. 4. Regular inspections: Perform risk assessments of corruption related matters for business activities at all operation locations; independent audits from auditing units to ensure the operation of general mechanisms.	
(III) Has the company established policies to prevent conflicts of interests, implemented such policies, and provided adequate channels of communications?	✓		(III) The company's Procedures and Guidelines for Ethical Corporate Management Best Practice Principles sets clear guidelines, rewards, and punishments; also, a channel is provided to report statements and complaints in order to implement best practices.	
(IV) Does the company have effective accounting system and internal control systems set up to facilitate ethical corporate management, does the internal auditing unit formulate audit plans based on unethical conduct risk assessment results, and does it audit compliance with the unethical conduct prevention plan or commission a CPA to perform the audit?	✓		(IV) In order to implement ethical corporate management, the company's accounting and internal control systems are formulated in compliance with Regulations Governing the Preparation of Financial Reports by Securities Issuers, Regulations Governing Establishment of Internal Control Systems by Public Companies, and relevant regulations; an internal auditor regularly audits compliance to accounting and internal control systems and provides an audit report to the Board of Directors.	
(V) Does the company organize internal and external education and training periodically to help enforce honest operations?	✓		(V) The company regularly organizes training for ethical corporate management.	
III. Implementation of the Company's whistleblowing system				No difference

(I) Does the company provide incentives and means for employees to report malpractices? Does the company assign dedicated personnel to investigate the reported malpractices?	✓		(I) The company has established multiple reporting and complaint channels such as e-mail, employee suggestion box, whistleblower e-mail, as well as punishment and reward measures; review and revisions are implemented when necessary to achieve effective channels of communication so that issues can be quickly and effectively communicated and solved in the event of a problem.	
(II) Does the company have in place standard operating procedures for investigating and processing reports, as well as follow-up actions and relevant post-investigation confidentiality measures?	✓		(II) A complaint and reporting manual has been established with standard operating procedures for investigations as well as rules for confidentiality.	
(III) Has the company provided proper whistleblower protection?	✓		(III) Any cases involving whistleblowers are recorded and handled in a confidential manner. A designated staff member is assigned to handle each case and explicit confidentiality measures are in place to ensure that whistleblowers are protected.	
IV. Information disclosure improvement (I) Has the Company disclosed the contents or its Principles for Honest Business Practices as well as relative implementation results on its website and on the Market Observation Post System?	✓		The company has established Principles for Honest Business Practices and disclosed this information to investors through the corporate website.	No difference
V. Describe the deviations, if any, between actual practice and the ethical corporate management principles, if the company has formulated such principles based on the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies: No difference.				
VI. Other material information (such as the company's announcement of commitment and policies for ethical corporate management to companies with business relationships, invitations to participate in training, review and revisions of the company's Principles for Honest Business Practices, and other circumstances) that is beneficial for understanding the company's progress in ethical corporate management: None.				

(VII) If the company has established corporate governance principles and related guidelines, disclose the means of accessing this information:

The company has established bylaws such as the Principles for Honest Business Practices, Procedures and Guidelines for Ethical Corporate Management Best Practice Principles, Statutes for the Audit Committee, Code of Ethical Behavior, Corporate Social Responsibility Code of Practice, and Corporate Governance Best Practice Principles and disclosed them on the corporate website ([www.winwayglobal.com](http://www.winwayglobal.com)) for review.

(VIII) Other significant information which may improve the understanding of corporate governance and operation: None.

(IX) Implementation of internal control system:

1. Internal Control Statement

WinWay Technology Co., Ltd  
Statement of Internal Control System

Date: February 23, 2022

In 2021, the company conducted an internal audit of its internal control system and hereby declares the following:

- I. The company takes cognizance of the fact that the establishment, execution, and maintenance of its internal control system are the responsibilities of the company's Board of Directors and managers; such policies have been implemented throughout the company. The purpose is to provide reasonable assurance to the effectiveness and efficiency of business operations (including profitability, performance and security of assets), reliability of reports and compliance with relevant regulatory requirements in reaching compliance targets.
- II. Internal control regulations possess inherent shortcomings. Regardless of its design, an effective internal control system can only provide reasonable assurance of the three objectives as mentioned above. Furthermore, its effectiveness may change due to changes in the company's environment and circumstances. However, self-supervision measures were implemented within the Company's internal control system to facilitate immediate rectification once procedural flaws have been identified.
- III. The company determines the effectiveness of the design and implementation of its internal control system in accordance with the items in "Governing Regulations for Public Company's Establishment of Internal Control System" (hereinafter called "Governing Regulations") that are related to the effectiveness of internal control systems. The measures based on which to evaluate the internal control system adopted under the Governing Regulations are its five underlying elements, namely: 1. control environment, 2. risk assessment, 3. control activities, 4. information and communications, and 5. monitoring activities. Each of the elements in turn contains certain audit items. Please refer to "Governing Regulations" for details.
- IV. IV. The company has adopted the aforementioned measures for an evaluation of the effectiveness of the design and implementation of the internal control system.
- V. Based on the findings of the aforementioned examination, the company believes it can reasonably assure that the design and implementation of its internal control system as of Thursday, December 31, 2021 (including supervision and management of subsidiaries), including the effectiveness and efficiency in operation, reliability in financial reporting and compliance with relevant regulatory requirements, have achieved the aforementioned objectives.
- VI. This statement constitutes part of the company's annual report and prospectus, and shall be disclosed to the public. The company shall be legally liable under Articles 20, 32, 171 and 174 of the Securities and Exchange Act with respect to any unlawful aspects such as falsehood or concealment of facts in relation to the aforesaid statement.
- VII. This statement was passed by the Board of Directors on February 23, 2022, with none of the nine attending Directors expressing dissenting opinions, and the remainder all affirming the content of this statement.

WinWay Technology Co., Ltd

Chairman and President: Mark Wang

2. If the company engages an accountant to examine its internal control system, disclose the CPA examination report: None.

(X) The company's major deficiencies improvement status for internal personnel who have received penalties for violating the provisions of the internal control system in recent years and up to the publication date of this annual report: N/A

(XI) Important resolutions made during shareholders' meetings and board of directors' meetings in the past year and up to the publication date of this annual report

Meeting date	Title	Major resolutions
2021.03.19	Board of directors	<ol style="list-style-type: none"> <li>1. Passed the proposal for the 2020 internal control system effectiveness assessment and internal control system statement.</li> <li>2. Passed the proposal for the 2020 distribution of remuneration to employees and directors.</li> <li>3. Passed the company's 2020 business report and financial statements.</li> <li>4. Passed the proposal for the company's 2020 annual surplus distribution.</li> <li>5. Passed the proposal to formulate the "Standard Operating Procedures Requested by the Board of Directors".</li> <li>6. Passed the proposal to formulate the "Standard Operating Procedures Requested by the Board of Directors".</li> <li>7. Passed amendments to the company's "Rules of Procedure for General Shareholders' Meetings."</li> <li>8. Passed the proposal for revisions to the "Procedures and Guidelines for Ethical Corporate Management Best Practice Principles."</li> <li>9. Passed proposal to add 2 seats (including 1 independent director) to the Board of Directors.</li> <li>10. Passed proposal to release non-competition restrictions for newly appointed directors (including independent directors).</li> <li>11. Passed the proposal for related matters of convening the company's 2021 annual shareholders' meeting.</li> <li>12. Passed the proposal to execute employee stock option certificates subscription of common stock to issue new shares.</li> <li>13. Passed proposal to apply for a short-term loan from "E.SUN Bank".</li> <li>14. Passed proposal to apply for a short-term loan from "E.SUN Bank".</li> <li>15. Passed the proposal for cooperating with the internal rotation of the accounting firm to replace CPAs and assessment of their independence and suitability.</li> </ol>
2021.05.11	Board of directors	<ol style="list-style-type: none"> <li>1. Passed the proposal to revise the company's "Chop Management Guidelines"</li> <li>2. Passed the proposal to elect 2 additional seats (including 1 independent director) to the Board of Directors and qualification review of director candidates.</li> <li>3. Passed the proposal to execute employee stock option certificates subscription of common stock to issue new shares.</li> </ol>

		4. Passed the proposal for an extension of the loan amount due to "CTBC Bank".
2021.07.13	Board of directors	<ol style="list-style-type: none"> <li>1. Passed the proposal to postpone the convening date and location of the 2021 regular shareholders' meeting.</li> <li>2. Passed the proposal for 2020 director remuneration distribution of the company.</li> <li>3. Passed the proposal for the 2020 distribution of remuneration to executive officers.</li> </ol>
2021.07.30	Regular shareholders' meeting	<ol style="list-style-type: none"> <li>1. Ratification of the 2020 business report and financial statements</li> <li>2. Ratification of the 2020 annual surplus distribution Implementation: June 30, 2021 has been set as the base distribution date and as per resolutions in the shareholders meeting, all distribution will be completed on July 16, 2021 (cash dividends per share 12.98350156)</li> <li>3. Passed the proposal to revise the "Directors Election Procedure". Implementation: Announced on the corporate website in August 2021 and handled according to subsequent procedures of revision.</li> <li>4. Passed amendments to the company's "Rules of Procedure for General Shareholders' Meetings." Implementation: Announced on the Market Observation Post System on August 16, 2021 and handled according to subsequent procedures of revision.</li> <li>5. Passed the proposal for revisions to "Measures for the Management of Loans to Others and Endorsements". Implementation: Announced on the corporate website in August 2021 and handled according to subsequent procedures of revision.</li> <li>6. Passed proposal to add 2 seats (including 1 independent director) to the Board of Directors. List of appointed directors: CHIANG HOCK WOO List of appointed independent directors: Dennis Chang Implementation: Approved for registration by the Ministry of Economic Affairs on August 16, 2021.</li> <li>7. Passed proposal to release non-competition restrictions for newly appointed directors (including independent directors).</li> </ol>
2021.08.10	Board of directors	<ol style="list-style-type: none"> <li>1. Approved revisions to the company's "Approval Authorization Chart"</li> <li>2. Passed the proposal to revise the "Statutes for the Audit Committee" and "Measures for the Deliberation and Operation of the Audit Committee".</li> <li>3. Passed the proposal for remuneration to the company's appointed CPA.</li> <li>4. Passed the proposal to execute employee stock option certificates subscription of common stock to issue new shares.</li> <li>5. Passed the proposal for an extension of the loan amount due to "Hua Nan Commercial Bank".</li> <li>6. Passed the proposal for an extension of the loan amount due to "Taishin International Bank".</li> </ol>

2021.11.10	Board of directors	<ol style="list-style-type: none"> <li>1. Passed the proposal to revise the company's "Internal Control Systems" and "Implementation Details of Internal Audits".</li> <li>2. Passed the company's 2022 "Auditing Plan".</li> <li>3. Passed the proposal to execute employee stock option certificates subscription of common stock to issue new shares.</li> <li>4. Passed the proposal for an extension of the loan amount due to "E.SUN Bank".</li> <li>5. Passed the proposal for an extension of the loan amount due to "Mega International Commercial Bank".</li> </ol>
2022.02.23	Board of directors	<ol style="list-style-type: none"> <li>1. Passed the proposal for the "2021 Internal Control System Statement".</li> <li>2. Passed the proposal for the company's 2022 business plan and budget.</li> <li>3. Passed the proposal for the 2021 distribution of remuneration to employees and directors.</li> <li>4. Passed the proposal for the company's 2021 business report and financial statements.</li> <li>5. Passed the proposal for the company's 2021 annual surplus distribution.</li> <li>6. Passed the proposed amendment to the "Corporate Governance Best Practice Principles".</li> <li>7. Passed the proposed amendment to the company's "Corporate Social Responsibility Best Practice Principles".</li> <li>8. Passed the proposal for releasing the non-competition restriction on directors.</li> <li>9. Passed the proposal for related matters of convening the company's 2022 annual shareholders' meeting.</li> <li>10. Passed the proposal to rename Suzhou Winway Interconnect Technology Co., Ltd, the company's reinvested company, to WinTest Enterprises (Suzhou) Co., Ltd and merge with WinTest Enterprises (Shanghai) Co., Ltd and then establish a new Shanghai branch of WinTest Enterprises (Suzhou) Co., Ltd.</li> <li>11. Passed the proposal for the company's quota for securities investments.</li> <li>12. Passed the proposal to execute employee stock option certificates subscription of common stock to issue new shares.</li> </ol>

(XII) Dissenting or qualified opinions of Directors or Supervisors against an important resolution passed by the Board of Directors that is on record or stated in a written statement in the past year and up to the date of report: None.

(XIII) Summary of resignation or dismissal for chairman, president, accounting supervisor, financial officer, internal auditor, corporate governance officer, and R&D officer in the past year up to the printing date of this annual report:

Title	Name	Date of appointment	Date of dismissal	Reason for resignation or dismissal
R&D Director	Nicholas Lai	2014.09.01	2021.10.22	Personal career plans
Audit Officer	Fang Hsiao-Hui	2021.03.19	2022.03.04	Personal career plans

V. Information on CPA fees:

(I) Information on CPA:

2021

Name of accounting firm	Name of accountants	Audit period	Audit fee	Non-audit fee	Total	Notes
KPMG Taiwan	Cheng-Lung Hsu	2021.01.01-2021.12.31	2,300	54	2,354	Non-audit fees are employee stock option certificates converted to capital for audit fees.
	Guo-Yang Tzang					
Deloitte & Touche	Ned Tsai	2020.01.01-2021.12.31	-	275	275	Non-audit fees are for employee stock option certificates converted to capital for audit fees and commission to handle the transfer pricing report.

(II) If the accounting firm has been changed and the annual audit fees were lower for the year of the firm change compared to that of the previous year, audit fees before and after the changes and the reason for such changes should be disclosed: N/A.

(III) If the audit fees have decreased by more than 10% compared to the previous year, the amount, ratio, and reason for the reduction in audit expense should be disclosed: N/A.

VI. Information on change of accountants:

(I) Information of former accountants

Date of change	March 19, 2021		
Reason and details of change	The change to accountants in 2021 is primarily due to change		
Explain how the appointed person or accounted was terminated or refused appointment	Contracting parties	Accountant	Appointed person
	Overview		
	Initiated termination of	N/A	N/A
	No longer accepting (continuing)	N/A	N/A
Opinions and reasons for the signing of audit reports	N/A		
Dissenting opinions from the issuer	N/A	Accounting principles or practices	
	N/A	Disclosure of financial statements	

	N/A	Scope and procedure of audits
	N/A	Other
Other disclosed matters (Additional disclosure as required by Article 10-6,	N/A	

(II) About the succeeding accountant

Accounting Firm	KPMG Taiwan
Name of accountants	Cheng-Lung Hsu, CPA, Guo-Yang Tzang, CPA
Date of appointment	March 19, 2021
Accounting methods of specific transactions before appointment or accounting principles and the opinions and results that may be issued on financial statements	N/A
Written opinion for the succeeding accountant's dissention of opinion to the former accountant	N/A

VII. Chairperson, president, managers in charge of finance or accounting of the Company who had worked at the firm of the certifying accountants or its affiliates within the last year: none



VIII.Share transfers and share pledging by directors, supervisors, managers and shareholders holding more than 10% equity in the past year and up to the printing date of this annual report:

(I) Changes in the equity and pledges of directors, supervisors, executive officers, and major shareholders holding more than 10% of shares

Title	Name	2021		2022 through March 31	
		No. of shares held Increase (decrease)	Increase (decrease) in pledged shares	Increase (decrease) in shares held	Increase (decrease) in pledged shares
Chairman and major shareholder	Hewei Investment Co., Ltd. Representative: Mark Wang	-	-	-	-
President	Mark Wang	-	-	-	-
Director and Senior Vice President	JQ Lee	-	-	-	-
Director and Vice President	Jason Chen	-	-	-	-
Director	Cliff Liu	-	-	-	-
Director	CHIANG HOCK WOO (note 1)	-	-	-	-
Independent Director	Hsiu Yi Hung	-	-	-	-
Independent Director	Ted Lee	-	-	-	-
Independent Director	Wilson Wang	-	-	-	-
Independent Director	Dennis Chang (Note 1)	-	-	-	-
Chief Technology Officer	Nicholas Lai	-	-	(Note 2)	(Note 2)
Senior Assistant Vice President	Ben Chang	11,000	-	-	-
Sales Assistant Vice President	GM Chen	-	-	(Note 2)	(Note 2)
Operating Director	Jacky Lee	2,000	-	(Note 2)	(Note 2)
Sales Director	Peter Kao	1,500	-	(2,000)	-
Assistant Vice President	Jason Lu	(141,000)	-	(5,000)	-
Senior Manager	Canon Tsai	-	-	-	-

(Note 1) Director CHIANG HOCK WOO and independent director Dennis Chang were newly appointed on 2021.7.30.

(Note 2) Nicholas Lai resigned on 2021.10.22; GM Chen resigned on 2021.12.31; Jacky Lee was dismissed on 2021.12.13.

- (II) Directors, supervisors, executive officers, and major shareholders holding more than 10% of shares performing equity transfers or as equity partners to related parties: none.

## IX. Information on the relationship between any of the top ten shareholders (related party, spouse, or kinship within the second degree):

April 25, 2022

NAME	PRINCIPAL SHARES HELD		SHARES HELD BY SPOUSE AND UNDERAGE CHILDREN		TOTAL SHARES HELD IN THE NAME OF OTHERS		TITLES, NAMES AND RELATIONSHIPS BETWEEN TOP 10 SHAREHOLDERS (RELATED PARTY, SPOUSE, OR KINSHIP WITHIN THE SECOND DEGREE)		NOTES
	Shares held	Shareholding ratio	Shares held	Shareholding ratio	Shares held	Shareholding ratio	Name	Relationship	
Hewei Investment Co., Ltd. Representative of legal person director: Mark Wang	3,499,559	10.21	-	-	-	-	Weicheng Investment Co., Ltd.	The company representative is the same person.	-
	682,820	1.99	-	-	-	-			-
JQ Lee	1,443,155	4.21	-	-	-	-	-	-	-
Liqin Investment Co., Ltd. Representative of legal person director: Yi Jing Zhou	1,159,056	3.38	-	-	-	-	Cliff Liu	Supervisor, Liqin Investment	-
	-	-	-	-	-	-	Cliff Liu	Spouse with company representative	-
Cliff Liu	1,114,962	3.25	-	-	-	-	Liqin Investment Co., Ltd. Liquan Industrial Co., Ltd. Liben International Co., Ltd.	Spouse with company representative	-
Liquan Industrial Co., Ltd. Representative of legal person director: Yi Jing Zhou	1,053,687	3.08	-	-	-	-	Cliff Liu	Board Director, Liquan Industrial	-
	-	-	-	-	-	-	Cliff Liu	Spouse with company representative	-

Liben International Co., Ltd. Representative of legal person director: Yi Jing Zhou	1,053,687	3.08	-	-	-	-	Cliff Liu	Supervisor, Liben International	-
	-	-	-	-	-	-	Cliff Liu	Spouse with company representative	-
TA YA VENTURE CAPITAL CO., LTD. Representative of legal person director: Shang Hong Shen	1,042,312	3.04	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-
Weicheng Investment Co., Ltd. Representative of legal person director: Mark Wang	921,651	2.69	-	-	-	-	Hewei Investment Co., Ltd.	The company representative is the same person.	-
	682,820	1.99	-	-	-	-			
Stephen Andrew Arthur Evans	787,000	2.30	-	-	-	-	-	-	-
Darzhen Venture corporation Representative of legal person director: Sung Jen Fang	749,654	2.19	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-

X. The shareholding of the Company, directors, supervisors, managers, and enterprises that are directly or indirectly controlled by the Company in the same re-invested company:

Invested company	Investment by the company		Investments from directors, supervisors, executive officers and their directly or indirectly controlled enterprises		Combined investment	
	Shares held	Shareholding ratio	Shares held	Shareholding Ratio	Shares held	Shareholding ratio
WINWAY INTERNATIONAL CO., LTD.	6,580,000	100.00%	-	-	6,580,000	100.00%
WINWAY TECHNOLOGY INTERNATIONAL INC.	781,934	100.00%	-	-	781,934	100.00%
WINTEST ENTERPRISES LTD.	N/A (Note)	100.00%	-	-	N/A (Note)	100.00%
WinWay Technology(Suzhou) Ltd.	N/A (Note)	100.00%	-	-	N/A (Note)	100.00%

(Note): The company represents unissued shares of a non-corporate limited company by shareholding ratio.

## IV. Capital overview

### I. Capital and share capital:

#### (I) Source of share capital

##### 1. Type of Shares

April 25, 2022; unit: Shares

Type of Shares	Authorized share capital			Notes
	Shares issued and outstanding	Unissued shares	Total	
Common shares	34,265,000	15,735,000	50,000,000	

##### 2. Formation of share capital

April 25, 2022; unit: Share; NT\$

Year/Month	Issue price	Authorized share capital		Paid-in capital		Notes		
		shares	Amount	shares	Amount	Source of share capital	Subscriptions paid with property other than cash	Other
2001.04	10	500,000	5,000,000	200,000	2,000,000	Share capital setup	N/A	Note 1
2002.10	10	500,000	5,000,000	500,000	5,000,000	Cash capital increase	N/A	Note 2
2004.11	10	2,000,000	20,000,000	2,000,000	20,000,000	Cash capital increase	N/A	Note 3
2005.11	10	2,500,000	25,000,000	2,500,000	25,000,000	Capitalization of earnings	N/A	Note 4
2006.03	10	6,500,000	65,000,000	6,500,000	65,000,000	Cash capital increase	N/A	Note 5
2008.06	10	10,000,000	100,000,000	8,000,000	80,000,000	Capitalization of earnings	N/A	Note 6
2009.07	10	10,000,000	100,000,000	8,100,000	81,000,000	Capitalization of earnings	N/A	Note 7
2010.05	10	10,000,000	100,000,000	8,700,000	87,000,000	Employee bonus to capital increase	N/A	Note 8
2011.05	10	10,000,000	100,000,000	9,530,000	95,300,000	Employee bonus to capital increase	N/A	Note 9
2012.05	10	30,000,000	300,000,000	12,790,000	127,900,000	Capitalization of earnings	N/A	Note 10
2012.05	10	30,000,000	300,000,000	13,390,000	133,900,000	Employee bonus to capital increase	N/A	Note 10
2012.07	50	30,000,000	300,000,000	16,390,000	163,900,000	Cash capital increase	N/A	Note 11
2013.07	10	30,000,000	300,000,000	18,180,000	181,800,000	Capitalization of earnings	N/A	Note 12

2013.11	25	30,000,000	300,000,000	19,180,000	191,800,000	Cash capital increase	N/A	Note 13
2014.09	75	30,000,000	300,000,000	23,180,000	231,800,000	Cash capital increase	N/A	Note 14
2015.09	10	30,000,000	300,000,000	25,498,000	254,980,000	Capitalization of earnings	N/A	Note 15
2016.05	30	30,000,000	300,000,000	28,498,000	284,980,000	Cash capital increase	N/A	Note 16
2019.07	80	50,000,000	500,000,000	30,298,000	302,980,000	Cash capital increase	N/A	Note 17
2020.04	35	50,000,000	500,000,000	30,547,000	305,470,000	Execution of employee warrants	N/A	Note 18
2020.09	35	50,000,000	500,000,000	30,553,000	305,530,000	Execution of employee warrants	N/A	Note 19
2020.11	35	50,000,000	500,000,000	30,565,000	305,650,000	Execution of employee warrants	N/A	Note 20
2020.12	35	50,000,000	500,000,000	30,571,000	305,710,000	Execution of employee warrants	N/A	Note 21
2021.01	348	50,000,000	500,000,000	33,617,000	336,170,000	Execution of employee warrants	N/A	Note 22
2021.04	35	50,000,000	500,000,000	33,839,000	338,390,000	Execution of employee warrants	N/A	Note 23
2021.05	35	50,000,000	500,000,000	33,841,000	338,410,000	Execution of employee warrants	N/A	Note 24
2021.08	33.3	50,000,000	500,000,000	33,882,000	338,820,000	Execution of employee warrants	N/A	Note 25
2021.11	33.3	50,000,000	500,000,000	33,891,000	338,910,000	Execution of employee warrants	N/A	Note 26
2022.03	33.3	50,000,000	500,000,000	33,918,000	339,180,000	Execution of employee warrants	N/A	Note 27
2022.04	33.3	50,000,000	500,000,000	34,265,000	342,650,000	Execution of employee warrants	N/A	Note 28

Note 1: Kaohsiung City building affairs permit no. 09005755701.

Note 2: Kaohsiung City Government construction permit no. 09109898901.

Note 3: Kaohsiung City Government construction permit no. 09301084990.

Note 4: Kaohsiung City Government construction permit no. 09400699940.

Note 5: Kaohsiung City Government construction permit no. 09500525520.

Note 6: Kaohsiung City Government construction permit no. 09700582950.

Note 7: Kaohsiung City Government construction permit no. 09800631140.

Note 8: Kaohsiung City Government construction permit no. 09900559280.

Note 9: Kaohsiung City Government Siwei commercial permit no. 10001226850.

Note 10: Kaohsiung City Government commercial permit no. 10150164000.

Note 11: Kaohsiung City Government commercial permit no. 10150248760.  
 Note 12: Ministry of Economic Affairs commercial permit no. 10200089960.  
 Note 13: Ministry of Economic Affairs commercial permit no. 10200132030.  
 Note 14: Ministry of Economic Affairs commercial permit no. 10300112940.  
 Note 15: Ministry of Economic Affairs commercial permit no. 10400099880.  
 Note 16: Ministry of Economic Affairs commercial permit no. 10500048250.  
 Note 17: Ministry of Economic Affairs commercial permit no. 1080007934.  
 Note 18: Ministry of Economic Affairs commercial permit no. 1090003792.  
 Note 19: Ministry of Economic Affairs commercial permit no. 1090008759.  
 Note 20: Ministry of Economic Affairs commercial permit no. 1090011340.  
 Note 21: Ministry of Economic Affairs commercial permit no. 1090012306.  
 Note 22: Ministry of Economic Affairs commercial permit no. 1100001179.  
 Note 23: Ministry of Economic Affairs commercial permit no. 1100003752.  
 Note 24: Ministry of Economic Affairs commercial permit no. 1100005775.  
 Note 25: Ministry of Economic Affairs commercial permit no. 1100008994.  
 Note 26: Ministry of Economic Affairs commercial permit no. 1100106134.  
 Note 27: Ministry of Economic Affairs commercial permit no. 1110002441.  
 Note 28: Change of registration has not been executed for employee stock option certificate of 347,000 shares.

## (II) Shareholder structure

April 25, 2022; unit: Shares; %

Shareholder structure Quantity	Government agencies	Financial institutions	Other institutions	Individuals	Foreign institutions and foreigners	Total
Head count	-	2	90	3,385	55	3,532
shares held	-	34,000	14,791,274	16,712,842	2,726,884	34,265,000
Shareholding ratio	-	0.10	43.18	48.76	7.96	100.00

(Note) The company's shares are not held by Chinese nationals.

## (III) Dispersion of equity ownership

April 25, 2022; unit: Shares; %

Shareholding range (shares)	Number of shareholders	shares held	Shareholding ratio (%)
1-999	1,182	150,541	0.44
1,000-5,000	1,921	3,256,158	9.50
5,001-10,000	175	1,344,221	3.92
10,001-15,000	52	662,161	1.93
15,001-20,000	39	700,912	2.05
20,001-30,000	39	969,919	2.83
30,001-40,000	24	812,368	2.37
40,001-50,000	19	899,016	2.62
50,001-100,000	29	1,992,857	5.82
100,001-200,000	23	3,044,671	8.89
200,001-400,000	10	3,010,277	8.79
400,001-600,000	9	4,597,176	13.42
600,001-800,000	2	1,536,654	4.48
800,001-1,000,000	1	921,651	2.69
Over 1,000,001 shares	7	10,366,418	30.25
Total	3,532	34,265,000	100.00



(IV) List of primary shareholders: Shareholders who hold more than 5% of shares or are within the top 10 in terms of shareholding ratio

April 25, 2022; unit: Shares

Shares Name of major shareholder	shares held	Shareholding ratio(%)
Hewei Investment Co., Ltd.	3,499,559	10.21
JQ Lee	1,443,155	4.21
Liqin Investment Co., Ltd	1,159,056	3.38
Cliff Liu	1,114,962	3.25
Liquan Industrial Co., Ltd.	1,053,687	3.08
Liben International Co., Ltd.	1,053,687	3.08
TA YA VENTURE CAPITAL CO., LTD.	1,042,312	3.04
Weicheng Investment Co., Ltd.	921,651	2.69
Stephen Andrew Arthur Evans	787,000	2.30
Darzen Venture corporation	749,654	2.19

(V) Share price, net worth, earnings, dividends and related information for the past two years

Year/items			2020	2021	From this year to March 31, 2022
Market price per share	Max		Unlisted (Note 1)	506.00	479.00
	Lowest			222.00	342.00
	Average			323.55	396.41
Net worth per share	Before distribution		57.95	86.38	N/A
	After distribution		43.56	75.29 (Note 2)	
Earnings per share	Weighted average shares		30,478	33,660	
	Earnings per share		17.42	14.46	
Dividends per share	Cash dividends		13	11	
	Stock grants	Earnings	-	-	
		Additional paid-	-	-	
	Accumulated unpaid		-	-	
Return analysis	PE ratio		Unlisted (Note 1)	22.38	
	Price-dividend ratio			29.41	
	Cash dividend yield			3.40%	

Note 1: The company was publicly listed on January 20, 2021 and as such, there is no 2020 market price for reference.

Note 2: The proposal for 2021 cash dividend distribution was approved by the Board of Directors.

- Note 3: Price-earnings (P/E) ratio = Average market price / Earnings per share  
 Note 4: Price-dividend (P/D) ratio = Average market price / Cash dividends per share  
 Note 5: Cash dividend yield rate = Cash dividend per share / Average market price

(VI) Company dividend policy and implementation progress

1. Dividend policy as established by the Articles of Incorporation:

If, in the event of surplus of the company's annual accounts, they should be used to pay taxes as required by law and make up for accumulated losses before setting aside 10% as statutory surplus reserve; however, this does not apply if the accumulated statutory surplus reserve is equal to the company's total paid-in capital. After setting aside or reversing the special statutory reserve in compliance with the laws or regulations of the competent authority, remaining surplus shall be distributed as dividends to shareholders after the Board of Directors has formulated a surplus distribution proposal and submitted a resolution to the shareholders' meeting.

This company shall, according to Article 240 Paragraph 5 of the Company Act, distribute dividends and bonuses in whole or in part as cash; the Board of Directors is authorized to approve distribution and submit a report to the shareholders' meeting if more than two third of directors are in attendance in the Board of Directors meeting and if more than half of all present directors are in agreement.

This company is currently in the growth phase of industry development and the distribution of dividends must consider the company's future capital expenditure budget and capital requirements in combination with future long-term financial plans, investment environments, and industry competition. The distribution of shareholders' dividends for the current year shall be at a rate of no less than 10% of the remaining distributable earnings issued to shareholders according to their shareholding ratio; the distribution ratio of cash dividends shall be no less than 10% of the total dividends distributed.

This company shall, according to Article 241 Paragraph 1, distribute all or part of the statutory surplus reserve and capital reserve as new shares or cash in proportion to shareholders' existing shares; when distributing in cash, the Board of Directors is authorized to approve distribution and submit a report to the shareholders' meeting if more than two third of directors are in attendance in the Board of Directors meeting and if more than half of all present directors are in agreement.

2. Resolutions of dividend distribution in the current year:

As per the resolution of the Board of Directors on February 23, 2022, the company will distribute shareholder dividends - cash dividends of NT\$376,200,000 (NT\$11 per share) to be proposed at the 2022 regular shareholders' meeting.

(VII) Effect of stock grants proposed in the latest year on the company's business performance and earnings per share: Not applicable, as no stock grants were proposed in the latest year.

(VIII) Remuneration of employees, directors

1. The numbers or range of employee and directors' remuneration as stated in the Articles of Incorporation:

If the company is profitable within the fiscal year, no less than 5% and no more than 15% should be allocated to employee remuneration; no more than 3% should be allocated to directors' remuneration.

However, if the company has accumulated losses, the company shall set aside a part of the surplus profit first for making up the losses before allocating employee and director remuneration according to the previous paragraph.

2. Accounting methods for the valuation basis for employee and directors' remuneration in the current period if there is a discrepancy between the valued amount and the calculation basis for stocks distributed as employee compensation:

The valuation basis of employee and directors' remuneration is the number established by the Articles of Incorporation and is recognized as expenses and liabilities. In the event that subsequent resolutions result in a discrepancy between actual distributed amounts and recognized costs, they will be handled according to a change in accounting valuation.

3. Board of Directors approval of distribution

- (1) Employee and directors' remuneration will be distributed in cash or stocks. If there is any discrepancy with the recognized costs for the year then the difference, reason, and response should be disclosed:

The company's Board of Directors came to a resolution on February 23, 2022 to distribute cash in the amount of NT\$31,546,000 and NT\$4,197,000 for employee and directors' remuneration in 2021; there is no discrepancy with the company's recognized costs in 2021.

- (2) Amount of employee compensation distributed in the form of stock and as a percentage of the after-tax profit provided in this period and total employee compensation combined: N/A.
4. Any discrepancy between actual remuneration distribution of employees, directors, and supervisors (including the number of shares, the amount and share price) and the recognized remuneration of employees, directors, and supervisors, and disclosure of the differences, reasons, and responses:

The company's Board of Directors came to a resolution on March 19, 2021 to distribute cash in the amount of NT\$34,337,000 and NT\$3,068,000 for employee and directors' remuneration in 2021; there is no discrepancy with the company's recognized costs in 2020.

(IX) Company stock buyback: None.

II. Company handling of corporate bonds: None.

III. Handling of special shares: None.

IV. Issuance of global depositary receipts (GDR): None.

V. Issuance of employee stock warrants:

- (I) For employee stock warrants issued by the Company but not yet mature, the date of effective registration from the competent authority; issue date, number of units issued; ratio of subscribable shares to total issued shares; subscription period, exercise method; period and ratio in which subscription is restricted; number of shares that have been obtained through exercise of subscription rights, amount of the shares subscribed, number of shares that have not been subscribed, subscription price per share of the unsubscribed shares, and ratio of the number of unsubscribed shares to the number of issued and outstanding shares up to the prospectus publication date, and effect on shareholders' equity:

April 25, 2022

Tranche of ESOP	First time (2019) Employee share options
Date of approval by competent authorities	N/A
Issuance date	January 17, 2019
Duration	4 years
Units granted	The total amount of employee share options issued this time is 1,000 units; the number of shares for each unit of share options is 1,000 shares. Total number of new common shares issued due to the exercise of options is 1,000,000 shares
Ratio of shares granted to total outstanding shares	3.30%
Subscription period	Option holders of issued employee stock option certificates one year after granting to the expiry of the duration
Mode of implementation	Delivery by new issuance of shares
Time frame and ratio of restricted subscription (%)	30% on 1st anniversary of the grant date 60% after 2 full years 100% after 3 full years
Units exercised (shares)	921,000 shares
Amount exercised (NT\$)	NT\$31,583,900
Number of rights unexercised	29,000 shares
Exercise price for unexercised units (NT\$)	NT\$33.3
Ratio of unexercised number of rights total shares issued and outstanding (%)	0.08%
Impact on shareholders' equity	For the employee stock option certificates issued in this period, the total number of unexercised shares is 29,000 and has little dilution effect as they only account for 0.08% out of the total 34,265,000 number of shares issued. After full consideration of issuing stock option certificates as a measure for rewarding employees as well as factors such as various employee bonuses to enhance their cohesiveness and sense of belonging, the company finds there is no major impact to shareholders' rights.

Note: Invalid shares due to resignations have been deducted.

(II) Executive officers who have acquired employee stock warrants and the 10 employees with the highest number of convertible rights and the conditions of their exercise and subscription as of the printing date of the annual report

April 25, 2022; unit: thousands shares; NT\$thousands

	Title	Name	Number of rights vested	Units exercised to total outstanding shares	Exercised				Unexercised			
					Number of rights	Subscription price	Value of rights	Units subscribed to total outstanding shares	Number of rights	Subscription price	Value of rights	Units subscribed to total outstanding shares
Manager	Chairman and President	Mark Wang	60	0.18%	36	34.15	1,229	0.11%	24	33.3	799	0.07%
	Vice President	Jason Chen										
	Senior Vice President	JQ Lee										
	Senior Assistant Vice President	Ben Chang										
	Sales Director	Peter Kao										
	Assistant Vice President	Jason Lu										
	Senior Manager	Canon Tsai										
employee	Project Section Chief	LaNoce ROt	239	0.70%	239	34.26	8,188	0.70%	-	-	-	-
	Deputy Manager	C.Chen										
	Senior Manager	D.Chang										
	Chief Engineer	A.Huang										
	Special Assistant	J.Lee										
	Section Chief	J.Tsai										
	Section Chief	V.Lee										
	Subsidiary President	J.Yu										
	Deputy Manager	Z.Tan										
	Section Chief	K.Liao										
	Senior Engineer	B.Lee										
	Section Chief	G.Lin										
	Section Chief	R.Chen										

Note 1: The 10 employees with the highest number of convertible rights excludes executive officers.

Note 2: Shares issued refers to the number of listed shares in the changed registration data from the Ministry of Economic Affairs.

VI. Issuance of new restricted employee shares: None.

VII. Mergers, acquisitions, or issuance of new shares for acquisition of shares of other companies: None.

## VIII. Financing plans and implementation:

### (I) 2020 Cash capital increase

#### Content of plan:

1. Competent authority approval date and document no.: Approved on December 9, 2020 by TWSE permit no. 1091806202.
2. Total funding requirement of the plan: NT\$1,102,505,000
3. Funding source: The current cash capital increase is achieved through the issuance of 3,046,000 common shares at a value of NT\$10 per share; the minimum underwriting price of the auction is NT\$287.6 with the highest bidder given priority to win the bid and subscribe according to the bid price. The underwriting price for public subscription is based on the price of each winning bid and has a quantity-weighted average price of NT\$368.51, 1.21 times higher than the minimum underwriting price; as such, the underwriting price for public subscription was issued at NT\$348 per share to raise the total amount of NT\$1,102,505,000.
4. Planned items for cash capital increase, progress of capital usage:

Unit: NT\$ thousands

Plan item	Expected completion date	Total required capital	Implementation of planned capital usage			
			2021 1st quarter	2021 2nd quarter	2021 3rd quarter	2021 4th quarter
Replenishment of operating capital	2021 2nd quarter	772,505	300,000	472,505	-	-
Factory expansion	2021 4th quarter	330,000	110,000	80,000	65,000	75,000
Total		1,102,505	410,000	552,505	65,000	75,000

#### 5. Potential generation of benefits:

##### (1) Replenishment of operating capital

Funds raised in the current period total NT\$1,102,505,000, NT\$772,505,000 of which is utilized to replenish operating capital, increase the company's equity ratio, and promote a sound financial structure.

##### (2) Factory expansion

Once the new factory is complete and implementation of machinery and equipment is completed, a monthly production capacity increase of 1,800 test socket kits and 3,000,000 pogo-pins is expected. This will positively benefit the company by greatly increasing capacity, increasing the self-manufacturing ratio of key components, and offering advantages when competing for orders from major international companies. The plan expects to begin in 2023 with the purchase and inspection of machinery; the expected net increase in benefits from 2023~2028 are as shown in the chart below:

Unit: NT\$ thousands

Name of primary products	2023		2024		2025		2026		2027		2028	
	Sales	Sales value	Sales	Sales value	Sales	Sales value	Sales	Sales value	Sales	Sales value	Sales	Sales value
Test sockets Unit: (kit)	15,600	587,704	21,600	812,012	21,600	812,012	21,600	809,415	21,600	809,415	21,600	809,415
Contact element unit: (K PCS)	-	-	2,278	146,926	3,147	203,003	3,147	203,003	3,137	202,354	3,137	202,354
Total	(Note)	587,704	(Note)	958,938	(Note)	1,015,015	(Note)	1,012,418	(Note)	1,011,769	(Note)	1,011,769

Note: Cannot be combined in calculations due to different units

6. Change in plans, reasons for change, and benefit before and after change: N/A.

7. Input date of Market Observation Post System as designated by the Financial Supervisory Commission: December 9, 2020.

## (II) Implementation and benefits:

## 1. Actual plan implementation

Unit: NT\$thousands

Plan item	Total amount of capital required	Implementation		until 2022 1st quarter	Ahead or behind schedule, the reason and improvement plan
Replenishment of operating capital	772,505	Expended amount	Expected	772,505	Completed in the 3rd quarter of 2021.
			Actual	772,505	
		Implementation progress(%)	Expected	100.00%	
			Actual	100.00%	
Factory expansion	330,000	Expended amount	Expected	330,000	The progress of factory expansion was delayed in 2021 due to COVID-19 and labor shortages; completion is expected in the 2nd quarter of 2022.
			Actual	314,034	
		Implementation progress(%)	Expected	100.00%	
			Actual	95.16%	
Total	1,102,505	Expended amount	Expected	1,102,505	
			Actual	1,086,539	
		Implementation progress(%)	Expected	100.00%	
			Actual	98.55%	

## 2. Discrepancy between expected and actual benefits:

## (1) Replenishment of operating capital

Funds raised in the current period utilized to replenish operating capital increased the company's equity ratio for a sounder financial structure. There were no major discrepancies between the expected and actual benefits of the fundraising plan in the current period.

## (2) Factory expansion

For funds raised in the current period utilized in factory expansion, once the newly constructed factory, machinery, and equipment have been implemented completely, production capacity and self-manufacturing rate of key components will be effectively increased to benefit competition for orders from major global companies and positively benefit the company; there are no discrepancies between expected and actual benefits from the funds raised in the current period.

## V. Business Overview

### I. Business Activities

#### (I) Business scope

##### 1. Primary business activities:

- CB01010 Manufacturing of Machinery and Equipment
- CA02990 Manufacturing of other Metal Products
- CC01080 Manufacturing of Electronic Parts and Components
- F106010 Wholesale Hardware
- F113010 Wholesale Machinery
- F113050 Wholesale of Computers and Office Machinery and Equipment
- F118010 Wholesale of Computer Software
- F206010 Retail Sale of Hardware
- F218010 Retail Sale of Computer Software
- F219010 Retail Sale of Electronic Materials
- F401010 International Trade
- I301010 Software Design Services
- I501010 Product Design
- IZ99990 Other Industrial and Commercial Services
- ZZ99999 All business items that are not prohibited or restricted by law, except those that are subject to special approval

##### 2. Current products and their business percentage:

Unit: NT\$thousands

Main products	2020		2021	
	Operating income	Ratio	Operating income	Ratio
Test Sockets	1,944,059	67%	1,925,445	67%
Contact Element	509,531	18%	532,821	18%
Probe Card	270,080	9%	235,385	8%
Others	186,151	6%	193,645	7%
Total	2,909,821	100%	2,887,296	100%

##### 3. Current products (services)

- A. Advanced Test Socket
- B. Contact Element (Probe /PCR/i-Bump)
- C. Changeover Kit of handler
- D. CMOS/RF/Memory Module Test Socket
- E. Active Thermal Controller
- F. Burn-in Socket
- G. Vertical Probe Card
- H. Substrate & Load Board Design



#### 4. New products (services) to be developed

The company plans new products and new technology development based on technological improvements and market demand.

- A. Fine Pitch Probe Card
- B. Brownie Coaxial Socket
- C. E Flux
- D. Customized Burn-in Socket
- E. Spring probe fabrication
- F. Substrate, Load Board Design & Assembly
- G. MEMS Probe Card

## (II) Industry overview:

### 1. Current industry trends and future outlook

The impact of COVID-19 on global economic activity has caused explosive growth in industries such as automobiles, electric vehicles, PC, servers, 5G, and game consoles, resulting in unprecedented demand towards chip makers. Revenue (sales, excluding foundries) of the global semiconductor industry in 2021 grew by 25.6% YoY to US\$553 billion, reaching a new historic high by exceeding US\$500 billion for the first time; strong consumer demand has driven double digit growth in all main product categories with the greatest contributor to growth being memory (34.6%) followed by analog (30.9%) and then logic (27.3%). According to estimates by the World Semiconductor Trade Statistics (WSTS), growth will continue in 2022 at a pace of 8.8% and reach US\$601 billion.

Fall 2021	Amounts in US\$M			Year on Year Growth in %		
	2020	2021	2022	2020	2021	2022
Americas	95,366	118,835	131,084	21.3	24.6	10.3
Europe	37,520	47,126	50,467	-5.8	25.6	7.1
Japan	36,471	43,581	47,621	1.3	19.5	9.3
Asia Pacific	271,032	343,419	372,317	5.1	26.7	8.4
<b>Total World - \$M</b>	<b>440,389</b>	<b>552,961</b>	<b>601,490</b>	<b>6.8</b>	<b>25.6</b>	<b>8.8</b>
Discrete Semiconductors	23,804	30,100	32,280	-0.3	26.4	7.2
Optoelectronics	40,397	43,229	45,990	-2.8	7.0	6.4
Sensors	14,962	18,791	20,913	10.7	25.6	11.3
Integrated Circuits	361,226	460,841	502,307	8.4	27.6	9.0
Analog	55,658	72,842	79,249	3.2	30.9	8.8
Micro	69,678	79,102	83,980	4.9	13.5	6.2
Logic	118,408	150,736	167,396	11.1	27.3	11.1
Memory	117,482	158,161	171,682	10.4	34.6	8.5
<b>Total Products - \$M</b>	<b>440,389</b>	<b>552,961</b>	<b>601,490</b>	<b>6.8</b>	<b>25.6</b>	<b>8.8</b>

Note: Numbers in the table are rounded to whole millions of dollars, which may cause totals by region and totals by product group to differ slightly.

Source: World Semiconductor Trade Statistics (WSTS)

As demand for new applications such as 5G, artificial intelligence (AI), automotive electronics, artificial intelligence of things (AIoT), and high performance computing (HPC) exhibit growth trends, advanced wafer manufacturing processes are shifting towards 7, 5, and 3 nm. However, as Moore's Law approaches physical limits, advanced packaging technologies have been a great solution for extending Moore's Law with technologies such as fan-out wafer-level packaging (FOWLP) and 2.5D/3D IC packaging which moves us closer towards 3D wafer-on-wafer packaging with heterogeneous integration. Additionally, there will be an increased demand for the heterogeneous integration of different components in the era of 5G communication to drive sustained demand in system-in-package (SiP) and further increase the importance of front-end chip probing (CP) and back-end system level tests (SLT), establishing them as the main direction of development in the IC packaging and testing industry. The company holds comprehensive solutions in chip probing (CP), system level test (SLT), burn-in, and final testing (FT).

End products, especially smartphones and tablet computers, are shifting towards high capacity, high bandwidth, high speed, low power consumption, miniaturization, high degree of integration, and other product development trends, resulting in multifunctional integrated chip technologies. As such, emerging technologies are being formed in front and back end manufacturing processes for the last few years; these include wafer bumping, wafer level packaging (WLP) (such as fan-out wafer-level packaging (fan out WLP), wafer-level chip scale packaging (WLSCP), 3D wafer-level packaging (3D WLP), wafer-level optics packaging (WL optics), and 3D integrated circuit packaging (3D IC). These forms of technologies are known as the mid end. New technologies, such as embedded substrate technology and Si/glass interposer have also emerged between back-end packaging and testing and PCB technology.

As 5G chips and advanced semiconductor manufacturing processes increase in complexity and cost, the testing end becomes ever so important compared to the past. Familiarity with chip probing (CP), automated testing equipment (ATE), SLT, and IC burn-in testing will undoubtedly allow companies who can develop relevant interdisciplinary testing products to establish themselves in the packaging and testing industry. In response to the trend of lightweight and miniature IC, major semiconductor manufacturers have evolved from their focus on wafer foundry towards vertical integration companies involved in equipment, IC design, IC manufacturing, and packaging and testing of IC. In order to address the different packaging and testing demands of advanced manufacturing processes for the products above, the company will continue to develop advanced, high performance, high quality testing interface fixtures and probe cards for use in the engineering verification of products and mass production.

## 2. The relationship between upstream, midstream and downstream in the industry

Mainstream test equipment often comes in a standardized set of hardware but is tasked with testing a wide range of semiconductor devices. Therefore, well-designed test interfaces are critical in interfacing test equipment and device under test (DUT) to comprehensively present their characteristics without impacting the DUT. The company's main products are currently various testing and measurement interfaces. Due to the complex nature of mechanical processing procedures and the large number of parts and components required, third party manufacturers are responsible for processing some of the components used in the production process. In terms of the upstream downstream circumstances of these industries, the company is a downstream manufacturer for the semiconductor industry and is involved in R&D, design, assembly, and the sale of various test and measurement interfaces. The upstream includes supply system of precision parts and components and raw materials including suppliers for precious alloy rods/wires, engineering plastics, CNC turning/milling machines, machining plants, and electronic/mechanical hardware. The upstream/downstream relationship in the industry is as shown below:



## 3. Product development trends

The semiconductor market will continue see advances in transistor scaling and demand for wafer-level testing. Test interfaces will play an increasingly important role in the launch of new products but also in this company's commitment to adapt and satisfy customer demands. Future R&D staff and their experience in education and work will be configured towards focusing on these key aspects: Fine pitch probe cards, high frequency test sockets (coaxial sockets), active thermal control platforms (ATC), passive heat sink lids, and high-low thermal/burn-in testing for automotive IC. These are the longterm development trends of the semiconductor industry and will be the areas most heavily invested by this company.

### A. 0.12mm fine pitch probe card:

As Moore's Law (the definition of Moore's Law can be summed up in the 3 following versions: 1. The number of integrated circuits on IC chips will double every 18 months. 2. The performance of microprocessors will double every 18 months, or their price will decrease by one half. 3. The computer performance that can be purchased with US\$1 will double every 18 months) continues to advance,

semiconductor manufacturing sizes continue to decrease, meaning the number of logic gates within chips has risen sharply; meanwhile, the number of external signal pins has increased, resulting in a corresponding rise in signal transmission clock. Also, the trend of consumer electronics continues in full force while miniaturization in semiconductor chip manufacturing processes is becoming finer; as such, chip packaging technologies also continue to advance forward. Looking towards the future, new fields of application such as MEMS and biochips will require even more advanced packaging manufacturing processes, making the development of fine pitch test equipment to address future packaging technologies the foremost challenge.

**B. High frequency test sockets/Coaxial socket:**

In IC manufacturing, testing is often separated into 2 phases: Front end testing, otherwise known as wafer probing or circuit probing, is a phase that utilizes probe cards to test if wafer IC function meets the expected design specifications before they are sent to the packaging plant for packaging. Once packaging is complete, IC testing is conducted again. This is what's commonly called the final test where the goal is to test if packaged IC function meets design specifications. Once this phase of complex testing procedures are complete, the IC products are delivered to customers. Pogo-pins test sockets are commonly used as a test interface for package IC. As the operation frequency of digital/RF IC test systems reach the GHz range, high-frequency parasitics of test interfaces that were often overlooked in the past have become a major bottleneck in testing as it becomes difficult to meet signal integrity requirements. Therefore, the most crucial technology in this plan is how to reduce signal attenuation.

**C. Wide temperature range IC testing thermal platform/ATC**

During the production process of integrated circuits, product operation quality may become unstable due to fine defective structures that impact product reliability and lifespan. The purpose of this plan is to continually increase extreme temperature environments for product operation and test the quality of semiconductor components. The impact of extreme environments is used to broaden the safe usage range of designed components to extend product lifespan and improve reliability. Another purpose is due to initial product design and consideration to different user environments, such as the Arctic and Antarctic Circles, Equator, and other places with harsh environments; therefore, development for a comprehensive thermal control platform becomes an indispensable tool for semiconductor testing companies. The purpose of this plan is to develop thermal equipment with strong thermal control functionality that meet the requirements of various thermal control test platforms; the thermal extremes of previous products will be improved to expand operable thermal ranges from -60°C to 150°C.

#### D. Contact element development

The electronic packaging market encompasses advanced electronic products with high pin count as well as emergent consumer electronic products including technologies such as wafer bumping, wafer-level packaging (WLP) (such as fan-out wafer-level processing (fan out WLP), wafer-level chip scale packaging (WLCSP), 3D wafer-level packaging (3D WLP), wafer-level optics packaging (WL optics), etc.), and 3D IC package; these forms of technologies are defined as mid end. New technologies, such as embedded substrate technology and Si/glass interposer have also emerged between back-end packaging and testing and PCB technology. In response to the testing demand for these types of products, the company expects to develop many new forms of contact element as this is the most important and crucial technology for test sockets or probe cards.

#### E. Automotive IC high-low thermal/burn-in testing

As the future of the self-driving car market surges, renowned semiconductor design companies on the market have invested a massive amount of resources in automotive related IC applications. Due to the more rigorous requirements for automotive specifications compared to industrial or commercial use, there is a higher requirement for high performance IC test sockets required to test the high-low thermals and reliability of chips.

### 4. Competition

In terms of global markets, the competitive pressure and conditions faced is different for each region. Specific regional marketing strategies must be formulated for each competitive environment; the company's general direction must also be adjusted so that the future product portfolio is in line with market trends and goals.

The company's main competitors are Japanese, European, or U.S. companies. In comparison, one of the company's competitive strengths that allow us to maintain good customer relationships is our long-term investment in Taiwan, China, and Southeast Asia that allows fast local service capabilities. When faced with the diversity of logic IC packaging, demand for test sockets and probe cards have grown while requirements of test conditions become more rigorous. The company's competitive advantage is our joint growth with customers in terms of R&D capabilities, our flexibility and adaptability in product management, and our ability to continuously provide customers with professional customized products and excellent services.

#### A. Asia market

For many years, competitors in the Taiwan and China market have been undercutting on price when competing for orders. In order to avoid falling into the vicious cycle of low price and gross profits, the company's products focus on the

advanced testing market; customers are provided with professional high quality test products and services. We also provide customized specifications through the joint R&D and design of suitable products if customers have special product requirements. The fast pace of IC product development and the speed at which generations change is becoming increasingly faster. Additionally, the different product properties in the design requirements for the advanced and low/middle markets means that in addition to continuously introducing new technologies, there is also a certain market demand in low/middle end products. While focusing on the advanced market, the company also offers low priced products for the low end market in hopes of gaining a new market blueprint as well as differentiate from existing products.

#### B. Southeast Asia market

Aside from well-known semiconductor IC manufacturers from Taiwan and China, the technologies and development of semiconductor related industries in Singapore and Malaysia have also matured. Also due to geography, many major western IC design manufacturers have prioritized their Asia headquarters in Singapore, establishing production and manufacturing plants in nearby Malaysia and Philippines to supply the demand for Singapore's market. In order to provide customers with immediate products and services, the company has forged alliances with local companies to leverage their immediacy and familiarity with markets to better grasp customer activity.

#### C. U.S. market

The U.S. is still a major base of operations for the semiconductor IC industry. Development for next-gen products requires real-time support while winning with design determines orders for mass production. Aside from traditional ATE testing requirements, system level testing requirements are a hidden business opportunity. The company's diverse products and services solves customer testing challenges for new products. Most mass production, including outsourcing or subsidiaries, has shifted to Asia; outsourcing has been centered in Taiwan followed by Southeast Asia and China while subsidiaries or production has been centered in Southeast Asia and China. The company's production and services are centered in Taiwan as it offers an extremely advantageous location especially in terms of communication as well as markets, production, support, and services. The company possesses international level technology, engineering, R&D, business, market strategy, and ISO9001 certification; our localized support, services, and shipment deliveries has convinced western IC design and manufacturing companies to utilize our solutions.

### (III) Overview of technology and R&D

#### 1. Technical level and R&D of the business

The primary goals of this company currently are development of forward-looking technologies or knowledge, developing innovative core application technologies, product value, and technologies; we strive to become the world's number one IC test interface supplier as well as provide professional services that integrate the design and manufacturing of IC test interfaces. Key items and examples of R&D are as follows:

- Fine Pitch Probe Card

- Various test sockets and lids for test applications
- Brownie Coaxial Socket
- HEATCon&ATC&E-Flux
- Customized Burn-in Socket
- mmWave test socket

The company is one of the few domestic manufacturers and suppliers of high performance IC test sockets and semiconductor test interfaces. Due to the semiconductor industry's fine and close knit specialization of labor, one of the most important aspects of semiconductor test interface requirements is product verification in the development phase. The company is fortunate to work with major international companies in the development of fixtures with advanced test functionality during the development phase, extending to downstream test manufacturers to offer comprehensive test interface equipment.

Our advantages can be clearly listed in the following points:

A. Exceptional testing experience:

- a. More than 20 years experience in the field of IC testing.
- b. Maintenance, repair, and troubleshooting of internal test production lines.
- c. Highly experienced in integrated design and improvements to many types of test sockets, contact elements, test machines, and handler testing interfaces.

B. Professional capabilities:

- a. Development of many applicable test sockets for packaged products such as AIP (antenna in package), 2.5D interposer (interposer encapsulation), 3D CoWoS packaging, SIP (system in package), BGA (ball grid array), WLSCP (wafer-level chip scale package), POP (IC package stacking, package on package) that encompass the testing requirements of third gen semiconductor materials.
- b. Develop high performance test sockets with bandwidth that covers mainstream applications that have gradually increased from 64Gbps to 112Gbps and will reach 224Gbps in the future; ball pitch of 0.12mm ~ 1.27mm.
- c. Develop high power thermal cooling test instruments that can apply various new cooling technologies in product testing platforms.
- d. Precision manufacturing technologies such as etching, lithography, electroplating.
- e. Precision micro hole processing technology.
- f. Ability to simulate mechanical/electricity/heat transfer.

2. R&D expenses of the latest year, up to the print date of the annual report

Unit: NT\$thousands

Item	2020	2021
R&D expenses	124,392	184,899
Operating income	2,909,821	2,887,296
R&D expenses as a ratio of net operating income (%)	4.27%	6.40%

3. Technology or products successfully developed in the latest year, up to the print date of the annual report

Year	Product Name
2014	<ol style="list-style-type: none"> <li>1. Development of ATC active thermal controller</li> <li>2. Establishment of simulation ability for high frequency, mechanisms, and heat flow</li> <li>3. Development of fine pitch micro hole processing and measurement technology</li> <li>4. Development and application of random PCR decentralized conductive contact element</li> <li>5. Development of PCR + plunger socket</li> </ol>
2015	<ol style="list-style-type: none"> <li>1. Development of direct dock probe card</li> <li>2. Development of sandwich coaxial socket (high frequency test socket)</li> <li>3. Development of thermal socket (test socket for testing cooling function)</li> <li>4. Development of oil bath socket (test socket for testing oil baths)</li> <li>5. Established high frequency RF measurement capability</li> <li>6. Development of wide temperature range IC testing thermal platform</li> <li>7. Development of new contact element C-Pin</li> <li>8. Development of i-Bump + plunger socket (independent conductive column + copper column test socket)</li> </ol>
2016	<ol style="list-style-type: none"> <li>1. Development of wall extension coaxial socket (retaining wall high frequency test socket)</li> <li>2. Development of CR tester (contact type resistance test machine)</li> <li>3. Development of new contact element W-Pin</li> <li>4. Establish the current resistance capability of contact elements</li> <li>5. Development and application of eMesh &amp; HAH PCR (mesh &amp; high elasticity conductive silicone)</li> </ol>
2017	<ol style="list-style-type: none"> <li>1. Development and mass production of W-Pin</li> <li>2. ATC (active thermal controller) design optimizations</li> <li>3. Introduction of new material TEC (cooling chip) for development</li> <li>4. Development of E-Flux (extremely high heat-flux thermal controller)</li> <li>5. Development of air socket (air cooling test socket)</li> <li>6. Development of P0.8 brownie socket (fully shielded high frequency test socket)</li> </ol>
2018	<ol style="list-style-type: none"> <li>1. Development of P0.5 brownie socket (fully shielded high frequency test socket)</li> <li>2. HEATCon (high efficiency active thermal controller)</li> <li>3. Development of low cost pin (low cost contact element)</li> <li>4. E Flux product upgrade</li> <li>5. Passive heatsink lids</li> <li>6. High frequency measurement and simulation optimization technology</li> <li>7. Launched 80um pitch probe head solution</li> <li>8. CP&amp;final test turnkey solution.</li> </ol>
2019	<ol style="list-style-type: none"> <li>1. Development of high speed brownie coaxial socket</li> </ol>



	2. Development project for low temperature HEATCon 3. Development of E-Flux 3.1 4. Development and product implementation of Brownie Lite 5. Development and implementation of AIP Socket
2020	1. Brownie package test solution 2. Development of automatic alignment press machine 3. Development of burn-in socket with independent thermal control 4. Development of automatic inspection equipment for probing exteriors 5. Substrate and load board design
2021	1. New style of rolling contact element 2. 80GHz coaxial test solution 3. Automatic probing equipment 4. Wide temperature range conductive tape 5. FDR machine 6. Brownie Lite Coaxial socket
Up to the publication date of the 2022 annual report	1. Development of high power active thermal controller E-Flux 4.0. 2. Newly designed probing equipment 3. Wide temperature range conductive tape with high mechanical strength

#### (IV) Long-term and Short-term Business Development Plans

##### 1. Short-term Business Development Plans

###### A. Product strategies

- a. Market differentiation for advanced and low end products, continue to provide testing applications for the advanced product market.
- b. Expand development of test sockets to vertical probe cards. Develop MLO, ATE L/B, burn-in board product lines.
- c. Developed advanced burn-in test sockets.
- d. Develop MLO, ATE L/B, burn-in board product lines.

###### B. Customer strategy

- a. Classify customers according to regional properties, classify customer groups into IC design house and IC testing house, establish different business strategies for different customer groups.
- b. Enhance the immediate response capabilities of all global locations, adjust business marketing strategy according to market activities in different regions.

### C. Support services

Continue to enhance the process of customer support services and define a set of processes appropriate for different customer groups.

## 2. Long-term Business Development Plans

### A. Product strategies

- a. Continue to offer advanced sockets to satisfy fine pitch and high frequency IC testing demand for highly integrated computers and wireless communications.
- b. Expand the types of mid to low end test sockets in response to demand for burn-in, SLT, and consumer product testing for increased market share.
- c. Target special types of packaging such as wafer-level chip scale packaging (WLCSP), 2.5D (technology to greatly increase packaging density by connecting the interposer layer to chips and substrate I/O), package on package IC (POP), and through silicone via (TSV) to provide comprehensive solutions for advanced testing requirements.
- d. Work with customers to develop product lines that meet special future needs; such as wearables, health care, MEMS, automotive electronics, AIoT, and other test solutions for microcomponents.
- e. Expand the vertical probe card product line, provide wafer tests for engineering verification and mass production requirements, increase sales.

### B. Customer strategy

- a. Strengthen and maintain current customer relationships, utilize the company's comprehensive product strategy to satisfy customer demand for different types of product packaging and testing and maintain customer loyalty.
- b. Continue to maintain close partnerships with global tier one customer products, collaborate to develop forward-looking test requirements to increase customer reliance.
- c. Continue to maintain partnerships with wafer foundries and package & testing plants in all regions and work together to service global customers.
- d. Continue to maintain the company's global service network advantage in business and technology.

### C. Support services

- a. Uphold excellent quality systems and exception design capabilities through global support services, empower customers with the shortest time to market from development and design, product verification, to mass production in responding to market trends.

- b. Utilize the company's special RMA system for the timely collection of testing exceptions, such as low yield and other phenomenon, occurring in the tests of customer products in all global regions; immediately or regularly convene review meetings with customers to reduce costs and increase output.
- c. Utilize the company's customized eForecast and WIP system to accurately grasp product delivery schedules that meet customer's engineering and mass production requirements.
- d. The company has deployed field application engineers (FAE) in key semiconductor testing and production bases in Taiwan, Southeast Asia, and China to provide customers with immediate product or technology support in solving production issues.

## II. Market, production, and sales

### (I) Market analysis

#### 1. Regions where main products (services) are sold (provided)

Unit: NT\$thousands; %

Year		2020		2021	
Region		Sales amount	%	Sales amount	%
Exports	Americas	646,509	22%	526,416	18%
	China	824,457	28%	827,299	29%
	Asia	276,571	10%	454,905	15%
	Europe	19,305	1%	17,608	1%
	Subtotal	1,766,842	61%	1,826,228	63%
Domestic sales		1,142,979	39%	1,061,068	37%
Total		2,909,821	100%	2,887,296	100%

#### 2. Market share:

The semiconductor industry chain encompasses a wide range from front end wafer design and manufacturing to back end packaging and testing; in addition to a comprehensive supply chain, Taiwan has also established countless companies related to the industry. The product characteristics of this company belong in the semiconductor industry's mid end testing phase; classification of test requirements and environments can be separated into chip probing (CP), systems testing (SLT), and final testing (FT); the company's main product sales are of test sockets which are broadly applied in systems testing (SLT) and final testing (FT).

According to a 2021 report from research institute VLSI Research (acquired by Techinsights in August, 2021), the global test socket market is estimated to grow by 10.9% compared to 2020; in 2020, the company held 5.8% of the global test socket market. Revenue in 2021 has remained flat compared to the previous year so it is estimated that the company's global market share in 2021 will be between 4.5% ~ 5%.

### 3. Future supply-demand and growth of the market

Global demand for semiconductor chips continues to surge and will push growth in the global semiconductor industry for both 2021 and 2022. On the other hand, wafer manufacturing capacity is unable to satisfy demand resulting in semiconductor chip shortages being the new norm for global industries; it's estimated that the shortages will continue for a minimum of 1 to 2 more years. Faced with the geopolitical developments and global semiconductor supply-demand imbalances, governments of many nations are actively promoting regional development of semiconductor supply chains; as foundries proactively expand capacity, it's expected that the tense situation of supply and demand has the chance of easing in late 2022 to 2023. Looking towards the future, emerging technologies such as AIoT, automotive electronics, and compound semiconductors will drive demand and sustain growth of many types and amounts of semiconductor components; this will become the primary force of growth for the semiconductor industry in the post pandemic era.

WinWay Technology continues to advance towards the 3 major areas of "technology independence", "capacity expansion", and "global services" by showing a level of competitiveness equal to major global manufacturers.

### 4. Competitive niche

- A. A sound organization with global support, services, and business.
- B. In-house design of probes and sockets, develop key production technologies and crucial technologies for production and manufacturing.
- C. Suitable solutions for packages of various forms.
- D. Engineers capable of international communication and coordination which are usually unavailable from companies located in Taiwan or China.
- E. R&D talent capable of assisting customers with developing new solutions and future product solutions.
- F. Superior solutions focused on the testing of CSP (chip scale package).
- G. Various contact element solutions that offer customers with the best and highest performing sockets.
- H. Experienced design and sales staff that can assist customers with solving issues during IC production or design.
- I. Highly flexible sales, marketing capabilities.

### 5. Favorable and unfavorable factors to long-term development and response measures

#### ① Favorable factors

- A. Geographical advantages and local services

Looking forward, the scale of the global semiconductor market will continue to grow in 2022. The company possesses international level technology, engineering, R&D, business, marketing, and ISO9001 certification. Especially now that the global semiconductor packaging and testing industry is concentrated in the Asia Pacific region, our local support, services, and shipment delivery can cause global semiconductor IC design suppliers adopt our solutions. We directly offer advanced test interfaces for initial engineering verification and certification, extending into a massive amount of subsequent orders from major packaging and testing plants (OSAT) in Taiwan, China, and Southeast Asia; also, our immediate local services and technical support gives WinWay an even greater competitive advantage.

In recent years, China has been actively developing a local semiconductor industry supply chain due to the international landscape, resulting in the establishment of emerging IC design companies or package and testing plants that have gradually driven market demand for testing. In 2014, the company established a local production base in Suzhou, China to provide the fastest, most reliable customized test socket service to Chinese customers and foreign customers with production in China. We believe it will gain the favor of additional global IC design companies and packaging and testing plants to create scenarios of mutual prosperity.

**B. High degree of product customization with main customers being renowned semiconductor manufacturers**

The main customers of this company are high end global design houses. Due to a geographical advantage, the company has the opportunity to form strategic partnerships with major foundries and package and testing plants to develop more advanced product technology requirements including manufacturing processes related to fine pitch and the materials required for high speed/high frequency testing. These technologies are expected to result in rapid new product introduction (NPI) and yield improvement during subsequent mass production to broaden the gap of product technology and mass production capability with our competitors.

The company has completed implementation of a vertical probe card business division in Hsinchu. The division is capable of providing services such as R&D design, production and manufacturing, maintenance and repair, and product sales as well as having already successfully passed the verification and mass production for advanced products for key North American customers. In order to meet customer wafer test requirements for different product lines, the company has offered a new and more conductive cobra material solution to customers; this is a product that is unavailable from other competitors. As global customer demand for wafer testing of advanced products grows, sales from the vertical probe card product line will exhibit massive growth in the following years.

- C. Broad product applications such as 5G and others have great market potential as they drive a sharp increase in demand for test interfaces

There has been a huge demand for devices required for working from home and teaching in the pandemic era along with the rapid commercialization of 5G, HPC (high performance computing), AIoT (internet of things), automotive electronics, and new applications, wafer fabrication has shifted towards more advanced manufacturing processes. This has driven the semiconductor industry to focus on smaller chips with more powerful performance, rapidly increasing technical challenges as well as increasing the level of packaging technology. As a result, the importance of semiconductor tests before packaging such as chip probing (CP), back end testing of finished products (FT), and system level tests (SLT) have risen across the board.

- D. The semiconductor industry is our nation's economic pillar and supported by government policy

The semiconductor industry is a key driver of Taiwan's economic development on top of being an international level industry that is a source of pride for the nation's citizens. Taiwan leads the world in comprehensive structure, fine specialization of labor, and cluster benefits in the areas of IC design, manufacturing, to packaging and testing. The government has been proactive in developments in response to the trade war and to enhance the competitiveness of our nation's industries; the Ministry of Economic Affairs has plans to construct a "Center of High-end Manufacturing in Asia" and "Center of Advanced Semiconductor Manufacturing Processes" to establish a more comprehensive semiconductor ecosystem and support domestic materials and equipment industries. Through advanced deployment, our nation's 2030 goal is for the semiconductor industry to achieve an output value of NT\$5 trillion and stand at the center of the global supply chain.

② Unfavorable factors and countermeasures

A. Uncertainty in global economic outlook

While consumer markets have gradually bounced back in the post pandemic era, the semiconductor market's future growth is foreseeable; however, if demand is impacted by COVID-19 or other international developments and wafer capacity continues to be released, the semiconductor may be affected resulting in another halt to production of end products or supply chains for parts and components. As the U.S. and China are still locked in a battle for technology, the U.S. will maintain restrictions preventing Chinese companies from obtaining key semiconductor manufacturing technologies and equipment from the U.S.; these factors all lead to uncertainty for the semiconductor industry's development.

**Countermeasures:**

The company's main production capacity is in Taiwan where a sufficient supply of materials were provided during the pandemic, allowing all plants to continue production;

product delivery schedules, quality, and post-sale services were not affected at all. We have continued in our efforts to develop technologies for high end test sockets and provide a business model oriented towards customization by coordinating with customers in next-gen product development for 5G, AI, AIoT, GPU, CPU, HPC, and more. Due to the rising number of people working and learning remotely, the demand surge of servers and data centers as well as the continuing roll out of global 5G allowed the company's revenue to grow significantly in the first two quarters, year over year. As such, we will continue to monitor industry trends and grasp industry initiative.

- B. Each nation's support for domestic semiconductor industries may indirectly generate crowding out effect

Aside from the semiconductor industry's massive growth and prosperity, the U.S.-China technology disputes and COVID-19 have also caused nations around the world to acknowledge the importance of having their own semiconductor supply chains. Countries are proposing plans for semiconductor independence and inviting or attracting global semiconductor suppliers to setup local factories by offering multiple incentive policies for localizing semiconductor development; as nations attempt to reduce their own risks by developing localized supply chains, this may cause excessive fragmentation of the supply chain and loss of advantages such as specialized distribution of labor, centralized production, and seeking optimal labor and materials for manufacturing environments.

**Countermeasures:**

Under the company's existing global strategy, regional operating strategies are adjusted according to market activity to transfer the successful experiences in Asia markets in the development of new markets; we strive to enhance the specifications and performance of machinery through highly customized designs, manufacturing capability, and flexible production management to offer high value-added products, improve customer production efficiency to reduce costs, and increase customer satisfaction. The demand for semiconductor test interface technologies will shift towards fine pitch, high speed, high frequency, and high integration. We will continue to improve our capabilities in technology and R&D to implement comprehensive test interface solutions and local services to maintain our competitive advantage.

- C. Challenges in cultivating and recruiting R&D talent

As R&D is one of the core competencies at this company, we have insisted on technology independence since being established in 2001. We locked on to the development of interface technologies related to high end testing of semiconductors and in order to increase the self production rate of key parts and components, the company's Board of Directors approved plans for factory expansion on August 13, 2020. As a result,

demand for talent intensified which is why the cultivation and recruitment of talent has become an issue for the company.

**Countermeasures:**

Exceptional talent is key to maintain the company's advantages within the intense competition of global markets. The company has consistently upheld this principle by investing massive amounts of resources required to develop the specialized talent needed by the company and planning comprehensive training systems and courses for employees based on industry properties. These courses include manager training, professional factory training, multi-specialization training, various project type training, language courses, and self management courses. We encourage colleagues to participate in external education and seminars by promoting the concept of continuous learning for the purpose of enhancing employee's competency, skills, and the organization's ability in environment adaptation across the board. This allows the company to maintain leading technology and profitable growth in the semiconductor test socket industry.

Additionally, the company was officially listed on the Taiwan Stock Exchange on January 20, 2021 which will undoubtedly improve our reputation to attract talented individuals from external sources. Employee bonus systems and stock option certificates will offer additional flexibility for employee compensation systems, improve cohesiveness, share the company's operating results, and retain core and crucial talent within the company.

(II) Major applications and manufacturing processes of core products

1. Major applications of core products

A. Test socket and contact element:

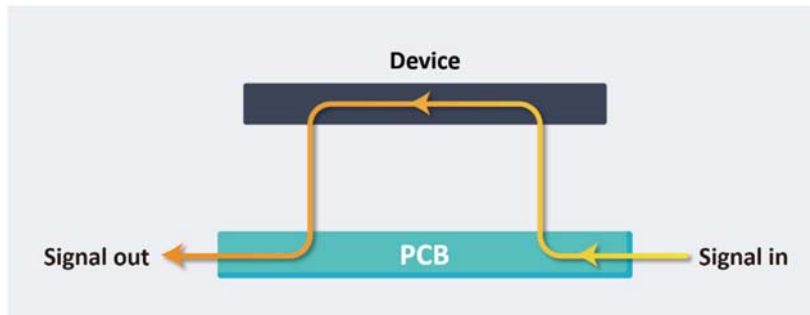
During semiconductor manufacturing processes, a device undergoes wafer fabrication and packaging before a device has completed manufacturing. Manufactured devices must be tested to verify they are working as intended. The company's products provide the hardware interface necessary for testing; we call them test sockets. The function of a test socket is to act as an interface between the device and test board. Within these structures, there are crucial contact elements: Spring probes function to provide signal transfer between a device and test board. Aside from categorization based on type of package, the main structure of test sockets can be classified as 2, 3, and 4 piece based on their application and combined with special product structures to satisfy customer requirements. In addition to test sockets, customers may also require lids in order for manual testing or debugging. Lids are designed and may differ according to the size, heat, and package type of the device; currently, cooling requirements up to 1000W is supported.

During the device testing process, there are a few major categories such as chip probing, final test, bench test, and burn-in test.



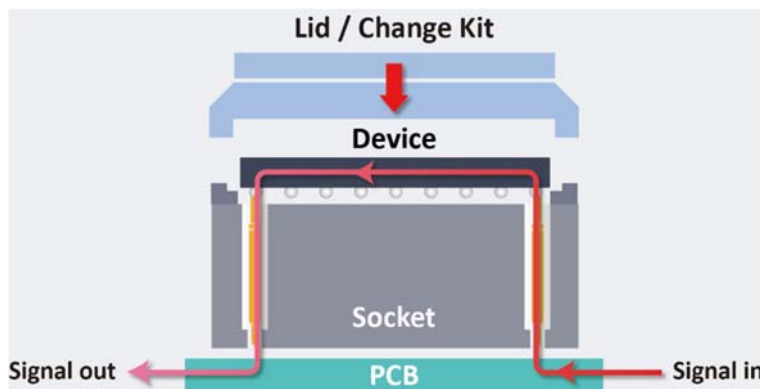
Chip probing, otherwise known as wafer sort, is within the scope of wafer testing; this process can be filtered through KGD (known good die) based on test requirements to decrease subsequent packaging costs.

Final test is also known as ATE (automatic test equipment). ATE equipment is utilized to test packaged IC for approximately 60% of their function; multiple sets of functions can be tested simultaneously for extremely rapid testing speed.



**Test principles:**

A signal is transferred from PCB to device, computed, then returned to the PCB. A comparison is carried out on the processed signal to determine if it meets expected values and assess if device functions are operating as intended



**Product functions:**

In order to achieve fast and accurate testing, we need the relevant components (ignore the area of machinery for now)

**Contact Element:** Characteristics of signal medium transmitted from PCB to device:

1. Maintain signal stability
2. Replaceability
3. Long usage life cycle

**Socket:** Correctness of the signal conduction point between the PCB, contact element, and device.

Characteristics:

1. Accurate positioning
2. Fast and accurate device placement/removal

**LID/CHANCE KIT:** Allow the device to come in contact with the contact element, then the PCB to ensure there are no short circuits in the signal transmission circuits.

Characteristics:

1. Accurate pressing depth
2. Easy and convenient operation (LID)

Bench test is also known as SLT (system level test). This is mainly the testing of devices before they're placed onto boards; most tests during this phase are conducted manually. The test items are all functions used by the product. For example, graphics chips are tested for whether they display the correct screens.

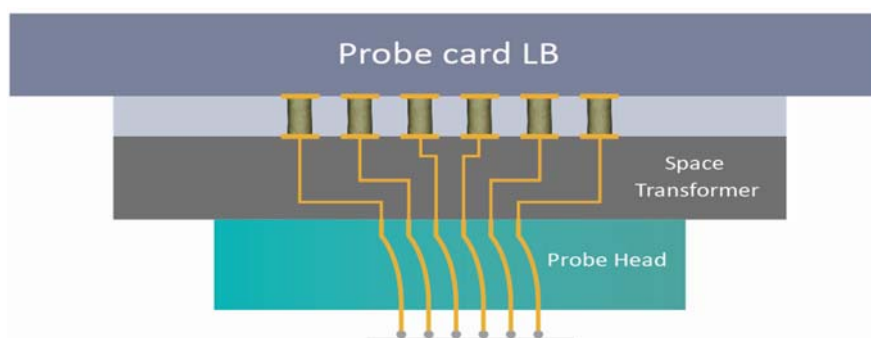
**Burn-in Test :** Long-term reliability testing performed in high temperature environments. Common test conditions are high heat and humidity environments at 125 degrees for 1000 hours; the test is often used to test the first production lot of devices to verify if chips are failing prematurely.

#### B. VPC\_Vertical Probe Card:

During semiconductor manufacturing processes, once wafers have been fabricated, each individual die must be tested before packaging by performing the "known good die" test. This allows for the early discovery and removal of defective die before packaging to decrease the costs of subsequent manufacturing processes. During the test process, the probes on probe cards come in direct contact with the wafer's solder pads or bumps to measure the circuit's electrical properties and judge the quality of the die. Vertical probe cards can meet the high pin count and fine pitch requirements of the IC test market. For instance, full array type probes perform much better than traditional cantilever probe cards for FlipChip in package (FCIP) and wafer-level package (WLP) products.

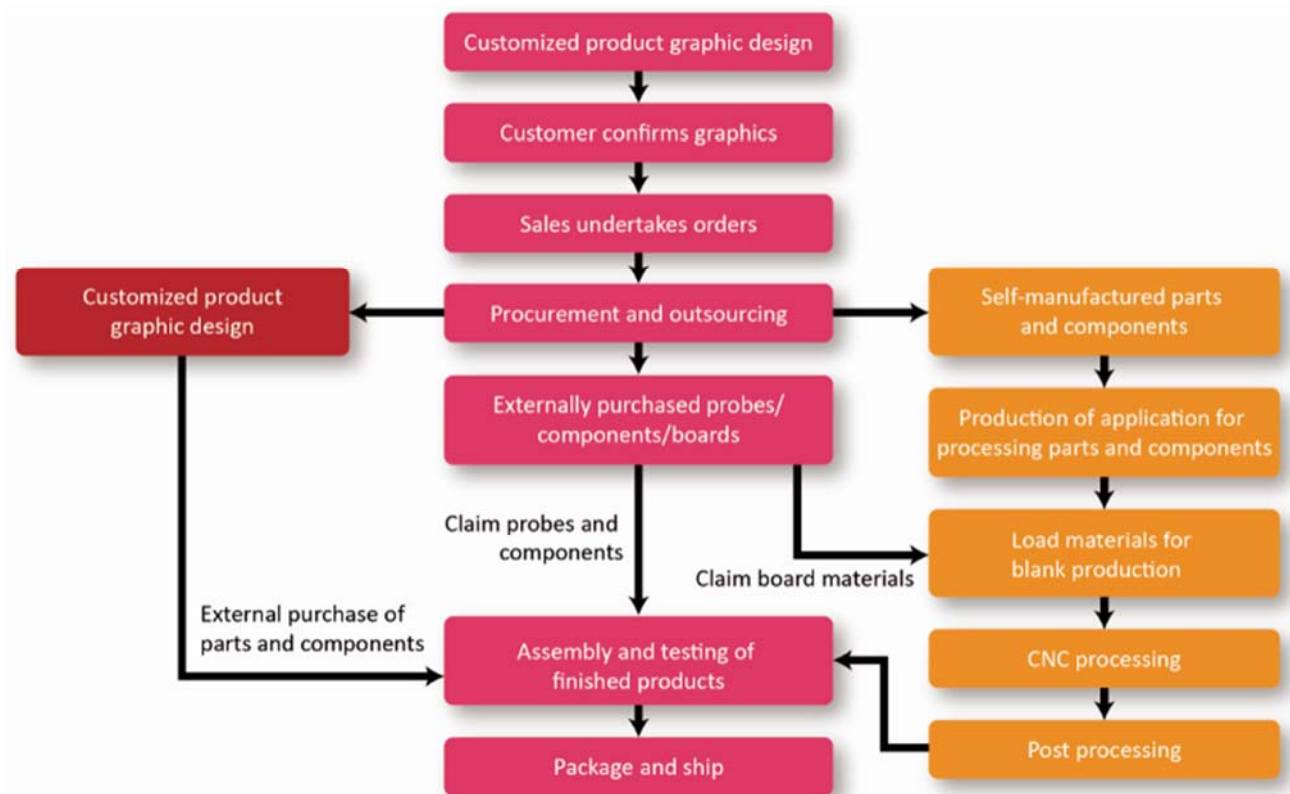
In order to offer optimal test solutions to our customers, the designs of probe cards are based on wafer's solder pad or bump materials, size, array type, and circuit information while also designing parts and components related to PH, PCB, substrate, and ST as well as performing simulations of electrical properties.

#### **Product structure:**

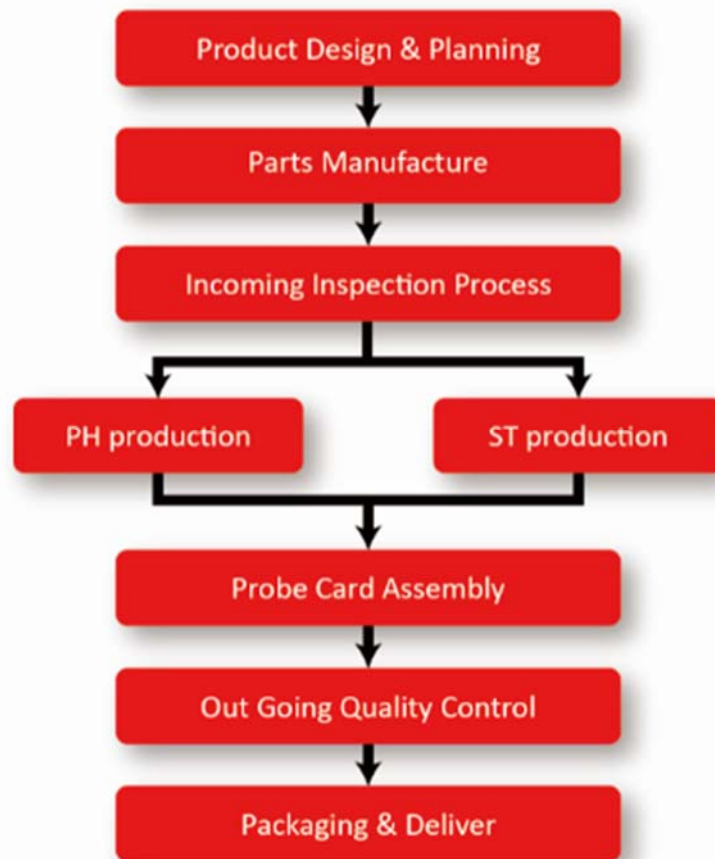


## 2. Manufacturing process

### A. Test socket



### B. Vertical probe card (VPC)



(III) Supply of main raw materials

The company maintains good relationships and cooperation with suppliers of main raw materials; current supply of materials remains unobstructed.

Main raw materials	Main suppliers	Supply status
Probe	Company A	Good
CNC machining	Company B	Good

(IV) Customers list for major purchases and sales in the last 2 years

1. Name of supplier accounting for more than 10% of total purchases in the past 2 years or any year and the purchase amount

Unit: NT\$thousands

Item	2020				2021			
	Name	Amount	As a percentage of total purchase (%)	Relationship with issuer	Name	Amount	As a percentage of total purchase (%)	Relationship with issuer
1	Company A	322,260	26.10	N/A	Company A	403,076	34.90	N/A
2	Company B	242,781	19.66	N/A	Company B	98,285	8.51	N/A
	Other	669,841	54.24	N/A	Other	653,470	56.59	N/A
	Net amount	1,234,882	100.00		Net purchase	1,154,831	100.00	

The main raw materials procured by the company are for the manufacturing of probes and CNC machining parts required for test interface products. There have been few changes to suppliers in the past 2 years but any changes are mainly in response to changes to the demand of end products; there have been no incidents of major change.

2. Names of customers accounting for more than 10% of total sales in the past 2 years or any year, the sales amount, and factors for changes in the amount:

Unit: NT\$ thousands

Item	2020				2021			
	Name	Amount	Percentage of net sales (%)	Relationship with issuer	Name	Amount	Percentage of net sales (%)	Relationship with issuer
1	Company AA	-	-	N/A	Company AA	243,011	8.42	N/A
2	Company BB	37,766	1.30	N/A	Company BB	234,752	8.13	N/A
3	Company CC	289,957	9.96	N/A	Company CC	194,789	6.75	N/A

4	Company DD	208,804	7.18	N/A	Company DD	192,832	6.68	N/A
5	Company EE	207,750	7.14	N/A	Company EE	190,241	6.59	N/A
6	Company FF	213,619	7.34	N/A	Company FF	105,404	3.65	N/A
7	Other	1,951,925	67.08	N/A	Other	1,726,267	59.78	N/A
	Net sales	2,909,821	100.00		Net sales	2,887,296	100.00	

Explanation of changes:

Mainly due to the increased demand of end consumer products in recent years, for which wafer fabrication and packaging technologies have been continuously updated in response to the miniaturization trend of electronic products. Other factors include an increase in the specification requirements and demand for semiconductor test interfaces and changes in customer procurement requirements and strategy. Generally speaking, there have been few changes in customer sales.

(V) Production value table for the last 2 years

Unit: holes thousands; NT\$ thousands

Core products of annual production value	2020			2021		
	Production capacity	Production volume	Production value	Production capacity	Production volume	Production value
Test Sockets	34,636	27,992	1,001,762	37,180	34,230	1,048,519
Contact Element	5,421	5,050	160,957	7,742	7,843	195,404
Prode Card	2,326	1,302	90,615	2,290	1,194	101,908
Others (Note)	-	-	101,289	-	-	70,688
Total	42,383	34,344	1,354,623	47,212	43,267	1,416,519

(Note) Due to the many types of product types and units of measurement such as pcs, cm2, kg, L, m, mm, SET...etc, calculations are unavailable.

## (VI) Sales volume and value table for the last 2 years

Unit: PCS; NT\$ thousands

Year Sales volume and value Core products	2020				2021			
	Domestic sales		Exports		Domestic sales		Exports	
	Volume (Note 1)	Value	Volume (Note 1)	Value	Volume (Note 1)	Value	Volume (Note 1)	Value
Test Sockets	20,880	615,124	35,146	1,328,935	27,315	528,770	38,359	1,396,675
Contact Element (Note 2)	5,094,225	345,456	3,168,057	164,075	5,691,721	344,082	3,329,448	188,739
Probe Card	2,579	123,845	25,952	146,235	2,517	122,875	21,695	112,510
Others	42,100	58,554	38,704	127,597	35,342	65,341	56,655	128,304
Total	5,159,784	1,142,979	3,267,859	1,766,842	5,756,895	1,061,068	3,446,157	1,826,228

(Note 1) Due to large number of product types, calculation units such as SET, pcs, cm, m, mm., etc.

(Note 2) All raw materials for contact elements are purchased externally.

## III. Number of current employees, mean number of years in service, mean age, and distribution of education in the most recent two years and up to the date this annual report was printed

Unit: people; %

Year		2020	2021	March 31, 2022
Employee count	Direct employees	275	288	290
	Indirect employees	401	428	408
	Total	676	716	698
Average age		34.7	35	35.9
Average years of service		3.08	3.92	4.03
Education background (%)	Ph.D	0.9	0.8	0.7
	Master's	12.9	14.7	14.0
	Bachelors Degree	63.2	65.9	65.8
	Senior High School	22.6	18.6	19.5
	Senior High School and below	0.4	0	0

## VI. Environmental protection expenditure information

Losses due to environmental pollution in the past 2 years up until the publication date of this report (including compensation and violations of environmental protection laws after audit, clearly state the punishment date, punishment number, Articles in violation, content of violations, and content of punishment) as well as disclose the current and potential amount of losses as well as countermeasures; if no reasonable estimate can be offered, state the facts of why no reasonable estimate is possible: None.

## V. Employer-employee relations

- (I) The implementation of various employee welfare measures, training, continuing education, and pension systems at the company as well as various protection measures for employee rights and employer-employee agreements:

(1) Employee welfare measures:

The company upholds the principle that satisfied employees lead to satisfied customers. As such, comprehensive care of employee's physical and mental health allows colleagues to happily work without worry; the company has enlisted colleagues to form an Employee Welfare Committee responsible for the planning and implementation of various matters related to employee welfare. The company has implemented the following items relating to employee welfare:

- A. 14-months salary for full-time employees (new employees are guaranteed 15-months salary in their first year of employment)
- B. Quarterly performance bonus
- C. Performance used to conduct annual promotion and salary adjustments
- D. Employee cash and stock dividends
- E. Labor and health insurance, pension, and group insurance
- F. Annual subsidies for employee vacations
- G. 2-day weekends
- H. Incentive bonus for innovation and improvements
- I. Department gathering subsidies
- J. Regular health examinations for all colleagues
- K. Gift vouchers for holidays, birthdays, and books
- L. Various club activities and subsidies
- M. Aid money for weddings, funerals, celebrations, and children's scholarships
- N. Education degree bonus, subsidies for continuing education, and excellent academic performance bonus
- O. Provision of internal/external training at factories, subsidies for continuing education
- P. Employee support plans
- Q. Annual commendations and rewards for model and senior employees
- R. Rental subsidy for faraway employees
- S. Lunch subsidies and free coffee/tea/snacks/overtime meals

(2) Employee training and education system:

For many years, the company has believed that exceptional talent is the key to maintaining an advantage of development in the fiercely competitive global market. As such, we invest massive amounts of resources to develop the specialized talent needed by the company by planning comprehensive training systems and courses for employees based on industry characteristics; a diverse selection of courses including management training, professional factory training, multi-specialization training, various project type training, language courses, and self management courses are provided. We encourage colleagues to participate in external education and seminars by promoting the concept of continuous learning for the purpose of enhancing employee's competency, skills, and the organization's ability in environment adaptation across the board. This allows the company to maintain leading technology and profitable growth in the semiconductor test

socket industry. While the resources invested into training do not immediately result in financial benefits, we believe deeply that a sustained investment into talent training will establish a solid foundation for future development and survival.

(3) Retirement system and its implementation:

- A. The pension payment standards (old pension system) of the Labor Standards Act applicable to the company's employees has been settled as of February 14, 2014 (Ministry of Labor official document no. 1035002213) to the pension fund account in Bank of Taiwan.
- B. The company pays 6% of monthly salary to worker's individual pension account in accordance with the Labor Pension Act (new pension system); workers may apply to claim their pension from the competent authority at the age of 60. The company's retirement method has been established according to the laws and regulations of the Labor Standards Act; the company deposits a "retirement reserves" into a government designated account each month.

Also, since the implementation of the new pension system as of July 1, 2005, the company's employees have completed their selection of the new or old system; employees who have chosen the new system receive their pension each month after the implementation of the new pension system. The legal and comprehensive retirement system can hopefully achieve mutual benefit for both employees and the employer.

(4) Labor agreements:

The company is extremely concerned with internal communication and convenes both labor and employee communication meetings. There are various internal channels of communication, management and employees show mutual respect and offer their opinions for improvement to work together and grow the company. Employee-employer relations have remained harmonious and maintained good interactions up to the current period.

(5) Measures to protect various employee's rights:

The company's various policies include comprehensive systems clearly state management guidelines in accordance with government laws and regulations; the contents clearly establish employee's rights, obligations, and welfare. The policy is regularly reviewed and amended to protect the rights of all employees.

The company regularly hosts randomly selected employee conferences to listen and show concern for employee opinions in order to provide immediate care, offer consultation or transfer services; aside from monitoring the conditions of special workers and providing the necessary assistance, these measures help improve understanding of management and labor conditions in all departments. In order to gain a broad sense of employee's opinions, a President's Mailbox has been setup within factories to maintain an unobstructed channel for employee opinions. The goal of various interview mechanisms and unobstructed channels of communication is to actively discover issues, regularly review various management measures and their room for improvement, and to establish a happy work environment for employees.

(6) Protective measures taken to ensure a safe working environment and maintain employees' personal safety:



- A. Establish health and safety guidelines and regulate the management of health and safety for employee compliance.
  - B. Before reporting for duty, new employees must undergo general health examinations and regular annual special health examinations; regular health examinations are scheduled every 2 years.
  - C. Inspections of work environments are implemented regularly every 6 months (e.x.: indoor CO<sub>2</sub>, organic solvents in the workplace).
  - D. Hazard identification must be performed for new equipment and manufacturing processes prior to employee operation.  
Safety and health hazard identification and risk assessment is implemented for work environments and operations for employees and stakeholders and used as a basis for establishing occupational safety and health management targets, implementing controls for operations related to health and safety, emergency response measures, or training.
  - E. Provide appropriate, sufficient protective equipment based on the hazards of operation environments and supervise their proper use.
  - F. Implement first aid kits and deploy emergency rescue workers; hire or commission medical workers specializing in worker's health services to handle affairs related to health management such as occupational disease prevention and health promotion.
  - G. Implement comprehensive fire safety systems in accordance with the Fire Services Act; conduct fire safety drills every 6 months so that employees are familiar with fire safety and emergency evacuation systems; implement monthly inspections of fire safety equipment and commission qualified fire safety equipment technicians annually to inspect and repair equipment.
  - H. Conduct investigations, analysis, and statistics for every work injury incident and provide monthly reports to the Ministry of Labor.
  - I. Implement occupational safety and health management system (ISO-45001), pass certification for occupational safety and health management systems, and utilize internal/external audit systems to ensure the effective operation of the above system.
- (II) Losses sustained due to labor disputes (including labor inspection results found in violation of the Labor Standards Act, specify the date of the penalty, letter number, article violated, provision violated, details of the penalty) in the past 2 years and up to the printing date of the annual report, and disclose current and future estimated amount and response measures; if it cannot be reasonably estimated, describe the facts of why a reasonable estimate is not possible: None.

## VI. Key contracts

Nature of contract	Contracting parties	Contract period Date	Content	Restrictions Articles
Lease	Export Processing Zone Administration, MOEA	2010/09/01-2030/08/31	Land lease agreements of headquarters	N/A
Lease	Export Processing Zone Administration, MOEA	2020/11/06-2030/11/05	Land lease agreements of Park I	N/A
Lease	Tai Yuen Textile Co., Ltd.	2019/05/01-2022/04/30	Lease agreement for Tai Yuen offices	N/A
Lease	Xuanchen Development Co., Ltd.	2017/07/01-2022/06/30	Lease agreement for factory at Huanbei Rd, Hsinchu	N/A
Lease	Economic Development Bureau, Kaohsiung City Government	2020/12/01-2021/12/31	Lease agreement for Benjhou factory	N/A
Lease	Chuan Lian Enterprise Co., Ltd.	2022/01/01-2022/12/31	Lease agreement for Benjhou factory	N/A
Real estate transactions	Winsome Development Co., Ltd.	2021/01/27-2024/04/01	Real estate transaction for Phase 9 of Tai Yuen Hi-Tech Industrial Park	N/A
Factory construction	Formosa Builders Co., Ltd.	2021/8/26-2023/6/30	Structural engineering of new factory in Park I	N/A
Factory construction	Sean Kung Electric Engineering Co., Ltd.	2021/8/26-2023/6/30	Electrical and fire safety engineering of new factory in Park I	N/A
Factory construction	Chengda Electric Engineering Co., Ltd.	2022/2/10-2023/6/30	Air conditioning installation of new factory in Park I	N/A

Nature of contract	Contracting parties	Contract period Date	Content	Restrictions Articles
Medium term loans	CTBC Bank Kaohsiung Regional Center	2019/07/23-2024/07/23	Loan amount: NT\$140,000,000 Period: 60 months	<ol style="list-style-type: none"> <li>1. Remittance to be reviewed (borrowed) every 6 months must be greater than NT\$200,000,000.</li> <li>2. The six month average deposit amount of the company is reviewed every 6 months and must be greater than NT\$70,000,000.</li> <li>3. Purpose of loan: Corporate construction loan + property procurement.</li> <li>4. List of assets obtained (borrowed) 6 months after loan to review the use of funds.</li> <li>5. There is a grace period of 6 months after the transfer, with each subsequent period occurring every 6 months; the principal shall be amortized in 9 installments with the balance being repaid within the term period.</li> </ol>

Nature of contract	Contracting parties	Contract period Date	Content	Restrictions Articles
Medium term loans	First Commercial Bank, Bo'ai Branch	(Equipment) - (Working Capital) 2021/11/5-2026/10/15	<p>Action plan to incentivize Taiwanese companies to invest in Taiwan</p> <p>Total amount: NT\$300,000,000</p> <p>Amounts for:</p> <p>Machinery and equipment: NT\$150,000,000</p> <p>Period: 84 months</p> <p>Working capital: NT\$150,000,000</p> <p>Period: 60 months</p>	<p>1. The period of use is until June 30, 2024 and is not subject to restrictions by the first loan processed within 6 months of approval; the maturity date and grace period of each loan is identical to the first loan.</p> <p>2. During the loan period, contracts or customer orders with a loan balance of 125% should be maintained while payment for sales should be remitted to a bank account.</p> <p>3. The average balance of current deposits in Taiwan or foreign currencies should exceed NT\$45,000,000 each year; import (including export) performance should exceed US\$1,000,000, export (including import) performance should exceed US\$3,000,000.</p> <p>4. When issued, loans for expenditures related to the purchase of machinery and equipment shall be within 70% of the relevant expense certificates; loans for operating turnover and other related expenses shall be within 80% of the amount.</p>

Nature of contract	Contracting parties	Contract period Date	Content	Restrictions Articles
Medium term loans	E. SUN Commercial Bank	(Equipment) - (Working Capital) 2021/9/1-2028/8/15	Action Plan to Incentivize Taiwanese Companies to Invest in Taiwan  Total amount: NT\$300,000,000  Amounts for:  Machinery and equipment: NT\$150,000,000  Working capital: NT\$150,000,000  Period: 84 months	1. The transfer period is until December 30, 2024. 2. The loan shall be issued within 80% of provided certificates before use; new loans may not be taken to repay existing loans. 3. Throughout the duration, the machinery and equipment included in the contents of this investment project may not be added to or be used in mortgages, pledges, other rights and interests to third parties, or transferred to the ownership of others. 4. Interest shall be paid monthly with a 3 year grace period for principal repayment; upon expiration of the grace period, the principal shall be amortized at an average of once per month with the 15th day of each month set as the amortization date of the principal.

## VI. Financial Overview

I. Condensed balance sheet, statement of comprehensive income, name of CPA, and their audit opinions in the past 5 years:

(I) Condensed Balance Sheet and Statement of Comprehensive Income:

1. Based on the International Financial Reporting Standards

(1) Condensed consolidated balance sheet

Unit: NT\$ thousands

Year Item		Financial statements for the past five years (Note 1)				
		2017	2018	2019	2020	2021
Current assets		770,699	1,001,032	1,618,132	1,648,309	2,891,391
Property, plant and equipment		349,855	400,394	505,066	522,122	765,236
Right-of-use assets		-	-	60,595	135,105	111,242
Investment properties		6,480	6,373	-	-	-
Intangible assets		17,614	26,828	34,321	36,483	31,435
Other assets		52,729	62,582	98,331	64,059	139,901
Total assets		1,197,377	1,497,209	2,316,445	2,406,078	3,939,205
Current liabilities	Before distribution	315,867	501,337	705,295	490,865	955,019
	After distribution	442,172	643,827	1,071,859	930,772	1,331,219 (Note 2)
Non-current liabilities		119	148	44,098	143,643	54,328
Total liabilities	Before distribution	315,986	501,485	749,393	634,508	1,009,347
	After distribution	442,291	643,975	1,115,957	1,074,415	1,385,547 (Note 2)
Equity attributable to owners of parent		881,391	995,724	1,567,052	1,771,570	2,929,858
Share capital		284,980	284,980	302,980	305,710	339,180
Capital reserve		428,249	426,313	575,513	609,440	1,689,858
Retained earnings	Before distribution	166,282	285,465	700,013	864,414	911,136
	After distribution	39,977	142,975	333,449	424,507	534,936 (Note 2)

Other equity		1,880	(1,034)	(11,454)	(7,994)	(10,316)
Treasury stock		-	-	-	-	-
Non-controlling interests		-	-	-	-	-
Total equity	Before distribution	881,391	995,724	1,567,052	1,771,570	2,929,858
	After distribution	755,086	853,234	1,200,488	1,331,663	2,553,658 (Note 2)

Note 1: The financial statement above has been audited and approved by an accountant.

Note 2: Amount was approved by a Board of Directors resolution on February 23, 2022.

## (2) Condensed consolidated income statement

Unit: NT\$ thousands; EPS: NT\$

Item \ Year	Financial statements for the past five years (Note 1)				
	2017	2018	2019	2020	2021
Operating income	1,241,832	1,686,168	2,804,335	2,909,821	2,887,296
Operating margin	510,804	685,937	1,241,790	1,166,681	1,209,081
Operating income	193,498	291,783	688,374	667,838	591,929
Non-operating income and expense	(14,626)	12,317	5,663	(5,742)	4,460
Pre-tax profit	178,872	304,100	694,037	662,096	596,389
Continuing operations Current period net profit	140,339	245,352	557,038	530,965	486,629
Income (loss) on Discontinued Operations	-	-	-	-	-
Net income (loss)	140,339	245,352	557,038	530,965	486,629
Other comprehensive income (OCI) for this period (Net income after tax)	2,121	(2,778)	(10,420)	3,460	(2,322)
Total comprehensive income for this period	142,460	242,574	546,618	534,425	484,307
Net income attributable to owners of the parent	140,339	245,352	557,038	530,965	486,629
Profit attributable to non-controlling interests	-	-	-	-	-
Total comprehensive income attributable to owners of parent	142,460	242,574	546,618	534,425	484,307
Total comprehensive income attributable to non-controlling interests	-	-	-	-	-
Earnings per share	4.92	8.61	19.00	17.42	14.46

Note 1: The financial statement above has been audited and approved by an accountant.



## (3) Condensed individual balance sheet

Unit: NT\$ thousands

Year Item		Financial statements for the past five years (Note 1)				
		2017	2018	2019	2020	2021
Current assets		736,769	915,716	1,519,781	1,539,047	2,743,193
Property, plant and equipment		339,965	392,441	397,132	385,811	639,222
Right-of-use assets		-	-	41,560	115,673	98,722
Intangible assets		17,614	26,828	33,988	35,301	30,745
Equity method investments		56,677	105,562	223,021	248,273	259,863
Investment properties		6,480	6,373	-	-	-
Other assets		51,902	58,028	82,962	61,520	138,287
Total assets		1,209,407	1,504,948	2,298,444	2,385,625	3,910,032
Current liabilities	Before distribution	313,148	509,076	701,597	483,453	931,870
	After distribution	439,453	651,566	1,068,161	923,360	1,308,070 (Note 2)
Non-current liabilities		14,868	148	29,795	130,602	48,304
Total liabilities	Before distribution	328,016	509,224	731,392	614,055	980,174
	After distribution	454,321	651,714	1,097,956	1,053,962	1,356,374 (Note 2)
Equity attributable to owners of parent		881,391	995,724	1,567,052	1,771,570	2,929,858
Share capital		284,980	284,980	302,980	305,710	339,180
Capital reserve		428,249	426,313	575,513	609,440	1,689,858
Retained earnings	Before distribution	166,282	285,465	700,013	864,414	911,136
	After distribution	39,977	142,975	333,449	424,507	534,936 (Note 2)
Other equity		1,880	(1,034)	(11,454)	(7,994)	(10,316)
Treasury stock		-	-	-	-	-
Non-controlling interests		-	-	-	-	-

<b>Total equity</b>	Before distribution	881,391	995,724	1,567,052	1,771,570	2,929,858
	After distribution	755,086	853,234	1,200,488	1,331,663	2,553,658 (Note 2)

Note 1: The financial statement above has been audited and approved by an accountant.

Note 2: Amount was approved by a Board of Directors resolution on February 23, 2022.

## (4) Condensed individual consolidated income statement

Unit: NT\$ thousands; EPS: NT\$

Item \ Year	Financial statements for the past five years (Note 1)				
	2017	2018	2019	2020	2021
Operating income	1,225,245	1,673,910	2,799,249	2,789,555	2,711,422
Operating margin	490,175	673,388	1,206,654	1,115,231	1,131,012
Operating income	179,163	289,391	691,202	665,842	589,636
Non-operating income and expense	(5,624)	10,302	2,244	(16,505)	5,544
Pre-tax profit	173,539	299,693	693,446	649,337	595,180
Income from continuing operations in current period	140,339	245,352	557,038	530,965	486,629
Income (loss) on Discontinued Operations	-	-	-	-	-
Net income (loss)	140,339	245,352	557,038	530,965	486,629
Other comprehensive income (OCI) for this period (Net income after tax)	2,121	(2,778)	(10,420)	3,460	(2,322)
Total comprehensive income for this period	142,460	242,574	546,618	534,425	484,307
Net income attributable to owners of the parent	140,339	245,352	557,038	530,965	486,629
Profit attributable to non-controlling interests	-	-	-	-	-
Total comprehensive income attributable to owners of parent	142,460	242,574	546,618	534,425	484,307
Total comprehensive income attributable to non-controlling interests	-	-	-	-	-
Earnings per share	4.92	8.61	19.00	17.42	14.46

Note 1: The financial statement above has been audited and approved by an accountant.

- Adoption of Taiwan's corporate accounting standards: Not applicable (the company has adopted international financial reporting standards since 2014).

## (III) Names of auditing CPAs of the most recent five years and their audit opinions

Year	Name of accountants	CPAs	Audit opinions
2017	KPMG Taiwan	David Chen	Unqualified opinion
2018	KPMG Taiwan	David Chen, Cheng-Lung Hsu	Unqualified opinion
2019	KPMG Taiwan	David Chen, Cheng-Lung Hsu	Unqualified opinion
2020	KPMG Taiwan	David Chen, Cheng-Lung Hsu	Unqualified opinion
2021	KPMG Taiwan	Cheng-Lung Hsu, Guo-Yang Tzang	Unqualified opinion

## II. Financial analysis for the past five years

### (I) Based on the International Financial Reporting Standards

#### 1. Consolidated financial analysis

Item \ Year		Financial analysis for the past five years (Note 1)				
		2017	2018	2019	2020	2021
Financial structure (%)	Debt asset ratio	26.39	33.49	32.35	26.37	25.62
	Long-term Fund to Property, Plant and Equipment	251.96	248.72	319.00	366.81	389.97
Solvency %	Current ratio	243.99	199.67	229.43	335.80	302.76
	Quick Ratio	203.72	142.96	180.33	249.39	265.21
	Interest coverage ratio	413.15	2,069.71	702.05	558.79	445.40
Operating ability	Receivables turnover (times)	3.53	4.3	4.28	4.22	4.08
	Average collection days	104	85	85.28	86.49	89.46
	Inventory turnover (times)	5.63	4.94	5.04	4.60	4.37
	Payables turnover (times)	3.76	4.44	5.29	6.36	4.78
	Average days of sales	65	74	72.42	79.34	83.52
	Turnover (times) of real estate properties, factories and equipment	3.46	4.5	6.19	5.67	4.49
	Total asset turnover (times)	0.95	1.25	1.47	1.23	0.91
Profitability	Return on assets (%)	10.78	18.22	29.25	22.53	15.37
	Return on equity (%)	14.96	26.14	43.47	31.81	33.31
	Net profit before tax as a percentage of actual income	62.77	106.71	229.07	216.58	175.83
	Capital ratio (%) (Note 6)					
	Net profit margin (%)	11.30	14.55	19.86	18.25	16.85
	Earnings per share (NT\$)	4.92	8.61	19.00	17.42	14.46
Cash flows	Cash flow ratio (%)	82.35	36.81	57.27	146.30	76.80
	Cash flow adequacy ratio (%)	65.32	60.04	75.98	101.65	99.29
	Cash re-investment ratio (%)	0.32	4.49	13.50	15.17	8.44
Leverage	Operating leverage	1.41	1.31	1.08	1.18	1.22
	Financial leverage	1.00	1.00	1.00	1.00	1.00
Please explain reasons for changes in financial ratios in the past two years. (Analysis is not needed when increase/decrease is less than 20%)						
1. Decrease of interest coverage ratio: Mainly due to a decrease of net profit in 2021 resulting in a decrease of interest coverage ratio.						
2. Decrease of accounts payable turnover: Mainly due to a decrease of 2021 operating cost.						
3. Decrease of property, plant and equipment turnover: Mainly due to a decrease of operating income in 2021 and the addition of real estate for the construction of new factory, plants, and equipment resulting in a decrease of property, plant, and equipment turnover.						
4. Decrease of total asset turnover: Mainly caused by a decrease of operating income in 2021.						

5. Decrease of return on assets: Mainly caused by a decrease of profit in 2021.
6. Decrease of cash flow ratio: Mainly caused by an increase of project payables for the construction of the new factory in 2021; an increase in current liabilities caused cash flow ratio to decrease.
7. Decrease in cash re-investment ratio: Mainly caused by the addition of property, plant, and equipment in 2021 resulting in a decrease in cash re-investment ratio.

Note 1: The financial statement above has been audited and approved by an accountant.

## 2. Standalone financial analysis

Item (Note 2)		Financial analysis for the past five years (Note 1)				
		2017	2018	2019	2020	2021
Financial structure (%)	Debt asset ratio	27.12	33.84	31.82	25.74	25.07
	Long-term Fund to Property, Plant and Equipment	263.63	253.76	402.09	493.03	465.90
Solvency %	Current ratio	235.28	179.88	216.62	318.34	294.38
	Quick Ratio	195.89	126.10	174.42	239.06	261.18
	Interest coverage ratio	400.86	2039.73	793.51	694.00	523.09
Operating ability	Receivables turnover (times)	3.55	4.33	4.12	3.66	3.64
	Average collection days	103	84	88.59	99.66	100.33
	Inventory turnover (times)	5.66	5.09	5.54	4.98	4.62
	Payables turnover (times)	3.71	4.37	5.26	6.14	4.60
	Average days of sales	64	72	65.88	73.32	79.07
	Turnover (times) of real estate properties, factories and equipment	3.52	4.57	7.09	7.13	5.29
	Total asset turnover (times)	0.91	1.23	1.47	1.19	0.86
Profitability	Return on assets (%)	10.50	18.09	29.33	22.70	15.49
	Return on equity (%)	14.96	26.14	43.47	31.81	20.70
	Net profit before tax as a percentage of actual income	60.90	105.16	228.88	212.40	175.48
	Capital ratio (%) (Note 6)					
	Net profit margin (%)	11.45	14.66	19.90	19.03	17.95
	Earnings per share (NT\$)	4.92	8.61	19.00	17.42	14.46
Cash flows	Cash flow ratio (%)	80.93	38.06	61.72	123.70	85.92
	Cash flow adequacy ratio (%)	69.69	64.54	91.37	107.57	107.74
	Cash re-investment ratio (%)	(0.27)	5.27	15.24	10.18	10.54
Leverage	Operating leverage	1.43	1.31	1.18	1.14	1.16
	Financial leverage	1.00	1.00	1.00	1.00	1.00

Please explain reasons for changes in financial ratios in the past two years. (Analysis is not needed when increase/decrease is less than 20%)

1. Decrease of interest coverage ratio: Mainly due to a decrease of net profit in 2021 resulting in a decrease of interest coverage ratio.
2. Decrease of accounts payable turnover: Mainly due to a decrease of 2021 operating cost.

3. Decrease of property, plant and equipment turnover: Mainly due to a decrease of operating income in 2021 and the addition of real estate for the construction of new factory, plants, and equipment resulting in a decrease of property, plant, and equipment turnover.
4. Decrease of total asset turnover: Mainly caused by a decrease of operating income in 2021.
5. Decrease of return on assets and return on equity: Mainly caused by a decrease of profit in 2021.
6. Decrease of cash flow ratio: Mainly caused by an increase of project payables for the construction of the new factory in 2021; an increase in current liabilities caused cash flow ratio to decrease.

Note 1: The financial statement above has been audited and approved by an accountant.

Note 2: Formula is as follows:

1. Financial structure
  - (1) Debt asset ratio = total liabilities / total assets.
  - (2) Long-term fund to fixed assets ratio = (net shareholders' equity + long-term liabilities) / net fixed assets.
2. Solvency
  - (1) Current ratio = current assets / current liabilities.
  - (2) Quick ratio = (current assets - inventory - prepaid expenses) / current liabilities.
  - (3) Interest coverage ratio = net income before income tax and interest expenses / interest expenses for this period.
3. Operating ability
  - (1) Receivables (including accounts receivable and business-related notes receivable) turnover ratio = net sales / average balance of receivables for each period (including accounts receivable and business-related notes receivable).
  - (2) Average collection days = 365 / receivables turnover.
  - (3) Inventory turnover = cost of goods sold / average amount of inventory.
  - (4) Payables (including accounts payable and business-related notes payable) turnover = cost of goods sold / average balance of payables for each period (including accounts payable and business-related notes payable).
  - (5) Average days of sales = 365 / inventory turnover.
  - (6) Property, plant and equipment turnover = net sales / average net amount of property, plant and equipment.
  - (7) Total assets turnover = net sales / total average assets.
4. Profitability
  - (1) Return on assets = [profit and loss after tax + interest expenses \* (1 - tax rate)] / total average assets.
  - (2) Return on equity = profit and loss after tax / net average shareholders' equity.
  - (3) Net profit margin = profit and loss after tax / net sales.
  - (4) Earnings per share = (Net income - dividend to preferred stock) / weighted average of shares issued. (Note 3)
5. Cash flows
  - (1) Cash flow ratio = net cash flows from operating activities / current liabilities.
  - (2) Net cash flow adequacy ratio = net cash flows from operating activities in the past five years / (capital expenditure + increase in inventory + cash dividends) in the past five years.
  - (3) Cash re-investment ratio = (Net cash flows from operating activities - cash dividend) / (gross fixed assets + long-term investment + other assets + operating capital). (Note 4)
6. Leverage:
  - (1) Operating leverage = (net operating income - current operating costs and expenses) / operating profit (Note 5).
  - (2) Financial leverage = operating profit / (operating profit - interest expenses).
2. Adoption of Taiwan's finance accounting standards: Not applicable (the company has adopted international financial reporting standards since 2014).

### III. Audit Committee's report of the most recent annual financial statement

## WinWay Technology Co., Ltd. Audit Committee's Report

This company's 2021 business report, financial statements, and profit distribution proposal submitted by the Board of Directors were audited by accountants Cheng-Lung Hsu and Guo-Yang Tzang from KPMG Taiwan, who have released a report of their audit. Upon review, the Audit Committee finds that these reports correctly portray business activities and in accordance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act, this report is submitted for shareholder's examination.

To  
2022 Annual Shareholders' Meeting of WinWay Technology Co., Ltd.

Audit Committee convener: Hsiu Yi Hung

February 23, 2022

- IV. Financial statements for the most recent year: Please refer to annex 1 of this annual report.
- V. The most recent CPA-certified individual financial report: Please refer to annex 2 of this annual report.
- VI. If the company and its affiliates experienced financial difficulties in the most recent year and up to the date this annual report was printed, state the impact on the financial standing of the company: None.



## VII. Discussion and analysis of financial standing and financial performance and risks

### I. Financial position

#### Comparative analysis of financial position

Unit: NT\$ thousands; %

Item \ Year	2020	2021	Difference	
	Amount	Amount	Amount	%
Current assets	1,648,309	2,891,391	1,243,082	75.42
Property, plants and equipment	522,122	765,236	243,114	46.56
Right-of-use assets	135,105	111,242	(23,863)	(17.66)
Investment properties	-	-	-	-
Intangible assets	36,483	31,435	(5,048)	(13.84)
Other assets	64,059	139,901	75,842	118.39
Total assets	2,406,078	3,939,205	1,533,127	63.72
Current liabilities	490,865	955,019	464,154	94.56
Non-current liabilities	143,643	54,328	(89,315)	(62.18)
Total liabilities	634,508	1,009,347	374,839	59.08
Share capital	305,710	339,180	33,470	10.95
Capital reserve	609,440	1,689,858	1,080,418	177.28
Retained earnings	864,414	911,136	46,722	5.41
Other equity	(7,994)	(10,316)	(2,322)	29.05
Total equity	1,771,570	2,929,858	1,158,288	65.38
<p>Explanation of significant changes (change ratio above 20% with amount of change exceeding NT\$10,000,000):</p> <p>(1) Increase of current assets: Mainly due to cash capital increase in 2021.</p> <p>(2) Increase of property, plant, and equipment: Mainly due to construction of new plant in 2021.</p> <p>(3) Increase in other assets: Mainly due to the pledge of fixed deposit for the new plant in 2021.</p> <p>(4) Increase of current liabilities: Mainly due to an increase of construction payables for the new plant in 2021.</p> <p>(5) Decrease in non-current liabilities: Mainly due to repayment of bank loans in 2021.</p> <p>(6) Increase in capital surplus: Mainly due to cash capital increase in 2021.</p>				

## II. Financial performance

### Comparative analysis of financial performance

Unit: NT\$ thousands; %

Year	2020	2021	Increase	Change ratio
Accounting subject	Amount	Amount	(decrease)	
Operating income	2,909,821	2,887,296	(22,525)	(0.77)
Operating cost	1,743,140	1,678,215	(64,925)	(3.72)
Operating margin	1,166,681	1,209,081	42,400	3.63
Operating expenses	498,843	617,152	118,309	23.72
Operating Profit	667,838	591,929	(75,909)	(11.37)
Non-operating income and expense	(5,742)	4,460	10,202	(177.67)
Pre-tax profit	662,096	596,389	(65,707)	(9.92)
Income tax expense	131,131	109,760	(21,371)	(16.30)
Current period net profit	530,965	486,629	(44,336)	(8.35)
Total comprehensive income for this period	534,425	484,307	(50,118)	(9.38)
Significant changes to operating income, net operating profit, and net profit before tax in the past 2 years (change ratio above 20% with amount of change exceeding NT\$10,000,000):				
(1) Increase in operating expenses: Mainly due to a 2021 classification change in some department expenses where manufacturing expenses were adjusted to R&D expenditure as well as a change in proportion of bad debts.				
(2) Increase of non-operating income and expenses: Mainly due to the USD exchange rate difference and the industry transformation subsidy obtained by subsidiary EW-TECH.				

### III. Cash flows

#### (I) Analysis of changes in cash flow in the most recent year:

Unit: NT\$ thousands; %

Item	Year	2020	2021	Increase (decrease)	Proportion of increase (decrease) %
Net cash inflow (outflow) from operating activities		718,133	733,488	15,355	2.14%
Net cash inflow (outflow) from investment activities		(110,649)	(527,142)	(416,493)	376.41%
Net cash inflow (outflow) from financing activities		(336,345)	610,574	946,919	-281.53%
Total		271,139	816,920	545,781	201.29%
Change analysis:					
(1) Investment activities: Investment activities in the current period resulted in an increase of net cash outflow by NT\$416,493,000 mainly due to an increase in capital expenditure in the current period.					
(2) Financing activities: Financing activities in the current period resulted in an increase of net cash inflow by NT\$946,919,000 mainly due to the issuance for cash capital increase at a premium before listing in the current period.					

#### (II) Improvement plan for insufficient liquidity: N/A.

#### (III) Cash liquidity analysis for the coming year

Unit: NT\$ thousands

Initial cash Balance	Expected annual net cash flow from operating activities	Expected annual net cash flow from investment activities	Expected annual net cash flow from financing activities	Expected cash surplus (deficit)
1,495,650	927,058	(505,015)	(376,200)	1,541,493
1. Change in cash flow analysis for the coming year:				
(1) Operating activities: An increase in profits due to revenue growth is expected in 2022, resulting in a net cash inflow from operating activities.				
(2) Investment activities: Capital expenditures and others expected for 2022.				
(3) Financing activities: Expected issuance of cash dividends.				

#### IV. Effect of major capital expenditures on finance and business in the past year: None.

V. Reasons for profit or loss due to re-investment strategies in the past year, improvement plans, and investment plans for the coming year:

(I) Re-investment policy in the past year:

The company has actively expanded into overseas markets in recent years due to factors such as operating necessity and future development; as such, the company has engaged in overseas re-investment business to provide local services such as product marketing and technical support. Future investment plans will consider factors such as the operating conditions of each re-investment business and the company's strategies when performing assessments. The company has established a "Guideline for Managing the Acquisition or Disposal of Assets", "Management and Supervision of Subsidiaries", and other guidelines for the implementation and execution of management systems that maximize the operating performance of re-investment businesses.

(II) Main factors for profit or loss, improvement plans, and investment plans for the coming year:

December 31, 2021 Unit: NT\$thousands						
Company \ Item	Shareholding ratio	Investment amount	Profit (loss) of invested company for the current period	Main factors for profit or loss	Improvement plan	Investment plan for the coming year
WINWAY INTERNATIONAL CO., LTD.	100%	204,599	13,252	Normal operating conditions	-	-
WINTEST ENTERPRISES LTD.	100%	9,200	1,169			
WinWay Technology(Suzhou) Ltd.	100%	195,399	12,083			
WINWAY TECHNOLOGY INTERNATIONAL INC.	100%	73,785	(1,974)	Loss due to decrease in orders	Expand business	-

## VI. Risk analysis and evaluation:

### (I) The effects that interest rates, exchange rate fluctuations, and inflation have on earnings and losses of the Company as well as response measures

#### 1. Interest rate fluctuations

The company's interest expenditures in 2020 and 2021 were NT\$1,187,000 and NT\$1,342,000 respectively, accounting for annual net operating income ratio of 0.04% and 0.05%; fluctuations in interest rate have no significant impact on the company due to the relatively low proportion.

The company maintains good financial structure and solvency through a foundation of sound and conservative financial management that offers an advantage when negotiating price with financial institutions. The company maintains close relationships with various banks to obtain better interest rates on loans as well as referencing both domestic and foreign reports released by economic institutes and banks to observe interest rate trends; unobstructed channels of communications are maintained with banks to maintain a grasp of current interest standards.

#### 2. Exchange rate fluctuations:

The company's losses due to foreign currency exchange in 2020 and 2021 were NT\$4,840,000 and \$2,635,000 respectively, accounting for annual net operating income ratio of 0.17% and 0.09%; fluctuations in exchange rate have no significant impact on the company due to the relatively low proportion.

Trends of the international dollar and the company's gains and losses due to foreign exchange are closely related due to products being quoted in US dollar and procurement of foreign raw materials also being calculated based on the US dollar. In order to prevent the potential impact of foreign currency fluctuations on profits, the company has adopted specific measures such as the following to manage foreign exchange risks:

A. Maintain close and good interaction with banks, appoint financial officers to pay close attention to foreign exchange market fluctuations to appropriately adjust the company's foreign currency holdings and identify the best times to settle foreign exchange.

B. Pay close attention to exchange rate trends so that when issuing price quotations, the sales department must consider the impact of exchange rate fluctuations on sales price. When fluctuations occur, negotiate with clients so that they are appropriately reflected on product quotations to minimize the risks of currency exchange.

#### 3. Inflation:

The company will continuously strive to reduce various costs by paying close attention to the supply and demand of raw materials as well as their price fluctuations to make suitable inventory adjustments; develop low cost substitutes for materials and make efforts to reduce operating costs to reduce their impact on profits and losses.

### (II) Policies of engaging in high-risk, high-leverage investments, lending to others, providing endorsement and guarantee, and derivatives transactions, profit/loss analysis, and future response measures:

1. The company has established a "Guideline for Managing the Acquisition or Disposal of Assets" and "Guideline for Managing Loans and Endorsement of Others", both approved by resolution in shareholders' meetings, to act as a basis for the company when conducting relevant transactions.
2. The company places focus on our core business based on sound and conservative principles. As of this report's date of publication, there has been no participation in high risk, high leverage investments, loans to others, or transactions of derivative products.
3. The company provides endorsements and guarantees to subsidiary companies, mainly in the area of financing which is handled and managed according to "Guideline for Managing Loans and Endorsements of Others"

(III) Future R&D projects and estimated R&D expenditure:

1. Future R&D Plans :

Key product R&D	Plans and goals
Fine Pitch Probe Card	Development of high precision probe card mechanism design, precision aperture processing technology and high performance contact elements
Brownie Coaxial Socket	Digital test speeds up to 112 Gbps PAM4 and 5G/automotive radar test applications
HEATCon&E Flux	Active thermal control of high power (500W and above) chips
Customized Burn-in Socket	Provide customized high performance burn-in test socket solutions
Spring probe fabrication	Establish comprehensive processes for probes from design to manufacturing to satisfy all types of test requirements
Substrate, Load Board Design & Assembly	Respond to customer demand for advanced tests to provide test capabilities for substrate, mounting board designs and plant assembly
MEMS Probe Card	Develop MEMS probe cards that satisfy advanced testing requirements

2. Estimated re-investment in R&D expenses:

The company's investments in R&D are gradually allocated according to the new products and technologies planned to meet long-term market demand and have accounted for 4%~7% of operating income in recent years. In 2022, it is estimated that the R&D expenditure will account for approximately 7% of operating income. This is adjusted whenever necessary depending on operating circumstances in order to maintain the company's competitive advantage by increasing the proportion of R&D expenses to operating income and strengthening the release of new products.

- (IV) Major changes in government policies and laws at home and abroad and the impact on finance and business of the company and response measures:

The company's operations comply with domestic and international laws by paying close attention to development trends of key policy developments and regulatory changes. The executive officers are given immediate information to act as a reference in response to political and economic changes; as such, the company's finances and business have not been impacted by changes to key policies or regulations in the latest year up until the publication date of this report.

- (V) Impact of recent technological and market changes on finance and business of the company, and response measures

The company continues to improve production technologies, strengthen management of production and manufacturing processes, increase productivity and product yield, develop niche products, and adjust product strategy at any time depending on the change in demand of end product markets to reduce the financial and business impact of changes in technologies and industries. The company also pays close regular attention to industry conditions and emerging technologies in order to appropriately adjust operations to adapt to changes in technologies or industries, thereby effectively reducing their impact. The finances and business of this company has not been impacted by changes in technologies or industries in the latest year up until the publication date of this report.

- (VI) Impact of change in corporate image on risk management and response measures:

The company has upheld the principles of sustainable operations and abided by government laws and regulations since its' founding. All employees strive to meet profit targets by improving operations management and product quality as well as providing customers with the best services to fulfill the responsibility to all shareholders. Looking forward, the company will continue in striving to increase product quality, maintain an excellent corporate image, and improve the company's role in the semiconductor industry supply chain so that the company's products and services may receive acclaim from even more customers. As such, the company has not suffered any significant impact from matters relating to changes in corporate image or risk management in the latest year up until the publication date of this report.

- (VII) Expected benefits and potential risks of mergers and acquisitions, and response measures:

The company has no plans for mergers and acquisitions in the latest year up until the publication date of this report. If there are future plans for mergers and acquisitions, the company will conduct due diligence and consider synergistic effects to ensure the rights and interests of existing shareholders.

(VIII) Expected benefits and potential risks of capacity expansion, and response measures:

1. Expected benefits of capacity expansion

The company's strategy in Taiwan is responsive to the semiconductor industry's demand for advanced, high performance, and high quality test sockets used for product engineering verification and increasing mass production usage rate. Pogo-pins are mainly manufactured in Benjhou, Kaohsiun, resulting in low self-sufficiency as the plant is only capable of providing approximately 20% of demand. Since 80% of pogo-pins must be purchased externally, the company initiated the Nanzih Technology Industrial Park Expansion Plan to increase capacity and technology of pogo-pins, reduce supplier risks, and better compete for orders from major international companies. Additional research equipment and resources were invested to implement comprehensive test socket solutions, further improve local services, widen the gap and differentiate with competitor products in market, and maintain the company's competitive advantage in the hopes of becoming a leading global manufacturer of semiconductor test sockets.

2. Potential risks

Newly purchased machinery and equipment may require a lengthier learning curve for operation and will suffer from lower initial utilization rate, slightly increasing operating costs. If the utilization and yield rate of new equipment do not meet expected standards, the company's profitability will be impacted; as such, the company has implemented standard operating procedures and fully understands the characteristics of all purchased machinery. The enhancement of employee training and inheritance of experience shortens learning curves and will allow machinery to quickly achieve mass production to increase their contributions to revenue and profit. Also, the increased capacity from expansion will fluctuate based on orders so in addition to maintaining current pogo-pins orders, the company will continue expanding orders for major international companies; the expansion of a pogo-pins factory is expected to increase competitive advantage and open up commissions for additional orders.

3. Response measures

The company has implemented standard operating procedures and fully understands the characteristics of all purchased machinery. The enhancement of employee training and inheritance of experience shortens learning curves and will allow machinery to quickly achieve mass production to increase their contributions to revenue and profit.

(IX) Risks associated with over-concentration in purchases or sales, and response measures:

1. Sales:

In addition to maintaining good and stable partnerships with existing customers, the company continues to develop new products and customers; also, no customers account for more than 30% of sales so the company has no risks associated with over-concentration of sales.



## 2. Purchases:

The company mainly purchases raw materials for manufacturing the probes and CNC machining parts needed for test socket products and maintains 2 or more suppliers for said materials. Suppliers are selected based on considerations to product delivery, quality, and price so that they meet customer requirements; the company has not signed any long-term supply contracts exceeding a period of 1 year. The company's purchase amount from Company A in 2020 and 2021 accounted for 26.10% and 34.90% of net purchases; as such, there is an over-concentration of risk in purchases as the purchase ratio of a single supplier has exceeded 30%. Company A is the Taiwan branch of a publicly traded company in Japan that specializes in IC semiconductor test sockets, test probes, automotive wireless communications, reed connectors for smartphones, and the manufacture and sale of electronic parts and components. A long-term partnership has been established with the company and it is apparent from our transaction history that Company A has provided a stable supply of materials without interruptions or shortages. In order to prevent incidents of force majeure resulting in the interruption or shortage of raw materials, the company continues to search for alternative suppliers outside of Company A to maintain two or more sources of supply. Additionally, the continuous increase of self-sufficiency ratio for materials further reduces the over-concentration risks of purchases.

- (X) The effects and risks of large-scale share transfers or conversions by directors, supervisors, or major shareholders holding more than 10% of the company's shares, and response measures:

The shares held by directors, supervisors, or major shareholders holding more than 10% of the company's shares have not changed significantly and there have been no instances of large-scale transfers or conversions in the last year up until the publication date of this report.

- (XI) The impact and risk of a change in ownership on the company, and response measures:

There have been no changes in ownership at the company in the last year up until the publication date of this report.

- (XII) Litigation or non-litigation events:

1. Incidents involving litigation, non-litigation, or administrative disputes that are ongoing or have been determined as of the publication date of this report must disclose the facts, amount, starting date of litigation, the main parties involved, and current handling of circumstances if the results may have a significant impact on shareholders' rights or stock price:

MPI Corporation ("MPI") first filed a criminal lawsuit based on the Trade Secrets Act against the company, the company's legal representative Chairman Mark Wang, and several employees of the company in November 2017; subsequently, a civil lawsuit ("civil lawsuit") for compensation of damages based on the Trade Secrets Act was taken against the company and the above members on September

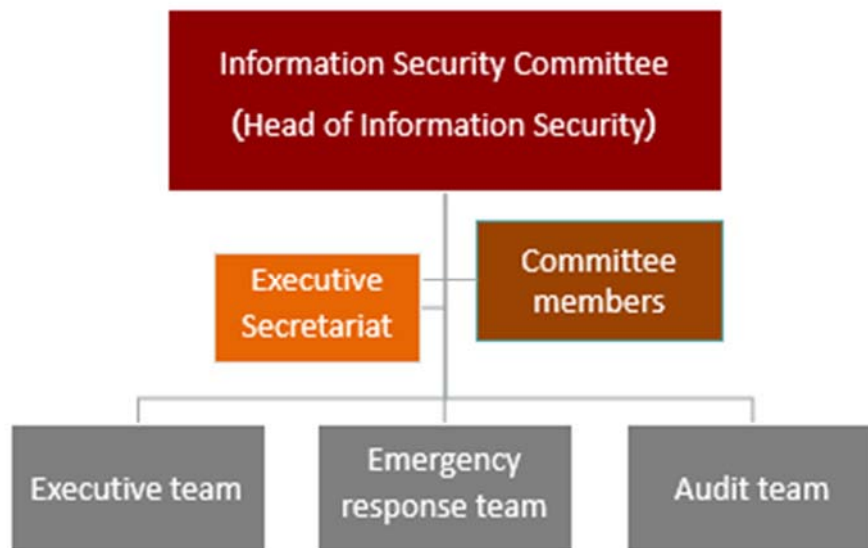
19, 2019. In terms of the criminal lawsuit, the prosecutor determined that no prosecution (confirmed) would be brought against Chairman Mark Wang and 3 employees in May 2020; trial for the company and 4 employees identified as defendants is still ongoing at Taiwan Hsinchu District Court. Due to the involvement of labor relations, the civil lawsuit was transferred from the court of intellectual property law in May 2020 to the court of labor law at Taiwan Hsinchu District Court for ruling. Mediation was attempted in November of that year but failed due to the immense differences of both parties; in December of that year, MPI simultaneously filed additional indictments as well as petitioned for stay of trial, increasing the amount of compensation to NT\$158.91 million. All parties of the lawsuit have agreed to a stay of trial as of March 2022. As no substantive procedures have been conducted for the civil and criminal trials above, it is not currently possible to predict the potential final results. The company's main products are mostly highly customized products and have consistently respected intellectual property rights as well as the research and development of technology. There are no circumstances involving the illegal obtaining or use of trade secrets as described by MPI.

On July 15, 2021, Johnstech International Corp. ("Johnstech") filed a civil lawsuit with the U.S. District Court for the Northern District of California ("the court") proposing that this company and merged companies infringed on Johnstech's US patents. The company has appointed a lawyer to handle matters and both parties of the lawsuit have completed mediation procedures; however, results are pending as lawyers of both parties are in discussions of specific details of the settlement. The company expects no significant financial impact from this lawsuit.

2. The company's directors, supervisors, president, substantial person in charge, major shareholders and their affiliates holding more than 10% of the company, who are involved in litigation, non-litigation, or administrative disputes that are ongoing or have been determined as of the publication date of this report must be disclosed if the results may have a significant impact on shareholders' rights or stock price: Refer to 1. for an explanation of litigation events.

(XIII) Data security risks:

1. The company implemented a [Data Security Committee] in January 2022 with the President as convener and division directors as committee members. An executive team, emergency response team, and audit team have been setup under the committee which is responsible for reviewing the governance, planning, supervision, and execution of data security in each business division to establish protections in data security and good awareness amongst employees. The Board of Directors is given an annual report of the committee's execution; the organization structure and job roles are as follows.



2. [Data Security Policy]:

WinWay Technology Co., Ltd ("this company") has established this policy to maintain general data security and manage business secrets to ensure:

- The strengthening of security management for data assets to ensure their confidentiality, integrity, and availability; by establishing a secure and reliable operating environment, the security of data, systems, equipment, and networks shall guarantee the rights of all colleagues and any related internal/external workers.
- Ensure appropriate protection and management measures by strengthening security of files and documents generated through creation, R&D, and manufacturing from this company's business activities as defined by Article 2 of the Trade Secrets Act.

3. [Specific Management Policies]:

Data security management type	Related operations
System availability	<ul style="list-style-type: none"> <li>● Implement surveillance systems, status of network availability</li> <li>● Implement remote data backup systems to ensure the complete restoration of data</li> <li>● Regularly conduct disaster drills, systems restoration procedures, and business continuity plan (BCP) drills, strengthen corporate ability to recover from disasters in order to reduce operational risks</li> </ul>
External threats	<ul style="list-style-type: none"> <li>● Implement intrusion detection and protective systems such as firewalls and antivirus to detect attacks using viruses or malware, preventing damage to data architecture and systems</li> <li>● Implement e-mail protection systems to ensure the timely blocking of threats such as e-mail attacks</li> <li>● Implement end point antivirus protection to safeguard servers and personal computers from viruses and data leaks</li> <li>● Regularly perform vulnerability scans on servers and end user PCs, patch vulnerabilities through updates</li> </ul>

Permissions management	<ul style="list-style-type: none"> <li>● Management of worker accounts and permission settings</li> <li>● Regularly inspect and list accounts as well as their permissions necessary for business</li> <li>● Server room access permissions and surveillance management</li> </ul>
Access controls	<ul style="list-style-type: none"> <li>● Control access of data files</li> <li>● Implement an audit record system for data access</li> <li>● Define and execute a file grading system to regulate strict access to crucial data</li> </ul>

4. [Subsequent Planning and Execution]:

In order to "maintain the confidentiality, integrity, availability, and legality of company data to prevent human error, intentional destruction, and natural disasters that may cause the data and assets of the company to be misused, leaked, tempered with, damaged, or lost, resulting in the disruption of business activities and damaging the rights and interests" of this company. WinWay Technology began implementation of the ISO 27001 information security management and systems from the Trade Secrets Act; the company expects to obtain ISO 27001 certification in Q4 of 2022. Implementation of ISO 27001 information security management and systems from the Trade Secrets Act hopes to achieve the following goals

- Strengthen corporate security, reduce operating risks, maintain competitiveness
- Conduct data security diagnosis, make inventory of potential risks, and patch vulnerabilities according to risk severity in compliance with international standards to decrease company losses caused by data security incidents
- Establish data security policies and daily operations in compliance with international standards
- Avoid becoming a springboard for hacking attacks on corporate customers
- Increase customer's confidence and trust towards the stability of our corporate operations
- Protect the intellectual property rights of customers and this company
- Decrease legal risks and reduce costs
- Certification in ISO 27001 information security management satisfies legal and regulatory requirements (Personal Data Protection Act, Trade Secrets Act, GDPR-EU General Data Protection Regulation) to reduce the legal problems faced in data security emergencies as courts will view the fact that the corporation has fulfilled these standards as evidence that sufficient security protections have been implemented.

(XIV)Other significant risks and countermeasures: N/A

VII. Other important matters: N/A

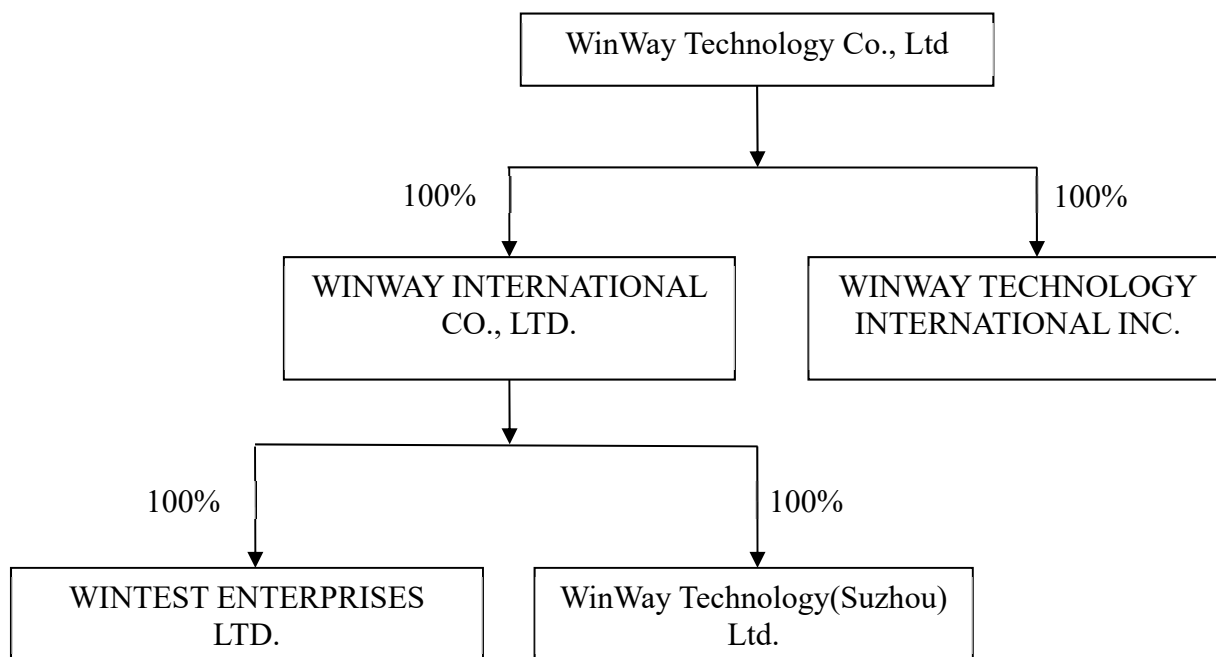
## VIII. Special disclosures

### I. Information on affiliates and subsidiaries

#### (I) Merger report of affiliates and subsidiaries

##### 1. Organization chart of affiliated enterprises:

December 31, 2021



##### 2. Profiles of affiliates and subsidiaries

December 31, 2021 Unit: NT\$thousands

Name of affiliate or subsidiary	Relationship to this company	Affiliates or subsidiaries owned by this company			Affiliates with ownership of this company		
		Ratio	Number of shares (shares)	Investment amount	Ratio	Number of shares (shares)	Investment amount
WINWAY INTERNATIONAL CO., LTD.	Subsidiaries wholly owned by this company	100%	6,580,000	204,599	-	-	-
WINWAY TECHNOLOGY INTERNATIONAL INC.	Subsidiaries wholly owned by this company	100%	781,934	73,785	-	-	-
WINTEST ENTERPRISES LTD.	Re-investment companies wholly owned indirectly by this company	100%	-	9,200	-	-	-
WinWay Technology(Suzhou) Ltd.	Re-investment companies wholly owned indirectly by this company	100%	-	195,399	-	-	-

3. Controlling and subordinate companies with identical shareholders: None.

4. Overall businesses covered by affiliates:

The overall businesses covered by affiliates of this company are mainly in providing the testing interfaces needed in the semiconductor industry.

The integration of R&D, design, manufacturing, engineering, quality assurance, and post-sale services through the service principle of "In House,

One Stop Shop" strives to offer comprehensive, fast, and customized services to our customers.

In summary, the distribution of labor between affiliates provides mutual support in technology, capacity, marketing, and services to generate maximum synergy.

5. Profile of directors, supervisors, and president of affiliate

December 31, 2021; unit: Shares; %

Name of affiliate or subsidiary	Title	Name or Representative Ratio	Shares held	
			No. of shares	Shareholding ratio
WINWAY INTERNATIONAL CO., LTD.	Chairman	WinWay Technology Co., Ltd representative: Mark Wang	6,580,000	100%
WINWAY TECHNOLOGY INTERNATIONAL INC.	Chairman	WinWay Technology Co., Ltd representative: Mark Wang	781,934	100%
WINTEST ENTERPRISES LTD.	Chairman	WinWay Technology Co., Ltd representative: Jason Chen	-	100%
	Supervisor	WinWay Technology Co., Ltd representative: Jason Lu	-	100%
WinWay Technology(Suzhou) Ltd.	Chairman	WinWay Technology Co., Ltd representative: Jason Chen	-	100%
	Supervisor	WinWay Technology Co., Ltd representative: Jason Lu	-	100%

6. Overview of affiliates or subsidiaries

December 31, 2021; unit: NT\$ thousands

Name of affiliate or subsidiary	Capital	Total assets	Total liabilities	Net worth	Operating income	Operating profit (loss)	Net loss (profit) for the current period	Net profit (loss) per share (NT\$)
WINWAY INTERNATIONAL CO., LTD.	204,599	264,931	-	264,931	-	-	13,252	2.01
WINWAY TECHNOLOGY INTERNATIONAL INC.	73,785	18,967	5,740	13,227	46,145	(2,652)	(1,974)	(2.52)
WINTEST ENTERPRISES LTD.	9,200	359,761	272,594	87,167	751,182	(1,966)	1,169	-
WinWay Technology(Suzhou) Ltd.	195,399	205,908	28,196	177,712	112,651	10,184	12,083	-

(II) Consolidated financial statements of affiliates: Please refer to annex 1 of this annual report.

(III) Reports of affiliates: N/A

II. Private placement of securities in the most recent year and as of the printing date of the annual report: None.

III. Holding or disposal of stocks of the company by subsidiaries in the past year and up to the date of this annual report: None.

IV. Other supplemental information: None.

### **IX. Matters that significantly impact shareholders' rights or stock prices**

Corporate events with material impact on shareholders' equity or stock prices set forth in Article 36, Paragraph 3, Subparagraph 2 of the Securities and Exchange Act in the past year and up to the date of this annual report: Refer to the details of litigation as described in page 133 to 134.

## &lt;Annex1&gt;

**Representation Letter**

The entities that are required to be included in the combined financial statements of WINWAY TECHNOLOGY CO., LTD. as of and for the year ended December 31, 2021 under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with International Financial Reporting Standards No. 10, "Consolidated Financial Statements. " endorsed by the Financial Supervisory Commission of the Republic of China. In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, WINWAY TECHNOLOGY CO., LTD. and Subsidiaries do not prepare a separate set of combined financial statements.

Company name: WINWAY TECHNOLOGY CO., LTD.

Chairman: Chia-Huang, Wang

Date: February 23, 2022



## **Independent Auditors’ Report**

To the Board of Directors of WINWAY TECHNOLOGY CO., LTD. :

### **Opinion**

We have audited the consolidated financial statements of WINWAY TECHNOLOGY CO., LTD. and its subsidiaries ( “the Group” ), which comprise the consolidated balance sheets as of December 31, 2021 and 2020, the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards ( “IFRSs” ), International Accounting Standards ( “IASs” ), Interpretations developed by the International Financial Reporting Interpretations Committee ( “IFRIC” ) or the former Standing Interpretations Committee ( “SIC” ) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

### **Basis for Opinion**

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and the auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors’ Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China ( “the Code” ), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

### **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters to be communicated in our report.

#### **1. Revenue recognition**

Please refer to note 4(n) “Revenue recognition” for accounting policy and note 6(s) “Revenue from contracts with customers” .

#### **Description of Key Audit Matter:**

The Group determines the timing of transferring control over the goods and recognizes its revenue depending on whether the specified sales terms in each individual contract are met. Since inappropriate revenue recognition may occur due to the specified sales terms in each individual contract and the sales

revenue before or after the financial reporting date has a significant impact on the consolidated financial statements, revenue recognition is the key areas our audit focused on.

How the matter was addressed in our audit:

In relation to the key audit matter above, we have performed certain key audit procedures that included understanding and testing the internal controls of sales and collection cycle; testing selected sales samples and agreeing to sales contract or customer orders, evaluating whether the sales terms have an impact on revenue recognition; for transactions incurred within a certain period before or after the balance sheet date, test selected sales samples by reviewing related documentation supporting sales recognition, evaluate whether the revenue was recorded in proper period; as well as assess whether the Group has disclosed all information related to revenue.

### **Other Matter**

WINWAY TECHNOLOGY CO., LTD. has prepared its parent-company-only financial statements as of and for the years ended December 31, 2021 and 2020, on which we have issued an unmodified opinion.

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

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 with the IFRSs, IASs, IFRC, SIC endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance (including the Audit Committee) are responsible for overseeing the Group's financial reporting process.

### **Auditors' Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

KPMG

Taipei, Taiwan (Republic of China)  
February 23, 2022

#### **Notes to Readers**

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

The independent auditors' audit 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' audit report and consolidated financial statements, the Chinese version shall prevail.

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)  
**WINWAY TECHNOLOGY CO., LTD. AND SUBSIDIARIES**

**Consolidated Balance Sheets**

**December 31, 2021 and 2020**

(Expressed in Thousands of New Taiwan Dollars)

Assets	December 31, 2021		December 31, 2020	
	Amount	%	Amount	%
<b>Current assets:</b>				
Cash and cash equivalents (note 6(a))	\$ 1,495,650	38	680,104	28
Financial assets measured at amortized cost (note 6(b))	149,000	4	-	-
Notes receivable, net (note 6(c))	5,828	-	11,327	-
Accounts receivable, net (note 6(c))	867,187	22	530,003	22
Other receivables (note 6(d))	953	-	-	-
Current tax assets	1,772	-	-	-
Inventories, net (note 6(e))	350,358	9	417,221	17
Other current assets (note 6(j))	20,643	1	9,654	-
<b>Total current assets</b>	<b>2,891,391</b>	<b>74</b>	<b>1,648,309</b>	<b>67</b>
<b>Non-current assets:</b>				
Property, plant and equipment (notes 6(f) and 8)	765,236	19	522,122	22
Right-of-use assets (note 6(g))	111,242	3	135,105	6
Intangible assets (note 6(h))	31,435	1	36,483	2
Deferred tax assets (note 6(o))	45,382	1	39,091	2
Refundable deposits	6,724	-	7,652	-
Other non-current financial assets (notes 6(i) and 8)	51,511	1	1,511	-
Other non-current assets (note 6(j))	36,284	1	15,805	1
<b>Total non-current assets</b>	<b>1,047,814</b>	<b>26</b>	<b>757,769</b>	<b>33</b>
<b>Total assets</b>	<b>\$ 3,939,205</b>	<b>100</b>	<b>2,406,078</b>	<b>100</b>

Liabilities and Equity	December 31, 2021		December 31, 2020	
	Amount	%	Amount	%
<b>Current liabilities:</b>				
Current contract liabilities (note 6(s))	\$ 25,359	1	2,623	-
Accounts payable	488,672	12	213,212	9
Other payables (note 6(n))	269,357	7	209,860	8
Current provisions (note 6(l))	8,468	-	5,405	-
Current lease liabilities (note 6(m))	48,568	1	20,123	1
Current tax liabilities	114,595	3	39,642	2
<b>Total current liabilities</b>	<b>955,019</b>	<b>24</b>	<b>490,865</b>	<b>20</b>
<b>Non-Current liabilities:</b>				
Long-term borrowings (notes 6(k) and 8)	-	-	40,000	2
Deferred tax liabilities (note 6(o))	1,193	-	69	-
Non-current lease liabilities (note 6(m))	53,135	1	103,574	4
<b>Total non-current liabilities</b>	<b>54,328</b>	<b>1</b>	<b>143,643</b>	<b>6</b>
<b>Total liabilities</b>	<b>1,009,347</b>	<b>25</b>	<b>634,508</b>	<b>26</b>
<b>Equity attributable to owners of parent (notes 6(o)(p)(q)):</b>				
Capital stock	338,910	9	305,710	13
Advance receipts for share capital	270	-	-	-
	339,180	9	305,710	13
Capital surplus	1,689,858	43	609,440	25
Retained earnings	911,136	23	864,414	36
Other equity	(10,316)	-	(7,994)	-
<b>Total equity</b>	<b>2,929,858</b>	<b>75</b>	<b>1,771,570</b>	<b>74</b>
<b>Total liabilities and equity</b>	<b>\$ 3,939,205</b>	<b>100</b>	<b>2,406,078</b>	<b>100</b>

See accompanying notes to financial statements.

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)  
**WINWAY TECHNOLOGY CO., LTD. AND SUBSIDIARIES**

**Consolidated Statement of Comprehensive Income**

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

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

	<b>2021</b>		<b>2020</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
<b>Operating revenue (notes 6(s) and 14)</b>	\$ 2,887,296	100	2,909,821	100
<b>Operating costs (notes 6(e)(h)(l)(m)(n)(q) and 12)</b>	1,678,215	58	1,743,140	60
<b>Gross profit</b>	1,209,081	42	1,166,681	40
<b>Operating expenses (notes 6((c)(h)(m)(n)(q)(t), 7 and 12):</b>				
Selling expenses	261,140	9	243,029	8
General and administrative expenses	170,828	6	176,827	6
Research and development expenses	184,899	6	124,392	4
Expected credit impairment gain and losses	285	-	(45,405)	(2)
<b>Total operating expenses</b>	617,152	21	498,843	16
<b>Net operating income</b>	591,929	21	667,838	24
<b>Non-operating income and expenses (note 6(u)):</b>				
Interest income	2,779	-	726	-
Other gains and losses	3,023	-	(5,281)	-
Finance costs (note 6(m))	(1,342)	-	(1,187)	-
<b>Total non-operating income and expenses</b>	4,460	-	(5,742)	-
<b>Profit before income tax</b>	596,389	21	662,096	24
<b>Income tax expenses (note 6(o))</b>	109,760	4	131,131	5
<b>Profit</b>	486,629	17	530,965	19
<b>Other comprehensive income (note 6(p)):</b>				
<b>Items that will be reclassified subsequently to profit or loss</b>				
Exchange differences on translation of foreign financial statements	(2,322)	-	3,460	-
Income tax related to components of other comprehensive income that will be reclassified to profit or loss	-	-	-	-
<b>Other comprehensive income</b>	(2,322)	-	3,460	-
<b>Comprehensive income</b>	<u>\$ 484,307</u>	<u>17</u>	<u>534,425</u>	<u>19</u>
<b>Earnings per share (note 6(r)):</b>				
<b>Basic earnings per share (in New Taiwan Dollars)</b>	<u>\$ 14.46</u>		<u>17.42</u>	
<b>Diluted earnings per share (in New Taiwan Dollars)</b>	<u>\$ 14.22</u>		<u>16.96</u>	

See accompanying notes to financial statements.

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

**WINWAY TECHNOLOGY CO., LTD. AND SUBSIDIARIES****Consolidated Statement of Changes in Equity****For the years ended December 31, 2021 and 2020****(Expressed in Thousands of New Taiwan Dollars)**

	Equity attributable to owners of parent								Total other equity interest Exchange differences on translation of foreign financial statements	Total equity
	Ordinary shares	Captial collected in advance	Capital surplus	Retained earnings			Total retained earnings			
				Legal reserve	Special reserve	Unappropriated retained earnings				
<b>Balance at January 1, 2020</b>	<b>\$ 302,980</b>	-	<b>575,513</b>	<b>64,499</b>	<b>13</b>	<b>635,501</b>	<b>700,013</b>	<b>(11,454)</b>	<b>1,567,052</b>	
Profit	-	-	-	-	-	530,965	530,965	-	530,965	
Other comprehensive income	-	-	-	-	-	-	-	3,460	3,460	
Total comprehensive income	-	-	-	-	-	530,965	530,965	3,460	534,425	
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	2,730	-	6,825	-	-	-	-	-	9,555	
Stock options compensation cost	-	-	27,102	-	-	-	-	-	27,102	
<b>Balance at December 31, 2020</b>	<b>305,710</b>	-	<b>609,440</b>	<b>120,203</b>	<b>11,454</b>	<b>732,757</b>	<b>864,414</b>	<b>(7,994)</b>	<b>1,771,570</b>	
Profit	-	-	-	-	-	486,629	486,629	-	486,629	
Other comprehensive income	-	-	-	-	-	-	-	(2,322)	(2,322)	
Total comprehensive income	-	-	-	-	-	486,629	486,629	(2,322)	484,307	
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	2,740	270	7,463	-	-	-	-	-	10,473	
Stock options compensation cost	-	-	3,910	-	-	-	-	-	3,910	
<b>Balance at December 31, 2021</b>	<b>\$ 338,910</b>	<b>270</b>	<b>1,689,858</b>	<b>173,299</b>	<b>7,994</b>	<b>729,843</b>	<b>911,136</b>	<b>(10,316)</b>	<b>2,929,858</b>	

See accompanying notes to financial statements.

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)  
**WINWAY TECHNOLOGY CO., LTD. AND SUBSIDIARIES**

**Consolidated Statement of Cash Flows**

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

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

	2021	2020
<b>Cash flows from operating activities:</b>		
Profit before income tax	\$ 596,389	662,096
<b>Adjustments:</b>		
Adjustments to reconcile profit (loss):		
Depreciation expenses	113,479	108,607
Amortization expenses	11,423	11,877
Expected credit impairment loss (gain)	285	(45,405)
Gain on financial assets at fair value through profit	(834)	(337)
Interest expenses	1,342	1,187
Interest income	(2,779)	(726)
Share-based payment transactions	3,910	27,102
Losses on disposal of property, plant and equipment	135	8,030
Write-down of inventories	34,941	45,380
Unrealized foreign exchange loss (gain)	1,457	(4,637)
Gains on lease modification	-	(99)
Gains on rent concessions	-	(59)
<b>Total adjustments to reconcile profit</b>	<b>163,359</b>	<b>150,920</b>
<b>Changes in operating assets and liabilities:</b>		
Decrease (increase) in notes receivable	5,410	(1,927)
(Increase) decrease in accounts receivable	(338,371)	346,833
(Increase) decrease in other receivable	(719)	53
Decrease (increase) in inventories	31,493	(121,159)
(Increase) decrease in other current assets	(11,053)	19,183
Increase (decrease) in accounts payable	275,475	(121,835)
Increase (decrease) in other payable	26,193	(12,923)
Increase (decrease) in current provisions	3,063	(24)
Increase (decrease) in current contract liabilities	22,756	(2,796)
<b>Total adjustments</b>	<b>177,606</b>	<b>256,325</b>
Cash inflow generated from operations	773,995	918,421
Interest received	2,545	726
Interest paid	(1,342)	(1,187)
Income taxes paid	(41,710)	(199,827)
<b>Net cash flows from operating activities</b>	<b>733,488</b>	<b>718,133</b>
<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	600,834	180,337
Acquisition of property, plant and equipment	(248,607)	(69,055)
Proceeds from disposal of property, plant and equipment	178	3,191
Decrease (increase) in refundable deposits	904	(659)
Acquisition of intangible assets	(4,627)	(11,755)
Acquisition of right-of-use assets	-	(11,948)
Increase in other financial assets	(50,000)	(1)
Increase in prepayments for equipment	(76,824)	(20,759)
<b>Net cash flows used in investing activities</b>	<b>(527,142)</b>	<b>(110,649)</b>
<b>Cash flows (used in) from financing activities:</b>		
Proceeds from long-term borrowings	50,000	40,000
Repayments of long-term borrowings	(90,000)	-
Payments of lease liabilities	(19,497)	(19,336)
Cash dividends paid	(439,907)	(366,564)
Capital increase by cash	1,099,505	-
Proceeds from exercise of employee stock options	10,473	9,555
<b>Net cash flows from (used in) financing activities</b>	<b>610,574</b>	<b>(336,345)</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>(1,374)</b>	<b>2,897</b>
<b>Net increase in cash and cash equivalents</b>	<b>815,546</b>	<b>274,036</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>680,104</b>	<b>406,068</b>
<b>Cash and cash equivalents at end of period</b>	<b>\$ 1,495,650</b>	<b>680,104</b>

See accompanying notes to financial statements.

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

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

**Notes to Consolidated Financial Statements**

**For the years ended December 31, 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 February 23, 2022.

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

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

The 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”
- Amendments to IFRS 17 “Initial Application of IFRS 17 and IFRS 9 — Comparative Information”

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

The significant accounting policies presented in the consolidated financial statements are summarized below. Except for those specifically indicated, the following accounting policies were applied consistently throughout the periods presented in the consolidated financial statements.

- (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 the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations endorsed and issued into effect by the Financial Supervisory Commission, R.O.C..

- (b) Basis of preparation

- (i) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis, except for financial instruments that have been measured at fair value.

- (ii) Functional and presentation currency

The functional currency of each Group entity is determined based on the primary economic environment in which the entity operates. The consolidated financial statements are presented in New Taiwan Dollar, which is the Company’s functional currency. All financial information presented in New Taiwan Dollar has been rounded to the nearest thousand.

- (c) Basis of consolidation

- (i) Principles of preparation of the consolidated financial statements

The consolidated financial statements comprise the Company and its subsidiaries. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

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## WINWAY TECHNOLOGY CO., LTD. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date on which control ceases. Intra-group balances and transactions, and any unrealized income and expenses arising from Intra-group transactions, are eliminated in preparing the consolidated financial statements. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

The Group prepares consolidated financial statements using uniform accounting policies for like transactions and other events in similar circumstances. Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received will be recognized directly in equity, and the Group will attribute it to the owners of the parent.

Accounting policies of subsidiaries have been adjusted to ensure consistency with the policies adopted by the Group.

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the owners of the parent.

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

Name of Investor	Name of Subsidiary	Principal Activity	Shareholding		Description
			December 31, 2021	December 31, 2020	
The Company	WINWAY INTERNATIONAL CO., LTD.	Investment holding	100%	100%	Significant subsidiary
The Company	WINWAY TECHNOLOGY INTERNATIONAL INC.	Sales of optoelectronic product test fixtures, integrated circuit test interfaces and fixtures	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%	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%	Significant subsidiary

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

(d) Foreign currencies

(i) Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currencies of Group entities at the exchange rates at the dates of the transactions. At the end of each subsequent reporting period, monetary items denominated in foreign currencies are translated into the functional currencies using the exchange rate at that date. Non-monetary items denominated in foreign currencies that are measured at fair value are translated into the functional currencies using the exchange rate at the date that the fair value was determined. Non-monetary items denominated in foreign currencies that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

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## WINWAY TECHNOLOGY CO., LTD. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

Exchange differences are generally recognized in profit or loss, except for those differences relating to the following, which are recognized in other comprehensive income:

- 1) an investment in equity securities designated as at fair value through other comprehensive income;
- 2) a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; or
- 3) qualifying cash flow hedges to the extent that the hedges are effective.

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to the Group's functional currency at exchange rates at the reporting date. The income and expenses of foreign operations are translated into the presentation currency at the average exchange rate. Exchange differences are recognized in other comprehensive income.

When a foreign operation is disposed of such that control, significant influence, or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, Exchange differences arising from such a monetary item that are considered to form part of the net investment in the foreign operation are recognized in other comprehensive income.

(e) Classification of current and non-current assets and liabilities

An asset is classified as current under one of the following criteria, and all other assets are classified as non-current.

- (i) It is expected to be realized, or intended to be sold or consumed, in the normal operating cycle;
- (ii) It is held primarily for the purpose of trading;
- (iii) It is expected to be realized within twelve months after the reporting period; or
- (iv) The asset is cash and cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

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

An entity shall classify a liability as current when:

(Continued)

## WINWAY TECHNOLOGY CO., LTD. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

- (i) It is expected to be settled in the normal operating cycle;
- (ii) It is held primarily for the purpose of trading;
- (iii) It is due to be settled within twelve months after the reporting period; or
- (iv) The Group does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issuing of equity instruments do not affect its classification.

(f) Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. Time deposits which meet the above definition and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes should be recognized as cash equivalents.

(g) Financial instruments

Trade receivables and debt securities issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Group becomes a party to the contractual provisions of the instrument. A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(i) Financial assets

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

On initial recognition, a financial asset is classified as measured at: amortized cost; Fair value through other comprehensive income (FVOCI) – debt investment; FVOCI – equity investment; or FVTPL. Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

1) Financial assets measured at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL :

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

(Continued)

## WINWAY TECHNOLOGY CO., LTD. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

These assets are subsequently measured at amortized cost, which is the amount at which the financial asset is measured at initial recognition, plus/minus, the cumulative amortization using the effective interest method, adjusted for any loss allowance. Interest income, foreign exchange gains and losses, as well as impairment, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

#### 2) Fair value through profit or loss (FVTPL)

All financial assets not classified as amortized cost or FVOCI described as above are measured at FVTPL, including derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset, which meets the requirements to be measured at amortized cost or at FVOCI, as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.

#### 3) Business model assessment

The Group makes an assessment of the objective of the business model in which a financial asset is held at portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes :

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management' s strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities, or expected cash outflows or realizing cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group' s management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated — e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.
- Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, and are consistent with the Group' s continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

(Continued)

## WINWAY TECHNOLOGY CO., LTD. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

#### 4) Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, ‘principal’ is defined as the fair value of the financial assets on initial recognition. ‘Interest’ is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers :

- contingent events that would change the amount or timing of cash flows ;
- terms that may adjust the contractual coupon rate, including variable rate features ;
- prepayment and extension features ; and
- terms that limit the Group’ s claim to cash flows from specified assets (e.g. non-recourse features).

#### 5) Impairment of financial assets

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

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

- debt securities that are determined to have low credit risk at the reporting date ; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowance for trade receivables and contract assets are always measured at an amount equal to lifetime ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Group’ s historical experience and informed credit assessment as well as forward-looking information.

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## WINWAY TECHNOLOGY CO., LTD. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

The Group considers that the a credit risk on a financial asset has increased significantly and considers a financial asset to be in default when the financial asset is more than 30 days past due or the debtor is unlikely to pay its credit obligations to the Group in full.

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

12-month ECL are the portion of ECL that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECL is the maximum contractual period over which the Group is exposed to credit risk.

ECL are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive). ECL are discounted at the effective interest rate of the financial asset.

At each reporting date, the Group assesses whether financial assets carried at amortized cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. The Group recognizes the amount of expected credit losses (or reversal) in profit or loss, as an impairment gain or loss.

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For corporate customers, the Group individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

#### 6) Derecognition of financial assets

The Group derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognized in its statement of balance sheet, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

(Continued)

## WINWAY TECHNOLOGY CO., LTD. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

#### (ii) Financial liabilities and equity instruments

##### 1) Classification of debt or equity

Debt or equity instruments issued by the Group are classified as financial liabilities or equity in accordance with the substance of the contractual agreement.

##### 2) Equity instrument

An equity instrument is any contract that evidences residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued are recognized as the amount of consideration received, less the direct cost of issuing.

##### 3) Financial liabilities

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

##### 4) Derecognition of financial liabilities

The Group derecognizes a financial liability when its contractual obligation are discharged or cancelled, or expire. The Group also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

On derecognition of a financial liability, the difference between the carrying amount of a financial liability extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

##### 5) Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount presented in the statement of balance sheet when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

#### (h) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is calculated using the weighted average method, and includes expenditure incurred in acquiring the inventories, production or conversion costs, and other costs incurred in bringing them to their present location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

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## WINWAY TECHNOLOGY CO., LTD. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(i) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost, which includes capitalized borrowing costs, less accumulated depreciation and any accumulated impairment losses.

If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognized in profit or loss.

(ii) Subsequent expenditure

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

(iii) Depreciation

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

Land is not depreciated.

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

1)	Buildings	2~50 years
2)	Machinery and equipment	1~10 years
3)	Other equipment	2~15 years

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

(j) Lease

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

(i) As a lessee

The Group recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

(Continued)

## WINWAY TECHNOLOGY CO., LTD. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be reliably determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

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

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

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when:

- 1) there is a change in future lease payments arising from the change in an index or rate; or
- 2) there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee; or
- 3) there is a change in the lease term resulting from a change of its assessment on whether it will exercise an option to purchase the underlying asset, or
- 4) there is a change of its assessment on whether it will exercise an extension or termination option; or
- 5) there is any lease modifications

When the lease liability is remeasured, other than lease modifications, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or in profit and loss if the carrying amount of the right-of-use asset has been reduced to zero.

When the lease liability is remeasured to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease, the Group accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognize in profit or loss any gain or loss relating to the partial or full termination of the lease.

The Group presents right-of-use assets that do not meet the definition of investment and lease liabilities as a separate line item respectively in the statement of financial position.

The Group has elected not to recognize right-of-use assets and lease liabilities for short-term leases of office equipment, and staff dorm that have a lease term of 12 months or less and

(Continued)

## WINWAY TECHNOLOGY CO., LTD. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

leases of low-value assets. The Group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

As a practical expedient, the Group elects not to assess whether all rent concessions that meets all the following conditions are lease modifications or not:

- 1) the rent concessions occurring as a direct consequence of the COVID-19 pandemic;
- 2) the change in lease payments that resulted in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- 3) any reduction in lease payments that affects only those payments originally due on, or before, June 30, 2022; and there is no substantive change in other terms and conditions of the lease. In accordance with the practical expedient, the effect of the change in the lease liability is reflected in profit or loss in the period in which the event or condition that triggers the rent concession occurs.

(ii) As a lessor

When the Group acts as a lessor, it determines at lease commencement whether each lease is a finance lease or an operating lease. To classify each lease, the Group makes an overall assessment of whether the lease transfers to the lessee substantially all of the risks and rewards of ownership incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then the lease is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

The Group recognizes lease payments received under operating leases as income on a straight-line basis over the lease term as part of 'other income'.

(k) Intangible assets

(i) Recognition and measurement

Other intangible assets that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortization and any accumulated impairment losses.

(ii) Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognized in profit or loss as incurred.

(iii) Amortization

Amortization is calculated over the cost of the asset, less its residual value, and is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use.

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## WINWAY TECHNOLOGY CO., LTD. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

The estimated useful lives for current and comparative periods are as follows:

1.	Patents	7 years
2.	Customer software cost	3~6 years
3.	Trademark	10 years

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

#### (l) Impairment of non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than inventories, contract assets, deferred tax assets and investment properties and biological assets, measured at fair value, less costs) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units (CGUs). Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

#### (m) Provisions

A provision is recognized if, as a result of a past event, the Group has a present obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

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## WINWAY TECHNOLOGY CO., LTD. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

A provision for warranties is recognized when the underlying products or services are sold based on historical warranty data and a weighting of all possible outcomes against their associated probabilities.

#### (n) Revenue

##### (i) Revenue from contracts with customers

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring goods or services to a customer. The Group recognizes revenue when it satisfies a performance obligation by transferring control of a good or a service to a customer. The accounting policies for the Group's main types of revenue are explained below.

##### 1) Sale of goods

The Group recognizes revenue when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed or the Group has objective evidence that all criteria for acceptance have been satisfied.

No element of financing is deemed present as the sales of goods are made, with has credit term of 30~150 days, that is consistent with the market practice.

A receivable is recognized when the goods are delivered as this is the point in time that the Group has a right to an amount of consideration that is unconditional.

Contract liability is primarily generated from advanced receipts of commodity sales contract. The Group will recognize revenue when deliver commodity to customers.

##### 2) Financing components

The Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

##### (ii) Contract costs

##### 1) Incremental costs of obtaining a contract

The Group recognizes as an asset the incremental costs of obtaining a contract with a customer if the Group expects to recover those costs. The incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained. Costs to obtain a contract that would have been incurred regardless of whether the contract was obtained shall be recognized as an expense when incurred, unless those costs are explicitly chargeable to the customer regardless of whether the contract is obtained.

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## WINWAY TECHNOLOGY CO., LTD. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

The Group applies the practical expedient to recognize the incremental costs of obtaining a contract as an expense when incurred if the amortization period of the asset that the entity otherwise would have recognized is one year or less.

#### 2) Costs to fulfil a contract

If the costs incurred in fulfilling a contract with a customer are not within the scope of another Standard (for example, IAS 2 Inventories, IAS 16 Property, Plant and Equipment or IAS 38 Intangible Assets), the Group recognizes an asset from the costs incurred to fulfil a contract only if those costs meet all of the following criteria:

- the costs relate directly to a contract or to an anticipated contract that the Group can specifically identify;
- the costs generate or enhance resources of the Group that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and
- the costs are expected to be recovered.

General and administrative costs, costs of wasted materials, labor or other resources to fulfil the contract that were not reflected in the price of the contract, costs that relate to satisfied performance obligations (or partially satisfied performance obligations), and costs for which the Group cannot distinguish whether the costs relate to unsatisfied performance obligations or to satisfied performance obligations (or partially satisfied performance obligations), the Group recognizes these costs as expenses when incurred.

#### (o) Government grants and government assistance

The Group recognizes an unconditional government grant related to a biological asset in profit or loss as other income when the grant becomes receivable. Other government grants related to assets are initially recognized as deferred income at fair value if there is reasonable assurance that they will be received and the Group will comply with the conditions associated with the grant; they are then recognized in profit or loss as other income on a systematic basis over the useful life of the asset. Grants that compensate the Group for expenses or losses incurred are recognized in profit or loss on a systematic basis in the periods in which the expenses or losses are recognized.

#### (p) Employee benefits

##### (i) Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided.

##### (ii) Termination benefits

Termination benefits are expensed at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognizes costs for a restructuring. If benefits are not expected to be settled wholly within 12 months of the reporting date, then they are discounted.

(Continued)

## WINWAY TECHNOLOGY CO., LTD. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

(iii) Short-term employee benefits

Short-term employee benefit are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(q) Share-based payment

The grant-date fair value of equity-settled share-based payment arrangements granted to employees is generally recognized as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognized is based on the number of awards that meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

The fair value of the amount payable to employees in respect of share appreciation rights, which are settled in cash, is recognized as an expense with a corresponding increase in liabilities, over the period during which the employees become unconditionally entitled to payment. The liability is remeasured at each reporting date and at settlement date based on the fair value of the share appreciation rights. Any changes in the liability are recognized in profit or loss.

(r) Income taxes

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

Current taxes comprise the expected tax payables or receivables on the taxable profits (losses) for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payables or receivables are the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date.

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred taxes are recognized except for the following:

- (i) temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profits (losses) at the time of the transaction;
- (ii) temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- (iii) taxable temporary differences arising on the initial recognition of goodwill.

(Continued)

## WINWAY TECHNOLOGY CO., LTD. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

Deferred tax assets are recognized for the carry forward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Deferred taxes are measured at tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date, and reflect uncertainty related to income taxes, if any.

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

- (i) the Group has a legally enforceable right to set off current tax assets against current tax liabilities; and
- (ii) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:
  - 1) the same taxable entity; or
  - 2) different taxable entities which intend to settle current tax assets and liabilities on a net basis, or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

(s) Earnings per share

The Group discloses the Company's basic and diluted earnings per share attributable to ordinary shareholders of the Company. Basic earnings per share is calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding. Diluted earnings per share is calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding after adjustment for the effects of all potentially dilutive ordinary shares, such as employee bonds and employee compensation.

(t) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Group). Operating results of the operating segment are regularly reviewed by the Group's chief operating decision maker to make decisions about resources to be allocated to the segment and to assess its performance. Each operating segment consists of standalone financial information.

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

In preparing these consolidated financial statements, management has made judgments, estimates, and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

(Continued)



# WINWAY TECHNOLOGY CO., LTD. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

The management continues to monitor the accounting estimates and assumptions. The management recognizes any changes in accounting estimates during the period and the impact of those changes in accounting estimates in the following period.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year is as follows. Those assumptions and estimation have been updated to reflect the impact of COVID-19 pandemic:

(a) Valuation of inventories

As inventories are stated at the lower of cost or net realizable value, the Group estimates the net realizable value of inventories for obsolescence and unmarketable items at the end of the reporting period and then writes down the cost of inventories to net realizable value. Due to the rapid industrial transformation, there may be significant changes in the net realizable value of obsolete inventories. Please refer to note 6(e) for further description of the valuation of inventories.

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

(a) Cash and cash equivalents

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Cash and cash on hand	\$ 381	512
Demand deposits	905,269	679,592
Time deposits	590,000	-
Cash and cash equivalents in the consolidated statement of cash flows	<u><b>\$ 1,495,650</b></u>	<u><b>680,104</b></u>

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

(b) Financial assets measured at amortized cost

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

(Continued)

# WINWAY TECHNOLOGY CO., LTD. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

### (c) Notes and accounts receivable

	December 31, 2021	December 31, 2020
Notes receivable from operating activities	\$ 5,828	11,327
Accounts receivable—measured as amortized cost	870,512	533,048
Less: Loss allowance	(3,325)	(3,045)
	<u><u>\$ 873,015</u></u>	<u><u>541,330</u></u>

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:

	<b>December 31, 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	\$ 746,663	0.11%	834
1 to 30 days past due	92,883	1.58%	1,463
31 to 60 days past due	18,317	1.44%	263
61 to 90 days past due	8,665	1.49%	129
91 to 180 days past due	5,244	6.98%	366
181 to 365 days past due	4,298	-	-
More than 365 days past due	270	100.00%	270
	<u><u>\$ 876,340</u></u>		<u><u>3,325</u></u>

	<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	-	-	-
More than 365 days past due	925	100.00%	925
	<u><u>\$ 544,375</u></u>		<u><u>3,045</u></u>

(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>2021</b>	<b>2020</b>
Balance on January 1	\$ 3,045	48,529
Impairment losses recognized	285	-
Impairment losses reversed	-	(45,405)
Amounts written off	-	(95)
Effects of changes in foreign exchange rates	(5)	16
Balance on December 31	<b><u>\$ 3,325</u></b>	<b><u>3,045</u></b>

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

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

(d) Other receivables

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Other receivables	\$ 4,562	3,609
Less: Loss allowance	(3,609)	(3,609)
	<b><u>\$ 953</u></b>	<b><u>-</u></b>

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

(e) Inventories

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Raw materials and supplies	\$ 185,814	304,393
Work in progress	82,364	56,276
Finished goods	82,180	56,552
	<b><u>\$ 350,358</u></b>	<b><u>417,221</u></b>

The details of the cost of sales were as follows:

	<b>2021</b>	<b>2020</b>
Recognized as operating costs	\$ 1,585,460	1,644,928
Write-down of inventories	34,941	45,380
Loss on scrap	14,880	9,979
Income from sale of scrap and wastes	(3,800)	(9,200)
Others	46,734	52,053
	<b><u>\$ 1,678,215</u></b>	<b><u>1,743,140</u></b>

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

(Continued)

# WINWAY TECHNOLOGY CO., LTD. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

### (f) Property, plant and equipment

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

	<b>Buildings</b>	<b>Machinery and equipment</b>	<b>Other equipment</b>	<b>Construction in progress</b>	<b>Total</b>
Cost or deemed cost:					
Balance at January 1, 2021	\$ 209,958	508,075	204,934	1,700	924,667
Additions	2,604	16,151	25,369	237,929	282,053
Disposal	-	(428)	(1,344)	-	(1,772)
Reclassifications (note)	-	35,304	19,284	-	54,588
Effect of movements in exchange rates	(16)	(1,000)	(379)	-	(1,395)
Balance at December 31, 2021	<b>\$ 212,546</b>	<b>558,102</b>	<b>247,864</b>	<b>239,629</b>	<b>1,258,141</b>
Balance at January 1, 2020	\$ 208,884	455,331	166,382	-	830,597
Additions	1,105	35,763	34,458	1,700	73,026
Disposal	-	(22,090)	(1,295)	-	(23,385)
Reclassifications (note)	-	37,029	4,865	-	41,894
Effect of movements in exchange rates	(31)	2,042	524	-	2,535
Balance at December 31, 2020	<b>\$ 209,958</b>	<b>508,075</b>	<b>204,934</b>	<b>1,700</b>	<b>924,667</b>
Accumulated depreciation:					
Balance at January 1, 2021	\$ 72,213	205,254	125,078	-	402,545
Depreciation	7,353	55,242	29,554	-	92,149
Disposal	-	(250)	(1,209)	-	(1,459)
Effect of movements in exchange rates	(16)	(147)	(167)	-	(330)
Balance at December 31, 2021	<b>\$ 79,550</b>	<b>260,099</b>	<b>153,256</b>	<b>-</b>	<b>492,905</b>
Balance at January 1, 2020	\$ 63,191	167,144	95,196	-	325,531
Depreciation	9,053	48,783	31,094	-	88,930
Disposal	-	(10,869)	(1,295)	-	(12,164)
Effect of movements in exchange rates	(31)	196	83	-	248
Balance at December 31, 2020	<b>\$ 72,213</b>	<b>205,254</b>	<b>125,078</b>	<b>-</b>	<b>402,545</b>
Carrying amounts:					
Balance at December 31, 2021	<b>\$ 132,996</b>	<b>298,003</b>	<b>94,608</b>	<b>239,629</b>	<b>765,236</b>
Balance at January 1, 2020	<b>\$ 145,693</b>	<b>288,187</b>	<b>71,186</b>	<b>-</b>	<b>505,066</b>
Balance at December 31, 2020	<b>\$ 137,745</b>	<b>302,821</b>	<b>79,856</b>	<b>1,700</b>	<b>522,122</b>

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

As of December 31, 2021 and 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.

### (g) Right-of-use assets

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

	<b>Land</b>	<b>Buildings</b>	<b>Total</b>
Cost :			
Balance at January 1, 2021	\$ 96,766	61,367	158,133
Write-off	(2,343)	-	(2,343)
Effect of movements in exchange rates	-	(212)	(212)
Balance at December 31, 2021	<b>\$ 94,423</b>	<b>61,155</b>	<b>155,578</b>

(Continued)

# WINWAY TECHNOLOGY CO., LTD. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

	<b>Land</b>	<b>Buildings</b>	<b>Total</b>
Balance at January 1, 2020	\$ 20,444	55,408	75,852
Additions	76,517	17,556	94,073
Write-off	(195)	(12,080)	(12,275)
Effect of movements in exchange rates	-	483	483
Balance at December 31, 2020	<b>\$ 96,766</b>	<b>61,367</b>	<b>158,133</b>
Accumulated depreciation :			
Balance at January 1, 2021	\$ 1,029	21,999	23,028
Depreciation	2,087	19,243	21,330
Effect of movements in exchange rates	-	(22)	(22)
Balance at December 31, 2021	<b>\$ 3,116</b>	<b>41,220</b>	<b>44,336</b>
Balance at January 1, 2020	\$ 465	14,792	15,257
Depreciation	564	19,113	19,677
Write-off	-	(12,080)	(12,080)
Effect of movements in exchange rates	-	174	174
Balance at December 31, 2020	<b>\$ 1,029</b>	<b>21,999</b>	<b>23,028</b>
Carrying amounts :			
Balance at December 31, 2021	<b>\$ 91,307</b>	<b>19,935</b>	<b>111,242</b>
Balance at January 1, 2020	<b>\$ 19,979</b>	<b>40,616</b>	<b>60,595</b>
Balance at December 31, 2020	<b>\$ 95,737</b>	<b>39,368</b>	<b>135,105</b>

### (h) Intangible assets

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

	<b>Software</b>	<b>Patent</b>	<b>Trademark</b>	<b>other</b>	<b>Total</b>
Cost :					
Balance at January 1, 2021	\$ 82,509	140,970	67,666	3,400	294,545
Additions	4,627	-	-	-	4,627
Reclassifications (note)	1,757	-	-	-	1,757
Effect of movements in exchange rates	(14)	-	-	-	(14)
Balance at December 31, 2021	<b>\$ 88,879</b>	<b>140,970</b>	<b>67,666</b>	<b>3,400</b>	<b>300,915</b>
Balance at January 1, 2020	\$ 68,456	140,970	67,666	3,400	280,492
Additions	11,755	-	-	-	11,755
Reclassifications (note)	2,260	-	-	-	2,260
Effect of movements in exchange rates	38	-	-	-	38
Balance at December 31, 2020	<b>\$ 82,509</b>	<b>140,970</b>	<b>67,666</b>	<b>3,400</b>	<b>294,545</b>
Accumulated amortization and impairment losses :					
Balance at January 1, 2021	\$ 51,744	140,970	65,348	-	258,062
Amortization for the years	10,819	-	604	-	11,423
Effect of movements in exchange rates	(5)	-	-	-	(5)
Balance at December 31, 2021	<b>\$ 62,558</b>	<b>140,970</b>	<b>65,952</b>	<b>-</b>	<b>269,480</b>
Balance at January 1, 2020	\$ 40,458	140,970	64,743	-	246,171
Amortization for the years	11,272	-	605	-	11,877
Effect of movements in exchange rates	14	-	-	-	14
Balance at December 31, 2020	<b>\$ 51,744</b>	<b>140,970</b>	<b>65,348</b>	<b>-</b>	<b>258,062</b>

(Continued)

# WINWAY TECHNOLOGY CO., LTD. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

	Software	Patent	Trademark	other	Total
Carrying value :					
Balance at December 31, 2021	<u>\$ 26,321</u>	<u>-</u>	<u>1,714</u>	<u>3,400</u>	<u>31,435</u>
Balance at January 1, 2020	<u>\$ 27,998</u>	<u>-</u>	<u>2,923</u>	<u>3,400</u>	<u>34,321</u>
Balance at December 31, 2020	<u>\$ 30,765</u>	<u>-</u>	<u>2,318</u>	<u>3,400</u>	<u>36,483</u>

(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:

	2021	2020
Costs of sales	\$ 3,363	3,319
Operating expenses	8,060	8,558
Total	<u>\$ 11,423</u>	<u>11,877</u>

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

(i) Other non-current financial assets

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

Please refer to note 8 for details of collateral.

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

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

	December 31, 2021	December 31, 2020
Prepaid expenses	\$ 8,193	6,925
Prepayments	128	21
Offset against business tax payable	9,602	1,522
Prepayments for equipment	36,284	15,805
Other	<u>2,720</u>	<u>1,186</u>
	<u>\$ 56,927</u>	<u>25,459</u>
	December 31, 2021	December 31, 2020
Current	\$ 20,643	9,654
Non-current	<u>36,284</u>	<u>15,805</u>
	<u>\$ 56,927</u>	<u>25,459</u>

(Continued)

# WINWAY TECHNOLOGY CO., LTD. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

### (i) Prepaid expenses

Prepaid expenses were primarily for prepayments for office expenses.

### (ii) Prepayments

Prepayments were primarily for prepayments for suppliers.

### (iii) Others

Others were primarily for prepayments for the year-end party and registry fees.

### (k) Long-term borrowings

December 31, 2020			
	Currency	Rate	Maturity date
Unsecured bank loans	NTD	1.10%	2027.08.15
Less: current portion			
Total			\$ 40,000
Unused long-term credit lines			\$ 290,000

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

### (l) Provisions

	Provisions for warrant
Balance at January 1, 2021	\$ 5,405
Provisions made during the period	8,468
Provision used and reversed during the period	(5,405)
Balance at December 31, 2021	\$ 8,468
Balance at January 1, 2020	\$ 5,429
Provisions made during the period	5,405
Provision used and reversed during the period	(5,429)
Balance at December 31, 2020	\$ 5,405

The provision for warranties relates mainly to goods sold during the years ended December 31, 2021 and 2020. The provision is based on estimates made from historical warranty data associated with similar products and services. The Group expects to settle the majority of the liability over the next year.

### (m) Lease liabilities

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

	December 31, 2021	December 31, 2020
Current	\$ 48,568	\$ 20,123
Non-current	\$ 53,135	\$ 103,574

(Continued)

# WINWAY TECHNOLOGY CO., LTD. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

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

The amounts recognized in profit or loss were as follows:

	<u>2021</u>	<u>2020</u>
Interests on lease liabilities	<u>\$ 1,301</u>	<u>700</u>
Expenses relating to short-term leases	<u>\$ 6,423</u>	<u>5,572</u>
Covid-19-related rent concessions(recognized as other income and losses)	<u>\$ -</u>	<u>59</u>

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

	<u>2021</u>	<u>2020</u>
Total cash outflow for leases	<u>\$ 27,568</u>	<u>26,072</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.

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.

(n) Employee benefits

(i) Defined contribution plans

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

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

(Continued)



# WINWAY TECHNOLOGY CO., LTD. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

For the years ended December 31, 2021 and 2020, the Group recognized the pension costs under the defined contributed method amounting to \$26,939 and \$20,296, respectively; and the payments that have yet to be made to the Bureau of Labor Insurance at year-end amounted to \$5,849 and \$5,070, respectively, which were recognized as other payables in the consolidated balance sheets.

(ii) Short-term benefit obligation

As of December 31, 2021 and 2020, the Group's short-term benefit liabilities for paid leave were \$13,590 and \$11,862, respectively, which were recognized as other payables in the consolidated balance sheets.

(o) Income taxes

(i) The components of income tax in the years 2021 and 2020 were as follows:

	<u>2021</u>	<u>2020</u>
Current tax expense		
Current period	\$ 115,217	123,947
Adjustment for prior periods	(290)	(4,378)
	<u>114,927</u>	<u>119,569</u>
Deferred tax expense (benefit)		
Origination and reversal of temporary differences	(5,167)	11,562
Income tax expense	<u><u>\$ 109,760</u></u>	<u><u>131,131</u></u>
Income tax recognized in other comprehensive income	<u><u>\$ -</u></u>	<u><u>-</u></u>
Income tax recognized in equity	<u><u>\$ -</u></u>	<u><u>-</u></u>

Reconciliation of income tax and profit before tax for 2021 and 2020 was as follows:

	<u>2021</u>	<u>2020</u>
Profit before income tax	<u><u>\$ 596,389</u></u>	<u><u>662,096</u></u>
Income tax using the Company's domestic tax rate	\$ 119,278	132,419
Effect of tax rates in foreign jurisdiction	1,773	832
Additional tax on undistributed earnings	-	3,949
Adjustment for prior period	(290)	(4,378)
Change in unrecognized temporary differences	(3,021)	5,345
Tax incentives	(7,669)	(6,871)
Others	(311)	(165)
	<u><u>\$ 109,760</u></u>	<u><u>131,131</u></u>

(Continued)

# WINWAY TECHNOLOGY CO., LTD. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

### (ii) Deferred tax assets and liabilities

#### 1) Unrecognized deferred tax assets

Deferred tax assets have not been recognized in respect of the following items:

	December 31, 2021	December 31, 2020
The carryforward of unused tax losses	\$ 7,007	21,749
Aggregate amount of temporary differences related to investments in subsidiaries	225	9,182
	<u>\$ 7,232</u>	<u>30,931</u>
Tax of unrecognized deferred tax assets	<u>\$ 1,797</u>	<u>7,273</u>

The R.O.C. Income Tax Act allows net losses, as assessed by the tax authorities, to offset taxable income over a period of ten years for local tax reporting purposes.

As of December 31, 2021, the information of the Group's unused tax losses for which no deferred tax assets were recognized are as follows:

	Year of loss	Unused tax loss	Expiry date
WINWAY TECHNOLOGY (SUZHOU) LTD.	2020	\$ <u>7,007</u>	2025

As of December 31, 2021 and 2020, the Group considered the recoverability of these temporary differences to be unpredictable and therefore did not recognize the tax effect as deferred tax assets.

#### 2) Recognized deferred tax assets and liabilities

Changes in the amount of deferred tax assets and liabilities for 2021 and 2020 were as follows:

	Inventory valuation loss	Provision for doubtful accounts	Impairment loss	Unrealized sales profit	Others	Total
<b>Deferred tax assets:</b>						
<b>Balance at January 1, 2021</b>	\$ 22,485	1,067	8,080	4,186	3,273	39,091
Credit (Debit) profit or loss	7,046	(345)	(4,246)	(1,227)	5,063	6,291
<b>Balance at December 31, 2021</b>	<u>\$ 29,531</u>	<u>722</u>	<u>3,834</u>	<u>2,959</u>	<u>8,336</u>	<u>45,382</u>
<b>Balance at January 1, 2020</b>	\$ 15,458	8,902	13,340	5,253	7,631	50,584
(Debit) credit profit or loss	7,027	(7,835)	(5,260)	(1,067)	(4,358)	(11,493)
<b>Balance at December 31, 2020</b>	<u>\$ 22,485</u>	<u>1,067</u>	<u>8,080</u>	<u>4,186</u>	<u>3,273</u>	<u>39,091</u>

(Continued)

# WINWAY TECHNOLOGY CO., LTD. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

	<u>Unrealized foreign exchange gain</u>
<b>Deferred tax liabilities:</b>	
<b>Balance at January 1, 2021</b>	\$ 69
Debit profit or loss	1,124
<b>Balance at December 31, 2021</b>	<b>\$ 1,193</b>
<b>Balance at January 1, 2020</b>	\$ -
Debit profit or loss	69
<b>Balance at December 31, 2020</b>	<b>\$ 69</b>

(iii) Assessments of tax

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

(p) Capital and other equities

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 and 30,571 thousand shares as of December 31, 2021 and 2020, respectively. All issued shares were paid up upon issuance.

Reconciliation of shares outstanding for 2021 and 2020 was as follows:

	<b>Ordinary Shares</b>	
	<b>2021</b>	<b>2020</b>
Balance on January 1	30,571	30,298
Issued for cash	3,046	-
Exercise of share options	274	273
<b>Balance on December 31</b>	<b>33,891</b>	<b>30,571</b>

(i) Ordinary shares

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 years ended December 31, 2021 and 2020, the Company had issued 301 thousand shares and 273 thousand shares at par value, amounting to \$10,474 and \$9,555, respectively, for its employee stock options; of which, the relevant statutory registration procedures of 274 thousand shares and 273 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:

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Additional paid-in capital	\$ 1,660,965	575,847
Employee stock options	26,253	30,953
Employee stock options-expired	<u>2,640</u>	<u>2,640</u>
	<b><u>\$ 1,689,858</u></b>	<b><u>609,440</u></b>

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 issued by the FSC, 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 December 31, 2021 and 2020, the balance of special reserve amounted to \$7,994 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	\$	<b>53,096</b>		<b>55,704</b>
Special reserve	\$	<b>(3,460)</b>		<b>11,441</b>

	<b>2020</b>		<b>2019</b>	
	<b>Amount per share</b>	<b>Total amount</b>	<b>Amount per share</b>	<b>Total amount</b>
Dividends distributed to ordinary shareholders:				
Cash	\$ 13.0	<b>439,907</b>	12.0	<b>366,564</b>

(Continued)

# WINWAY TECHNOLOGY CO., LTD. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

On February 23, 2022, the Company's Board of Directors resolved to appropriate the 2021 earnings. These earnings were appropriated as follows:

	<b>2021</b>	
	<b>Amount per share</b>	<b>Total amount</b>
Dividends distributed to ordinary shareholders:		
Cash	\$ 11.0	<u><b>376,200</b></u>

### (iv) Other equity interest

The other equity interest is the foreign exchange differences arising from foreign operations. The movements were as follows:

	<b>2021</b>	<b>2020</b>
Balance at January 1	\$ (7,994)	(11,454)
Component entities of the Group	(2,322)	3,460
Balance at December 31	<u><b>\$ (10,316)</b></u>	<u><b>(7,994)</b></u>

### (q) 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

(Continued)

# WINWAY TECHNOLOGY CO., LTD. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

- 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.

	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 year	34.94	12,000	35	3,000
Exercised during the year	34.94	301,000	35	273,000
Outstanding at December 31	\$ 33.3	<u>376,000</u>	35	<u>689,000</u>
Exercisable at December 31	\$ 33.3	<u>3,200</u>	35	<u>15,600</u>

- 3) For the years ended December 31, 2021 and 2020 the compensation cost resulting from granted employee share options were \$3,910 and \$8,447, 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:

	Capital increase cash 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

(r) Earnings per share

The calculation of basic earnings per share and diluted earnings per share for 2021 and 2020 were as follows:

	2021	2020
<b>Basic earnings per share (expressed in New Taiwan dollars)</b>		
Profit attributable to ordinary shareholders of the Company	\$ <u>486,629</u>	<u>530,965</u>
Weighted-average number of ordinary shares outstanding (shares in thousands)	<u>33,660</u>	<u>30,478</u>
<b>Basic earnings per share</b>	\$ <u>14.46</u>	<u>17.42</u>
<b>Diluted earnings per share (expressed in New Taiwan dollars)</b>		
Profit attributable to ordinary shareholders of the Company	\$ <u>486,629</u>	<u>530,965</u>

(Continued)

# WINWAY TECHNOLOGY CO., LTD. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

	2021	2020
Weighted-average number of ordinary shares outstanding (shares in thousands)	33,660	30,478
Effect of dilutive potential ordinary shares		
Effect of employee stock options (shares in thousands)	444	722
Effect of employee stock bonus (shares in thousands)	113	112
Weighted-average number of ordinary shares (diluted) (shares in thousands)	<u>34,217</u>	<u>31,312</u>
<b>Diluted earnings per share</b>	<b><u>\$ 14.22</u></b>	<b><u>16.96</u></b>

(s) Revenue from contracts with customers

(i) Disaggregation of revenue

	2021	2020
Primary geographical markets:		
Taiwan	\$ 1,061,068	1,142,979
America	510,247	628,122
China	827,299	824,457
Europe	17,608	19,305
Canada	16,169	18,387
Asia	454,905	276,571
	<b><u>\$ 2,887,296</u></b>	<b><u>2,909,821</u></b>
Major products/services lines:		
Test Socket	\$ 1,925,445	1,944,059
Contact Element	532,821	509,531
Probe Card	235,385	270,080
Other	193,645	186,151
	<b><u>\$ 2,887,296</u></b>	<b><u>2,909,821</u></b>

(ii) Contract balances

	December 31, 2021	December 31, 2020	January 1, 2020
Notes receivable	\$ 5,828	11,327	9,203
Accounts receivable	870,512	533,048	877,881
Less: loss allowance	(3,325)	(3,045)	(48,529)
	<b><u>\$ 873,015</u></b>	<b><u>541,330</u></b>	<b><u>838,555</u></b>
Contract liabilities-advance collections	\$ 5,930	2,623	5,365
Contract liabilities-customer loyalty program	19,429	-	-
	<b><u>\$ 25,359</u></b>	<b><u>2,623</u></b>	<b><u>5,365</u></b>

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

The amount of revenue recognized for the years ended December 31, 2021 and 2020, that were included in the contract liability balance at the beginning of the period were \$2,583 and \$5,330, respectively.

(Continued)



# WINWAY TECHNOLOGY CO., LTD. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

### (t) Remunerations to employees and directors

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

For the years ended December 31, 2021 and 2020, the Company estimated its employee remuneration amounting to \$31,546 and \$34,337, and directors' remuneration amounting to \$4,198 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 during 2021 and 2020. The amounts, as stated in the consolidated financial statements, are identical to those of the actual distributions for 2021 and 2020.

### (u) Non-operating income and expenses

#### (i) Interest income

Details of interest income of the Group for 2021 and 2020 were as follows:

	<u>2021</u>	<u>2020</u>
Interest income		
Bank deposits	\$ 2,760	708
Others	<u>19</u>	<u>18</u>
	<u><b>\$ 2,779</b></u>	<u><b>726</b></u>

#### (ii) Other gains and losses

Details of other gains and losses of the Group for 2021 and 2020 were as follows:

	<u>2021</u>	<u>2020</u>
Foreign exchange losses, net	\$ (2,635)	(4,840)
Net gains of financial assets at fair value through profit or loss	834	337
Gain (loss) on disposal of property, plant and equipment, net	(135)	(8,030)
Government grants	1,550	5,438
Others	<u>3,409</u>	<u>1,814</u>
	<u><b>\$ 3,023</b></u>	<u><b>(5,281)</b></u>

(Continued)

# WINWAY TECHNOLOGY CO., LTD. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

### (iii) Finance costs

Details of finance costs of the Group for 2021 and 2020 were as follows:

	<u>2021</u>	<u>2020</u>
Interest expenses		
Bank loans	\$ 41	476
Lease liabilities	1,301	700
Others	-	11
	<u>\$ 1,342</u>	<u>1,187</u>

### (v) Financial Instruments

#### (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 December 31, 2021 and 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(c).

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:

	<u>December 31, 2021</u>		
	<u>At amortized cost</u>		
	<u>12-month ECL</u>	<u>Lifetime ECL-not credit-impaired</u>	<u>Lifetime ECL credit-impaired</u>
Other receivables	\$ 953	-	3,609
Refundable deposits	6,724	-	-
Other financial assets	51,511	-	-
Loss allowance	-	-	(3,609)
Amortized cost	<u>\$ 59,188</u>	<u>-</u>	<u>-</u>
Carrying amount	<u>\$ 59,188</u>	<u>-</u>	<u>-</u>

(Continued)

# WINWAY TECHNOLOGY CO., LTD. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

	December 31, 2020		
	At amortized cost		
	12-month ECL	Lifetime ECL-not credit-impaired	Lifetime ECL credit-impaired
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>

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

	For the year ended December 31, 2021			
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
Balance at January 1, 2021(equal to balance at December 31, 2021)	<u>\$ -</u>	<u>-</u>	<u>3,609</u>	<u>3,609</u>

	For the year ended December 31, 2021			
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
Balance at January 1, 2020(equal to balance at December 31, 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.

	Carrying amount	Contracted cash flows	Due within 6 months	Due in 6-12 months	Due in 1-2 years	Due in 2-5 years	over 5 years
<b>December 31, 2021</b>							
Non-derivative financial liabilities							
Notes and accounts payable (non-interest-bearing)	\$ 488,672	488,672	488,672	-	-	-	-
Other payables (non-interest-bearing)	269,357	269,357	269,357	-	-	-	-
Lease liabilities(fix interest rate)	101,703	115,968	8,954	40,672	6,131	4,056	56,155
	<u>\$ 859,732</u>	<u>873,997</u>	<u>766,983</u>	<u>40,672</u>	<u>6,131</u>	<u>4,056</u>	<u>56,155</u>

(Continued)

# WINWAY TECHNOLOGY CO., LTD. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

	Carrying amount	Contracted cash flows	Due within 6 months	Due in 6-12 months	Due in 1-2 years	Due in 2-5 years	over 5 years
<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>

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

#### 1) Exposure to foreign currency risk

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

	December 31, 2021			December 31, 2020		
	Foreign currency	Exchange rate	TWD	Foreign currency	Exchange rate	TWD
<u>Financial assets</u>						
<u>Monetary items</u>						
USD	\$ 21,141	27.680	585,193	11,781	28.480	335,534
JPY	189,351	0.2405	45,539	20,234	0.2760	5,591
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD	10,057	27.680	278,376	3,237	28.480	92,183
JPY	93,901	0.2405	22,583	44,587	0.2760	12,319

#### 2) Sensitivity analysis

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 December 31, 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 \$2,638 and \$1,893, for the years ended December 31, 2021 and 2020, respectively. The method of analysis remains the same as 2020.

#### 3) Foreign exchange gains and losses of monetary items

Since the Group has many kinds of functional currency, the information on foreign exchange gain (loss) on monetary items is disclosed by total amount. For years 2021 and 2020, foreign exchange gain (loss) (including realized and unrealized portions) amounted to \$(2,635) and \$(4,840), respectively.

### (iv) Fair value of financial instruments

#### 1) Fair value hierarchy

The fair value of financial assets and liabilities at fair value through profit or loss are measured on a recurring basis. The carrying amount and fair value of the Group's financial assets and liabilities, including the information on fair value hierarchy are stated below; however, except as described in the following paragraphs, for financial

(Continued)

# WINWAY TECHNOLOGY CO., LTD. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

instruments not measured at fair value whose carrying amount is reasonably close to the fair value, disclosure of fair value information is not required:

December 31, 2021					
	Book	Fair Value			Total
	Value	Level 1	Level 2	Level 3	
<b>Financial assets measured at amortized cost</b>					
Cash and cash equivalents	\$ 1,495,650	-	-	-	-
Domestic-time deposits	149,000	-	-	-	-
Notes and accounts receivables	873,015	-	-	-	-
Other receivables	953	-	-	-	-
Other financial assets	51,511	-	-	-	-
Refundable deposits	6,724	-	-	-	-
<b>Total</b>	<b>\$ 2,576,853</b>				
<b>Financial liabilities measured at amortized cost</b>					
Notes and accounts payables	\$ 488,672	-	-	-	-
Other payables	269,357	-	-	-	-
Lease liabilities	101,703	-	-	-	-
<b>Total</b>	<b>\$ 859,732</b>				

December 31, 2020					
	Book	Fair Value			Total
	Value	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>				

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:

(Continued)

## WINWAY TECHNOLOGY CO., LTD. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

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.

(w) Financial risk management

(i) Overview

The Group have exposures to the following risks from its financial instruments:

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

The following likewise discusses the Group' s objectives, policies and processes for measuring and managing the above mentioned risks. For more disclosures about the quantitative effects of these risks exposures, please refer to the respective notes in the accompanying consolidated financial statements.

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## WINWAY TECHNOLOGY CO., LTD. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

#### (ii) Structure of risk management

The Group's financial management department provides business services. It sets the objectives, policies and processes for managing the risk and the methods used to measure the risk arising from both the domestic and international financial market operations. Internal auditor undertakes both regular and ad hoc reviews of risk management controls and procedures.

The risk management policies were set to identify and analyze the risks that the Group is exposed to, evaluate influences of financial risks, and implement related policies to avoid financial risks. Risk management policies and systems are reviewed regularly to reflect the changes in market conditions and the Group's activities.

#### (iii) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and bank deposits.

##### 1) Accounts receivable and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the Group's customer base, including the default risk of the industry and country in which customers operate, as these factors may have an influence on credit risk.

According to the credit policy, the Group has to evaluate the credit of each new customer before setting the payment and delivery terms. The evaluations include external credit ratings, if available, and bank references. The Group reviewed credit limits periodically and required customers to pay in advance when the customers' credit ratings did not meet the benchmark.

##### 2) Investment

The exposure to credit risk for the bank deposits and other financial instruments is measured and monitored by the Group's finance department. The Group only deals with banks with good credit rating. The Group does not expect any counterparty above fails to meet its obligations hence there is no significant credit risk arising from these counterparties.

##### 3) Guarantees

The Group's policies are to provide financial guarantees only to wholly owned subsidiaries. Please refer to note 13 for the financial assurance as of December 31, 2021 and 2020.

#### (iv) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it always has sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

(Continued)

## WINWAY TECHNOLOGY CO., LTD. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

As of December 31, 2021 and 2020, the Group' s unused credit line were amounted to \$2,762,830 and \$882,060, respectively.

(v) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, and equity prices, will affect the Group' s income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

1) Currency risk

The Group is exposed to currency risk on sales and purchases that are denominated in a currency other than the respective functional currencies of the Group' s entities, primarily the New Taiwan dollar (TWD) and Chinese Yuan (CNY). The currencies used in these transactions are the US dollar (USD), and Japanese Yen (JPY).

Generally, borrowings are denominated in currencies that match the cash flows generated by the underlying operations of the Group, primarily the TWD, USD and JPY. This provides an economic hedge without derivatives being entered into, and therefore, hedge accounting is not applied in these circumstances.

2) Interest rate risk

The Group adopts a policy to ensure the exposure of changes in interest rates on borrowings is evaluated based on the trend in market interest rates. The Group can manage its interest risk through maintaining an appropriate portfolio of floating interest rate and fixed interest rate.

3) Other market price risk

The Group is exposed to equity price risk due to the investments in equity instruments and mutual funds that contain uncertainty of future prices risk. Therefore, the Group monitors and manages the equity investments by holding different investment portfolio and regularly updating the information of equity instruments and mutual funds investment.

(x) Capital management

The Group must maintain sufficient capital to establish and expand production capacity and equipment. In consideration of the characteristic of the industry business cycle, the capital management of the Group is to ensure that it has sufficient and necessary financial resources to support its working capital requirements, capital expenditures, research and development activities, dividend payment, debt repayment and other business needs in the next 12 months.

(Continued)



# WINWAY TECHNOLOGY CO., LTD. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

- (y) 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			December 31, 2021
			Foreign exchange movement	Increase in right-of-use assets	Changes in lease payments	
Long-term borrowings	\$ 40,000	(40,000)	-	-	-	-
Lease liabilities	123,697	(19,498)	(153)	-	(2,343)	101,703
	<u>\$ 163,697</u>	<u>(59,498)</u>	<u>(153)</u>	<u>-</u>	<u>(2,343)</u>	<u>101,703</u>

	January 1, 2020	Cash flows	Non-Cash changes			December 31, 2021
			Foreign exchange movement	Increase in right-of-use assets	Changes in lease payments	
Long-term borrowings	\$ -	40,000	-	-	-	40,000
Lease liabilities	60,933	(19,336)	328	82,125	(353)	123,697
	<u>\$ 60,933</u>	<u>20,664</u>	<u>328</u>	<u>82,125</u>	<u>(353)</u>	<u>163,697</u>

### (7) Related-party transactions:

Key management personnel compensation

Key management personnel compensation comprised:

	2021	2020
Short-term employee benefits	\$ 33,788	44,040
Post-employment benefits	304	324
	<u>\$ 34,092</u>	<u>44,364</u>

### (8) Pledged assets:

The carrying values of pledged assets were as follows:

Pledged assets	Pledge to secure	December 31, 2021	December 31, 2020
Other financial assets-non-current-demand deposits	Guarantee for customs duty	\$ 1,511	1,511
Other financial assets-non-current-time deposits	Construction of plant	50,000	-
Property, plant, and equipment	Bank borrowings	132,995	137,745
		<u>\$ 184,506</u>	<u>139,256</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.

(Continued)

# WINWAY TECHNOLOGY CO., LTD. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

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 December 31, 2021 and 2020, significant outstanding purchase commitments for construction in progress, property, plant and equipment the amounts of \$856,574 and \$28,788.

**(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:

By item	2021			2020		
	Cost of sales	Operating expenses	Total	Cost of sales	Operating expenses	Total
Employee benefits						
Salary	270,970	367,542	638,512	336,617	336,229	672,846
Labor and health insurance	27,464	23,589	51,053	25,198	16,623	41,821
Pension	10,636	16,303	26,939	10,321	9,975	20,296
Remuneration of directors	-	4,309	4,309	-	3,188	3,188
Others	17,315	13,628	30,943	15,453	14,100	29,553
Depreciation	90,250	23,229	113,479	89,698	18,909	108,607
Amortization	3,363	8,060	11,423	3,319	8,558	11,877

(Continued)

## WINWAY TECHNOLOGY CO., LTD. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

#### (13) Other disclosures:

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

The following is the information on significant transactions required by the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” for the Group for the years ended December 31, 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	13,840 (USD 500,000) (Note 3)	-	-	2.616	Short-term financing	-	Operating requirements	-	-	-	585,972 (Note 2)	1,171,943 (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 December 31, 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	292,986 (Note 1)	24,912 (USD 900,000) (Note 3)	24,912 (USD 900,000) (Note 3)	-	-	0.85%	585,972 (Note 2)	Y	-	Y
0	The Company	WINTEST ENTERPRISES LTD.	Subsidiary	292,986 (Note 1)	58,128 (USD 2,100,000) (Note 3)	58,128 (USD 2,100,000) (Note 3)	-	-	1.98%	585,972 (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 December 31, 2021.

(Continued)

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

(iii) Securities held as of December 31, 2021 (excluding investment in subsidiaries, associates and joint ventures): None

(iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20% of the capital stock:

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	120,194	120,000	194	-	-	-
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	180,276	180,000	276	-	-	-
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	100,168	100,000	168	-	-	-

(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	34,400	WEN SHENG DEVELOPMENT CO., LTD.	Non-related party	-	-	-	-	Bidding	Plant expansion	
The Company	Nanzih Technology Industrial Park-plant construction	February 28, 2021	71,000	71,000	HSIN HSIUNG CONSTRUCTION CO., LTD.	Non-related party	-	-	-	-	Bidding	Plant expansion	
The Company	Nanzih Technology Industrial Park-plant construction	August 26, 2021	460,000	78,200	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

(Continued)

WINWAY TECHNOLOGY CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(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	567,798	20.94%	90~150 Days	(Note 1)	The main customers are 60 to 120 days	236,285	27.56%	(Note)
WINTEST ENTERPRISES LTD.	The Company	Parent company	Purchase	567,798	84.16%	90~150 Days	(Note 1)	The main suppliers are 60 to 120 days	(236,285)	89.72%	(Note)
WINWAY TECHNOLOGY (SUZHOU) LTD.	WINTEST ENTERPRISES LTD.	Affiliated company	Sale	108,936	96.72%	60 Days	(Note 1)	The main customers are 60 to 120 days	26,643	92.69%	(Note)
WINTEST ENTERPRISES LTD.	WINWAY TECHNOLOGY (SUZHOU) LTD.	Affiliated company	Purchase	108,936	15.62%	60 Days	(Note 1)	The main suppliers are 60 to 120 days	(26,643)	10.12%	(Note)

Note : It was eliminated in the consolidation.

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

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

Name of company	Related party	Nature of relationship	Ending balance	Turnover rate	Overdue		Amounts received in subsequent period	Allowance for bad debts	Note
					Amount	Action taken			
The Company	WINTEST ENTERPRISES LTD.	Subsidiary	Accounts receivable \$236,285	240.31%	-	-	Accounts receivable \$47,440	-	(Note)

Note : It was eliminated in the consolidation.

(ix) Trading in derivative instruments:None

## WINWAY TECHNOLOGY CO., LTD. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

(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
						7	
0	The Company	WINWAY TECHNOLOGY INTERNATIONAL INC.	1	Other payable Sales expenses	10,341 46,145	Commissions are not comparable with similar transactions.	0.26% 1.60%
0	The Company	WINTEST ENTERPRISES LTD.	1	Accounts receivable Other payable Sales revenue Sales expenses	236,285 711 567,798 4,221	Selling price offered could not be compared to those offered to third-party customers; the collection terms are 90~150 days; were not significantly different from those with third-party customers. Commissions are not comparable with similar transactions.	6.00% 0.02% 19.67% 0.15%
0	The Company	WINWAY TECHNOLOGY (SUZHOU) LTD.	1	Accounts receivable Accounts payable Sales revenue Cost of goods sold	1,277 2,100 3,289 3,698	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% 0.05% 0.11% 0.13%
1	WINTEST ENTERPRISES LTD.	WINWAY TECHNOLOGY (SUZHOU) LTD.	3	Accounts payable Cost of goods sold Sales expenses	26,643 108,936 17	No other trading terms for comparison.	0.68% 3.77% 0.00%

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.

(b) Information on investments:

The following is the information on investees for the years ended December 31, 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 December 31, 2021			Highest percentage of ownership during the year	Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 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%	246,636	100%	13,252	9,948	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%	13,227	100%	(1,974)	(1,974)	Subsidiary (Note)

Note : It was eliminated in the consolidation.

(Continued)

WINWAY TECHNOLOGY CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(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 December 31, 2021	Net income (Losses) of investee (Note 2)	Indirect investment holding percentage	Highest percentage of ownership during the year	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	1,169	100%	100%	1,169	87,167	-
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	12,083	100%	100%	12,083	177,712	-

Note : It was eliminated in the consolidation.

# WINWAY TECHNOLOGY CO., LTD. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

(ii) Limitation on investment in Mainland China:

Accumulated remittance from Taiwan to China as of December 31, 2021	Investment Amounts Authorized by Investment Commission, MOEA (Note 1)	Upper Limit on investment in Mainland China set by Investment Commission, Ministry of Economic Affairs
204,599 (USD6,580,000)	182,134 (USD6,580,000)	1,757,915

Note 1: The amounts denominated in foreign currencies were translated using the rate of exchange at December 31, 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 "Information on significant transactions" .

(d) Major shareholders:

Shareholder' s Name	Shareholding	Shares	Percentage
HE WEI INVESTMENT CO., LTD.		3,499,559	10.31%

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:

(a) General Information

The Group has one reportable segment. This segment is mainly the manufacturing and sales of optoelectronic products test fixtures. Accounting policies for the operating segments correspond to those stated in note 4. The profit after tax of the operating segment of the Group is measured by using the earnings after tax as the basis for performance measurement. For segments' information on profit or loss, as well as assets and liabilities of the Group, which are same as those in the financial statements, please refer to the balance sheet and statement of comprehensive income.



# WINWAY TECHNOLOGY CO., LTD. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

### (b) Product and service information

Revenue from the external customers of the Group was as follows:

<u>Product and services</u>	<u>2021</u>	<u>2020</u>
Test Socket	\$ 1,925,445	1,944,059
Contact Element	532,821	509,531
Probo Card	235,385	270,080
Others	<u>193,645</u>	<u>186,151</u>
Total	<u><b>\$ 2,887,296</b></u>	<u><b>2,909,821</b></u>

### (c) Geographic information

In presenting information on the basis of geography, segment revenue is based on the geographical location of customers and segment assets are based on the geographical location of the assets.

<u>Geographical information</u>	<u>2021</u>	<u>2020</u>
Revenue from external customers:		
Taiwan	\$ 1,061,068	1,142,979
America	510,247	628,122
China	827,299	824,457
Europe	17,608	19,305
Canada	16,169	18,387
Asia	<u>454,905</u>	<u>276,571</u>
Total	<u><b>\$ 2,887,296</b></u>	<u><b>2,909,821</b></u>

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Non-current assets:		
Taiwan	\$ 810,083	557,703
America	1,677	1,751
China	<u>139,161</u>	<u>157,714</u>
Total	<u><b>\$ 950,921</b></u>	<u><b>717,168</b></u>

Non-current assets include property, plant and equipment, right-of use assets, intangible assets and other assets, but not include financial instruments and deferred tax assets.

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

(d) Major customers

<u>Customer</u>	<u>2021</u>	<u>2020</u>
A	\$ 194,789	289,957
B	243,011	-
C	234,752	37,766
D	192,832	208,804
E	190,241	207,750
F	<u>105,404</u>	<u>213,619</u>
Total	<u><u>\$ 1,161,029</u></u>	<u><u>957,896</u></u>

## &lt;Annex2&gt;

**Independent Auditors' Report**

To the Board of Directors of WINWAY TECHNOLOGY CO., LTD.:

**Opinion**

We have audited the parent company only financial statements of WINWAY TECHNOLOGY CO., LTD. ( "the Company" ), which comprise the balance sheets as of December 31, 2021 and 2020, the statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the parent company only financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying parent company only financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and 2020, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

**Basis for Opinion**

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and the auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the parent company only Financial Statements section of our report. We are independent of the Company in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China ( "the Code" ), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

**Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the parent company only financial statements of the current period. These matters were addressed in the context of our audit of the parent company only financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters to be communicated in our report.

**1. Revenue recognition**

Please refer to note 4(n) "Revenue recognition" for accounting policy and note 6(t) "Revenue from contracts with customers" .

**Description of Key Audit Matter:**

The Company determines the timing of transferring control over the goods and recognizes its revenue depending on whether the specified sales terms in each individual contract are met. Since inappropriate revenue recognition may occur due to the specified sales terms in each individual contract and the sales revenue before or after the financial reporting date has a significant impact on the financial statements, revenue recognition is the key areas our audit focused on.

How the matter was addressed in our audit:

In relation to the key audit matter above, we have performed certain key audit procedures that included understanding and testing the internal controls of sales and collection cycle; testing selected sales samples and agreeing to sales contract or customer orders, evaluating whether the sales terms have an impact on revenue recognition; for transactions incurred within a certain period before or after the balance sheet date, test selected sales samples by reviewing related documentation supporting sales recognition, evaluate whether the revenue was recorded in proper period; as well as assess whether the Company has disclosed all information related to revenue.

### **Responsibilities of Management and Those Charged with Governance for the Parent Company Only Financial Statements**

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

In preparing the parent company only financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance (including the Audit Committee) are responsible for overseeing the Company's financial reporting process.

### **Auditors' Responsibilities for the Audit of the Parent Company Only Financial Statements**

Our objectives are to obtain reasonable assurance about whether the parent company only financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these parent company only financial statements.

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

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of the investment in other entities accounted for using the equity method to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the parent company only financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

KPMG

Taipei, Taiwan (Republic of China)  
February 23, 2022

#### **Notes to Readers**

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

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

(English Translation of Parent Company Only Financial Statements and Report Originally Issued in Chinese)  
WINWAY TECHNOLOGY CO., LTD.

Balance Sheets

December 31, 2021 and 2020

(Expressed in Thousands of New Taiwan Dollars)

Assets	December 31, 2021		December 31, 2020	
	Amount	%	Amount	%
<b>Current assets:</b>				
Cash and cash equivalents (note 6(a))	\$ 1,418,263	36	518,323	22
Financial assets measured at amortized cost (note 6(b))	149,000	4	-	-
Accounts receivable, net (note 6(c))	616,585	16	400,268	17
Accounts receivable due from related parties, net (notes 6(c) and 7)	237,562	6	236,264	10
Other receivables (note 6(d))	340	-	-	-
Inventories, net (note 6(e))	306,629	8	380,814	16
Other current assets (note 6(k))	14,814	-	3,378	-
<b>Total current assets</b>	<b>2,743,193</b>	<b>70</b>	<b>1,539,047</b>	<b>65</b>
<b>Non-current assets:</b>				
Investments accounted for using equity method, net (note 6(f))	259,863	7	248,273	10
Property, plant and equipment (notes 6(g) and 8)	639,222	16	385,811	16
Right-of-use assets (note 6(b))	98,722	3	115,673	5
Intangible assets (note 6(i))	30,745	1	35,301	1
Deferred tax assets (note 6(p))	45,382	1	39,091	2
Refundable deposits	5,110	-	5,113	-
Other non-current financial assets (notes 6(j) and 8)	51,511	1	1,511	-
Other non-current assets (note 6(k))	36,284	1	15,805	1
<b>Total non-current assets</b>	<b>1,166,839</b>	<b>30</b>	<b>846,578</b>	<b>35</b>
<b>Total assets</b>	<b>\$ 3,910,032</b>	<b>100</b>	<b>2,385,625</b>	<b>100</b>

Liabilities and Equity	December 31, 2021		December 31, 2020	
	Amount	%	Amount	%
<b>Current liabilities:</b>				
Current contract liabilities (note 6(t))	\$ 24,913	1	127	-
Accounts payable	476,843	12	210,507	9
Accounts payable to related parties (note 7)	2,100	-	280	-
Other payables (note 6(o))	252,250	7	200,709	8
Other payables to related parties (note 7)	11,052	-	17,644	1
Current provisions (note 6(m))	8,468	-	5,405	-
Current lease liabilities (note 6(n))	41,649	1	13,378	-
Current tax liabilities	114,595	3	35,403	2
<b>Total current liabilities</b>	<b>931,870</b>	<b>24</b>	<b>483,453</b>	<b>20</b>
<b>Non-Current liabilities:</b>				
Long-term borrowings (notes 6(l) and 8)	-	-	40,000	2
Deferred tax liabilities (note 6(p))	1,193	-	69	-
Non-current lease liabilities (note 6(n))	47,111	1	90,533	4
<b>Total non-current liabilities</b>	<b>48,304</b>	<b>1</b>	<b>130,602</b>	<b>6</b>
<b>Total liabilities</b>	<b>980,174</b>	<b>25</b>	<b>614,055</b>	<b>26</b>
<b>Equity attributable to owners of parent (notes 6(p)(q)(r)):</b>				
Capital stock	338,910	9	305,710	13
Advance receipts for share capital	270	-	-	-
	339,180	9	305,710	13
Capital surplus	1,689,858	43	609,440	26
Retained earnings	911,136	23	864,414	35
Other equity	(10,316)	-	(7,994)	-
<b>Total equity</b>	<b>2,929,858</b>	<b>75</b>	<b>1,771,570</b>	<b>74</b>
<b>Total liabilities and equity</b>	<b>\$ 3,910,032</b>	<b>100</b>	<b>2,385,625</b>	<b>100</b>

See accompanying notes to financial statements.

(English Translation of Parent Company Only Financial Statements and Report Originally Issued in Chinese)  
**WINWAY TECHNOLOGY CO., LTD.**

**Statements of Comprehensive Income**

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

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

	<b>2021</b>		<b>2020</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
<b>Operating revenue (notes 6(t) and 7)</b>	\$ 2,711,422	100	2,789,555	100
<b>Operating costs (notes 6(e)(i)(m)(n)(o)(r), 7 and 12)</b>	1,586,543	59	1,679,658	60
<b>Gross profit</b>	1,124,879	41	1,109,897	40
Less: Unrealized profit (loss) from sales	(6,133)	-	(5,334)	-
<b>Gross profit</b>	1,131,012	41	1,115,231	40
<b>Operating expenses (notes 6(c)(i)(n)(o)(r)(u), 7 and 12):</b>				
Selling expenses	200,381	7	205,996	7
General and administrative expenses	155,169	6	165,132	6
Research and development expenses	184,899	7	124,391	4
Expected credit impairment gain and losses	927	-	(46,130)	(2)
<b>Total operating expenses</b>	541,376	20	449,389	15
<b>Net operating income</b>	589,636	21	665,842	25
<b>Non-operating income and expenses (notes 6(n)(v)):</b>				
Interest income	2,402	-	334	-
Other gains and losses	(3,692)	-	(32,360)	(1)
Share of profit of accounted for using equity method (note 6(f))	7,974	-	16,458	1
Finance costs (note 6(n))	(1,140)	-	(937)	-
<b>Total non-operating income and expenses</b>	5,544	-	(16,505)	-
<b>Profit before income tax</b>	595,180	21	649,337	25
<b>Income tax expenses (note 6(p))</b>	108,551	4	118,372	4
<b>Profit</b>	486,629	17	530,965	21
<b>Other comprehensive income (note 6(q)):</b>				
<b>Items that will be reclassified subsequently to profit or loss</b>				
Exchange differences on translation of foreign financial statements	(2,322)	-	3,460	-
Income tax related to components of other comprehensive income that will be reclassified to profit or loss	-	-	-	-
<b>Other comprehensive income</b>	(2,322)	-	3,460	-
<b>Comprehensive income</b>	<u>\$ 484,307</u>	<u>17</u>	<u>534,425</u>	<u>21</u>
<b>Earnings per share (note 6(s)):</b>				
<b>Basic earnings per share (in New Taiwan Dollars)</b>	<u>\$ 14.46</u>		<u>17.42</u>	
<b>Diluted earnings per share (in New Taiwan Dollars)</b>	<u>\$ 14.22</u>		<u>16.96</u>	

See accompanying notes to financial statements.

(English Translation of Parent Company Only Financial Statements and Report Originally Issued in Chinese)

**WINWAY TECHNOLOGY CO., LTD.****Statements of Changes in Equity****For the years ended December 31, 2021 and 2020****(Expressed in Thousands of New Taiwan Dollars)**

	Ordinary shares	Captial collected in advance	Capital surplus	Retained earnings			Total retained earnings	Total other equity interest	Total equity
				Legal reserve	Special reserve	Unappropriated retained earnings		Exchange differences on translation of foreign financial statements	
<b>Balance at January 1, 2020</b>	<b>\$ 302,980</b>	-	<b>575,513</b>	<b>64,499</b>	<b>13</b>	<b>635,501</b>	<b>700,013</b>	<b>(11,454)</b>	<b>1,567,052</b>
Profit	-	-	-	-	-	530,965	530,965	-	530,965
Other comprehensive income	-	-	-	-	-	-	-	3,460	3,460
Total comprehensive income	-	-	-	-	-	530,965	530,965	3,460	534,425
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	2,730	-	6,825	-	-	-	-	-	9,555
Stock options compensation cost	-	-	27,102	-	-	-	-	-	27,102
<b>Balance at December 31, 2020</b>	<b>305,710</b>	-	<b>609,440</b>	<b>120,203</b>	<b>11,454</b>	<b>732,757</b>	<b>864,414</b>	<b>(7,994)</b>	<b>1,771,570</b>
Profit	-	-	-	-	-	486,629	486,629	-	486,629
Other comprehensive income	-	-	-	-	-	-	-	(2,322)	(2,322)
Total comprehensive income	-	-	-	-	-	486,629	486,629	(2,322)	484,307
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	2,740	270	7,463	-	-	-	-	-	10,473
Stock options compensation cost	-	-	3,910	-	-	-	-	-	3,910
<b>Balance at December 31, 2021</b>	<b>\$ 338,910</b>	<b>270</b>	<b>1,689,858</b>	<b>173,299</b>	<b>7,994</b>	<b>729,843</b>	<b>911,136</b>	<b>(10,316)</b>	<b>2,929,858</b>

See accompanying notes to financial statements.



(English Translation of Parent Company Only Financial Statements and Report Originally Issued in Chinese)  
WINWAY TECHNOLOGY CO., LTD.

Statements of Cash Flows

For the years ended December 31, 2021 and 2020

(Expressed in Thousands of New Taiwan Dollars)

	2021	2020
<b>Cash flows from operating activities:</b>		
Profit before income tax	\$ 595,180	649,337
<b>Adjustments:</b>		
Adjustments to reconcile profit (loss):		
Depreciation expenses	87,750	86,592
Amortization expenses	10,940	11,461
Expected credit impairment loss (gain)	927	(46,131)
Gain on financial assets at fair value through profit	(834)	(337)
Write-down of inventories	35,228	35,136
Interest income	(2,402)	(334)
Interest expense	1,140	937
Share of profit accounted for using equity method	(7,974)	(16,458)
Losses on disposal of property, plant and equipment	72	8,030
Unrealized profit from sales	(6,133)	(5,334)
Share-based payment transactions	3,910	27,102
Gains on lease modification	-	(99)
Gains on rent concessions	-	(59)
<b>Total adjustments to reconcile profit</b>	<b>122,624</b>	<b>100,506</b>
<b>Changes in operating assets and liabilities:</b>		
(Increase) decrease in accounts receivable	(217,244)	337,541
Increase in accounts receivable due from related parties	(1,298)	(41,130)
(Increase) decrease in other receivable	(106)	3
Decrease in other receivable due from related parties	-	3,563
Decrease (increase) in inventories	38,957	(121,902)
(Increase) decrease in other current assets	(11,436)	1,070
Increase (decrease) in accounts payable	266,336	(121,248)
Increase (decrease) in accounts payable to related parties	1,820	(4,535)
Increase (decrease) in other payable	18,095	(4,025)
Decrease in other payable to related parties	(6,592)	(210)
Increase (decrease) in current provisions	3,063	(24)
Increase (decrease) in current contract liabilities	24,786	(5,134)
<b>Total adjustments</b>	<b>239,005</b>	<b>144,475</b>
Cash inflow generated from operations	834,185	793,812
Interest received	2,168	334
Interest paid	(1,140)	(937)
Income taxes paid	(34,526)	(195,182)
<b>Net cash flows from operating activities</b>	<b>800,687</b>	<b>598,027</b>
<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	600,834	180,337
Acquisition of property, plant and equipment	(239,512)	(38,022)
Proceeds from disposal of property, plant and equipment	1,116	3,191
Acquisition of night-of-use assets	-	(11,948)
Acquisition of intangible assets	(4,627)	(10,514)
(Increase) decrease in refundable deposits	3	(729)
Increase in other financial assets	(50,000)	(1)
Increase in prepayments for equipment	(76,824)	(23,129)
<b>Net cash flows used in investing activities</b>	<b>(518,010)</b>	<b>(80,815)</b>
<b>Cash flows (used in) from financing activities:</b>		
Proceeds from long-term borrowings	50,000	40,000
Repayments of long-term borrowings	(90,000)	-
Payments of lease liabilities	(12,808)	(12,787)
Cash dividends paid	(439,907)	(366,564)
Capital increase by cash	1,099,505	-
Proceeds from exercise of employee stock options	10,473	9,555
<b>Net cash flows from (used in) financing activities</b>	<b>617,263</b>	<b>(329,796)</b>
<b>Net increase in cash and cash equivalents</b>	<b>899,940</b>	<b>187,416</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>518,323</b>	<b>330,907</b>
<b>Cash and cash equivalents at end of period</b>	<b>\$ 1,418,263</b>	<b>518,323</b>

See accompanying notes to financial statements.

(English Translation of Financial Statements and Report Originally Issued in Chinese)  
**WINWAY TECHNOLOGY CO., LTD.**

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

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

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

**(1) Company history:**

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 is 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 financial statements:**

These parent company only financial statements were authorized for issue by the Board of Directors on February 23, 2022.

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

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

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

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

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

The Company assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2022, would not have a significant impact on its parent company only 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.

### Notes to the Parent Company Only Financial Statements

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

The Company does not expect the following other new and amended standards, which have yet to be endorsed by the FSC, to have a significant impact on its parent company only 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”
- Amendments to IFRS 17 “Initial Application of IFRS 17 and IFRS 9 — Comparative Information”

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

The significant accounting policies presented in the financial statements are summarized below. Except for those specifically indicated, the following accounting policies were applied consistently throughout the periods presented in the parent company only financial statements.

- (a) Statement of compliance

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

- (b) Basis of preparation

- (i) Basis of measurement

The parent company only financial statements have been prepared on the historical cost basis, except for financial instruments that have been measured at fair value.

- (ii) Functional and presentation currency

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

- (c) Foreign currencies

- (i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of the Company entities at exchange rates at the dates of the transactions. Monetary items denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between the amortized cost in the functional currency at the beginning of the

(Continued)

## WINWAY TECHNOLOGY CO., LTD.

### Notes to the Parent Company Only Financial Statements

year adjusted for the effective interest and payments during the year, and the amortized cost in foreign currency translated at the exchange rate at the end of the year.

Exchange differences are generally recognized in profit or loss, except for those differences relating to the following, which are recognized in other comprehensive income:

- 1) an investment in equity securities designated as at fair value through other comprehensive income;
- 2) a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; or
- 3) qualifying cash flow hedges to the extent that the hedges are effective.

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into the presentation currency at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into the presentation currency at the average exchange rate. Exchange differences are recognized in other comprehensive income.

When a foreign operation is disposed of such that control, significant influence, or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Company disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, Exchange differences arising from such a monetary item that are considered to form part of the net investment in the foreign operation are recognized in other comprehensive income.

(d) Classification of current and non-current assets and liabilities

An asset is classified as current under one of the following criteria, and all other assets are classified as non-current.

- (i) It is expected to be realized, or intended to be sold or consumed, in the normal operating cycle;
- (ii) It is held primarily for the purpose of trading;
- (iii) It is expected to be realized within twelve months after the reporting period; or
- (iv) The asset is cash and cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

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

(Continued)

**WINWAY TECHNOLOGY CO., LTD.**  
**Notes to the Parent Company Only Financial Statements**

An entity shall classify a liability as current when:

- (i) It is expected to be settled in its normal operating cycle;
- (ii) It is held primarily for the purpose of trading;
- (iii) It is due to be settled within twelve months after the reporting period; or
- (iv) The Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by issuing equity instruments do not affect its classification.

(e) Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. Time deposits which meet the above definition and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes should be recognized as cash equivalents.

(f) Financial instruments

Trade receivables and debt securities issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Company becomes a party to the contractual provisions of the instrument. A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(i) Financial assets

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

On initial recognition, a financial asset is classified as measured at: amortized cost; Fair value through other comprehensive income (FVOCI) – debt investment; FVOCI – equity investment; or FVTPL. Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

1) Financial assets measured at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL :

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

(Continued)

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

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

These assets are subsequently measured at amortized cost, which is the amount at which the financial asset is measured at initial recognition, plus/minus, the cumulative amortization using the effective interest method, adjusted for any loss allowance. Interest income, foreign exchange gains and losses, as well as impairment, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

2) Fair value through profit or loss (FVTPL)

All financial assets not classified as amortized cost or FVOCI described as above are measured at FVTPL, including derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset, which meets the requirements to be measured at amortized cost or at FVOCI, as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.

3) Business model assessment

The Company makes an assessment of the objective of the business model in which a financial asset is held at portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes :

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether the management' s strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities, or expected cash outflows, or realizing cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Company' s management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated — e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, and are consistent with the Company' s continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

(Continued)

## WINWAY TECHNOLOGY CO., LTD.

### Notes to the Parent Company Only Financial Statements

4) Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, ‘principal’ is defined as the fair value of the financial assets on initial recognition. ‘Interest’ is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Company considers :

- contingent events that would change the amount or timing of cash flows ;
- terms that may adjust the contractual coupon rate, including variable rate features ;
- prepayment and extension features ; and
- terms that limit the Company’ s claim to cash flows from specified assets (e.g. non-recourse features).

5) Impairment of financial assets

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

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

- debt securities that are determined to have low credit risk at the reporting date ; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowance for trade receivables and contract assets are always measured at an amount equal to lifetime ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Company’ s historical experience and informed credit assessment, as well as forward-looking information.

(Continued)

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

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

The Company considers that the credit risk on a financial asset has increased significantly and considers a financial asset to be in default when the financial asset is more than 30 days past due or the debtor is unlikely to pay its credit obligations to the Company in full.

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

12-month ECL are the portion of ECL that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECL is the maximum contractual period over which the Company is exposed to credit risk.

ECL are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Company in accordance with the contract and the cash flows that the Company expects to receive). ECL are discounted at the effective interest rate of the financial asset.

At each reporting date, the Company assesses whether financial assets carried at amortized cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. The Company recognizes the amount of expected credit losses (or reversal) in profit or loss, as an impairment gain or loss.

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For corporate customers, the Company individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Company expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

#### **6) Derecognition of financial assets**

The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Company enters into transactions whereby it transfers assets recognized in its statement of balance sheet, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

(Continued)



## WINWAY TECHNOLOGY CO., LTD.

### Notes to the Parent Company Only Financial Statements

(ii) Financial liabilities and equity instruments

1) Classification of debt or equity

Debt or equity instruments issued by the Company are classified as financial liabilities or equity in accordance with the substance of the contractual arrangements.

2) Equity instrument

An equity instrument is any contract that evidences residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued are recognized as the amount of consideration received, less the direct cost of issuing.

3) Financial liabilities

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

4) Derecognition of financial liabilities

The Company derecognizes a financial liability when its contractual obligation are discharged or cancelled, or expire. The Company also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

On derecognition of a financial liability, the difference between the carrying amount of a financial liability extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

5) Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount presented in the statement of balance sheet when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

(g) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is calculated using the weighted average method, and includes expenditure incurred in acquiring the inventories, production or conversion costs, and other costs incurred in bringing them to their present location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

(Continued)

## WINWAY TECHNOLOGY CO., LTD.

### Notes to the Parent Company Only Financial Statements

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(h) Investment in subsidiaries

The subsidiaries in which the Company holds controlling interest are accounted for under equity method in the non-consolidated financial statements. Under equity method, the net income, other comprehensive income and equity in the non-consolidated financial statement are the same as those attributable to the owners of the parent in the consolidated financial statements.

The changes in ownership of the subsidiaries are recognized as equity transaction.

(i) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost, which includes capitalized borrowing costs, less accumulated depreciation and any accumulated impairment losses.

If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognized in profit or loss.

(ii) Subsequent expenditure

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

(iii) Depreciation

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

Land is not depreciated.

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

1)	Buildings	2~50 years
2)	Machinery and equipment	1~10 years
3)	Other equipment	2~15 years

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

(Continued)

## WINWAY TECHNOLOGY CO., LTD.

### Notes to the Parent Company Only Financial Statements

#### (j) Lease

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

##### (i) As a lessee

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be reliably determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

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

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

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when:

- 1) there is a change in future lease payments arising from the change in an index or rate; or
- 2) there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee; or
- 3) there is a change in the lease term resulting from a change of its assessment on whether it will exercise an option to purchase the underlying asset, or
- 4) there is a change of its assessment on whether it will exercise an extension or termination option; or

(Continued)

## WINWAY TECHNOLOGY CO., LTD.

### Notes to the Parent Company Only Financial Statements

#### 5) there is any lease modifications

When the lease liability is remeasured, other than lease modifications, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or in profit and loss if the carrying amount of the right-of-use asset has been reduced to zero.

When the lease liability is remeasured to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease, the Company accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognize in profit or loss any gain or loss relating to the partial or full termination of the lease.

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

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

As a practical expedient, the Company elects not to assess whether all rent concessions that meets all the following conditions are lease modifications or not:

- 1) the rent concessions occurring as a direct consequence of the COVID-19 pandemic;
- 2) the change in lease payments that resulted in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- 3) any reduction in lease payments that affects only those payments originally due on, or before, June 30, 2022; and there is no substantive change in other terms and conditions of the lease. In accordance with the practical expedient, the effect of the change in the lease liability is reflected in profit or loss in the period in which the event or condition that triggers the rent concession occurs.

#### (ii) As a lessor

When the Company acts as a lessor, it determines at lease commencement whether each lease is a finance lease or an operating lease. To classify each lease, the Company makes an overall assessment of whether the lease transfers to the lessee substantially all of the risks and rewards of ownership incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then the lease is an operating lease. As part of this assessment, the Company considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

The Company recognizes lease payments received under operating leases as income on a straight-line basis over the lease term as part of 'other income'.

(Continued)

**WINWAY TECHNOLOGY CO., LTD.**  
**Notes to the Parent Company Only Financial Statements**

(k) Intangible assets

(i) Recognition and measurement

Other intangible assets that are acquired by the Company and have finite useful lives are measured at cost less accumulated amortization and any accumulated impairment losses.

(ii) Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognized in profit or loss as incurred.

(iii) Amortization

Amortization is calculated over the cost of the asset, less its residual value, and is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use.

The estimated useful lives for current and comparative periods are as follows:

1.	Patents	7 years
2.	Customer software cost	3~6 years
3.	Trademark	10 years

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

(l) Impairment of non-financial assets

At each reporting date, the Company reviews the carrying amounts of its non-financial assets (other than inventories, contract assets, deferred tax assets and investment properties and biological assets, measured at fair value, less costs) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units (CGUs). Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount.

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## WINWAY TECHNOLOGY CO., LTD.

### Notes to the Parent Company Only Financial Statements

Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

#### (m) Provisions

A provision is recognized if, as a result of a past event, the Company has a present obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

A provision for warranties is recognized when the underlying products or services are sold based on historical warranty data and a weighting of all possible outcomes against their associated probabilities.

#### (n) Revenue

##### (i) Revenue from contracts with customers

Revenue is measured based on the consideration to which the Company expects to be entitled in exchange for transferring goods or services to a customer. The Company recognizes revenue when it satisfies a performance obligation by transferring control of a good or a service to a customer. The accounting policies for the Company's main types of revenue are explained below.

##### 1) Sale of goods

The Company recognizes revenue when control of the products has been transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Company has objective evidence that all criteria for acceptance have been satisfied.

No element of financing is deemed present as the sales of goods are made, with has credit term of 30~150 days, that is consistent with the market practice.

A receivable is recognized when the goods are delivered as this is the point in time that the Company has a right to an amount of consideration that is unconditional.

Contract liability is primarily generated from advanced receipts of commodity sales contract. The Company will recognize revenue when deliver commodity to customers.

(Continued)

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

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

#### 2) Financing components

The Company does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and the payment by the customer exceeds one year. As a consequence, the Company does not adjust any of the transaction prices for the time value of money.

#### (ii) Contract costs

##### 1) Incremental costs of obtaining a contract

The Company recognizes as an asset the incremental costs of obtaining a contract with a customer if the Company expects to recover those costs. The incremental costs of obtaining a contract are those costs that the Company incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained. Costs to obtain a contract that would have been incurred regardless of whether the contract was obtained shall be recognized as an expense when incurred, unless those costs are explicitly chargeable to the customer regardless of whether the contract is obtained.

The Company applies the practical expedient to recognize the incremental costs of obtaining a contract as an expense when incurred if the amortization period of the asset that the entity otherwise would have recognized is one year or less.

##### 2) Costs to fulfil a contract

If the costs incurred in fulfilling a contract with a customer are not within the scope of another Standard (for example, IAS 2 Inventories, IAS 16 Property, Plant and Equipment or IAS 38 Intangible Assets), the Company recognizes an asset from the costs incurred to fulfil a contract only if those costs meet all of the following criteria:

- the costs relate directly to a contract or to an anticipated contract that the Company can specifically identify;
- the costs generate or enhance resources of the Company that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and
- the costs are expected to be recovered.

General and administrative costs, costs of wasted materials, labor or other resources to fulfil the contract that were not reflected in the price of the contract, costs that relate to satisfied performance obligations (or partially satisfied performance obligations), and costs for which the Company cannot distinguish whether the costs relate to unsatisfied performance obligations or to satisfied performance obligations (or partially satisfied performance obligations), the Company recognizes these costs as expenses when incurred.

(Continued)

## WINWAY TECHNOLOGY CO., LTD.

### Notes to the Parent Company Only Financial Statements

(o) Government grants and government assistance

The Company recognizes an unconditional government grant as other income when the grant becomes receivable. Other government grants related to assets are initially recognized as deferred income at fair value if there is reasonable assurance that they will be received and the Company will comply with the conditions associated with the grant; they are then recognized in profit or loss as other income on a systematic basis over the useful life of the asset. Grants that compensate the Company for expenses or losses incurred are recognized in profit or loss on a systematic basis in the periods in which the expenses or losses are recognized.

(p) Employee benefits

(i) Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided.

(ii) Termination benefits

Termination benefits are expensed at the earlier of when the Company can no longer withdraw the offer of those benefits and when the Company recognizes costs for a restructuring. If benefits are not expected to be settled wholly within 12 months of the reporting date, then they are discounted.

(iii) Short-term employee benefits

Short-term employee benefit obligations are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

(q) Share-based payment

The grant-date fair value of equity-settled share-based payment arrangements granted to employees is generally recognized as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognized is based on the number of awards that meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

The fair value of the amount payable to employees in respect of share appreciation rights, which are settled in cash, is recognized as an expense with a corresponding increase in liabilities, over the period during which the employees become unconditionally entitled to payment. The liability is remeasured at each reporting date and at settlement date based on the fair value of the share appreciation rights. Any changes in the liability are recognized in profit or loss.

(Continued)



## WINWAY TECHNOLOGY CO., LTD.

### Notes to the Parent Company Only Financial Statements

(r) Income taxes

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

Current taxes comprise the expected tax payables or receivables on the taxable profits (losses) for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payables or receivables are the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date.

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred taxes are recognized except for the following:

- (i) temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profits (losses) at the time of the transaction;
- (ii) temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- (iii) taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognized for the carry forward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Deferred taxes are measured at tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date, and reflect uncertainty related to income taxes, if any.

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

- (i) the Company has a legally enforceable right to set off current tax assets against current tax liabilities; and
- (ii) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:
  - 1) the same taxable entity; or
  - 2) different taxable entities which intend to settle current tax assets and liabilities on a net basis, or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

(Continued)

## WINWAY TECHNOLOGY CO., LTD.

### Notes to the Parent Company Only Financial Statements

(s) Earnings per share

The Company discloses the Company's basic and diluted earnings per share attributable to ordinary shareholders of the Company. Basic earnings per share is calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding. Diluted earnings per share is calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding after adjustment for the effects of all potentially dilutive ordinary shares, such as employee bonds and employee compensation.

(t) Operating segments

The Company has disclosed the information on operating segments in its consolidated financial statements. Hence, no further information is disclosed in the parent company only financial statements.

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

In preparing these parent company only financial statements, management has made judgments, estimates, and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

The management continues to monitor the accounting estimates and assumptions. The management recognizes any changes in accounting estimates during the period and the impact of those changes in accounting estimates in the following period.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year is as follows. Those assumptions and estimation have been updated to reflect the impact of COVID-19 pandemic:

Valuation of inventories

As inventories are stated at the lower of cost or net realizable value, the Company estimates the net realizable value of inventories for obsolescence and unmarketable items at the end of the reporting period and then writes down the cost of inventories to net realizable value. Due to the rapid industrial transformation, there may be significant changes in the net realizable value of inventories. Please refer to note 6(e) for further description of the valuation of inventories.

(Continued)

**WINWAY TECHNOLOGY CO., LTD.**  
**Notes to the Parent Company Only Financial Statements**

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

(a) Cash and cash equivalents

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Cash and cash equivalents	\$ 336	338
Demand deposits	827,927	517,985
Time deposits	<u>590,000</u>	<u>-</u>
Cash and cash equivalents in the consolidated statement of cash flows	<u><b>\$ 1,418,263</b></u>	<u><b>518,323</b></u>

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

(b) Financial assets measured at amortized cost

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

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

(c) Account receivable

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Account receivable—measured as amortized cost	\$ 619,910	402,666
Account receivable from related parties—measured as amortized cos	237,562	236,264
Less: Loss allowance	<u>(3,325)</u>	<u>(2,398)</u>
	<u><b>\$ 854,147</b></u>	<u><b>636,532</b></u>

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

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**WINWAY TECHNOLOGY CO., LTD.**  
**Notes to the Parent Company Only Financial Statements**

	<b>December 31, 2021</b>		
	<b>Gross carrying amount</b>	<b>Weighted-average loss rate</b>	<b>Loss allowance provision</b>
Current	\$ 781,080	0.11%	834
1 to 30 days past due	71,485	2.05%	1,463
31 to 60 days past due	2,147	12.25%	263
61 to 90 days past due	727	17.74%	129
91 to 180 days past due	1,763	20.76%	366
181 to 365 days past due	-	0.00%	-
More than 365 days past due	<u>270</u>	100.00%	<u>270</u>
	<b><u>\$ 857,472</u></b>		<b><u>3,325</u></b>

	<b>December 31, 2020</b>		
	<b>Gross carrying amount</b>	<b>Weighted-average loss rate</b>	<b>Loss allowance provision</b>
Current	\$ 504,747	0.03%	130
1 to 30 days past due	91,957	0.00%	1
31 to 60 days past due	24,632	0.00%	1
61 to 90 days past due	6,030	0.02%	1
91 to 180 days past due	11,286	17.61%	1,987
181 to 365 days past due	-	0.00%	-
More than 365 days past due	<u>278</u>	100.00%	<u>278</u>
	<b><u>\$ 638,930</u></b>		<b><u>2,398</u></b>

The movement in the allowance for accounts receivable was as follows:

	<b>2021</b>	<b>2020</b>
Balance at January 1	\$ 2,398	48,529
Impairment losses recognized	927	-
Impairment losses reversed	<u>-</u>	<u>(46,131)</u>
Balance at December 31	<b><u>\$ 3,325</u></b>	<b><u>2,398</u></b>

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

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

(Continued)

**WINWAY TECHNOLOGY CO., LTD.**  
**Notes to the Parent Company Only Financial Statements**

(d) Other receivables

	December 31, 2021	December 31, 2020
Other receivables	\$ 3,949	3,609
Less: Loss allowance	(3,609)	(3,609)
	<u><b>\$ 340</b></u>	<u><b>-</b></u>

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

(e) Inventories

	December 31, 2021	December 31, 2020
Raw materials and supplies	\$ 184,491	300,444
Work in progress	77,043	55,529
Finished goods	45,095	24,841
	<u><b>\$ 306,629</b></u>	<u><b>380,814</b></u>

The details of the cost of sales were as follows:

	2021	2020
Recognized as operating costs	\$ 1,502,197	1,597,687
Write-down of inventories	35,228	35,136
Loss on scrap	14,880	9,979
Income from sale of scrap and wastes	(3,800)	(9,200)
Others	38,038	46,056
	<u><b>\$ 1,586,543</b></u>	<u><b>1,679,658</b></u>

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

(f) Investments accounted for using equity method

A summary of the Company's financial information for investments accounted for using the equity method at the reporting date is as follows:

	December 31, 2021	December 31, 2020
WINWIY INTERNATIONAL CO., LTD.	\$ 246,636	232,656
WINWIY TECHNOLOGY INTERNATIONAL INC.	13,227	15,617
	<u><b>\$ 259,863</b></u>	<u><b>248,273</b></u>

For the related information, please refer to the consolidated financial statements for the years ended December 31, 2021.

As of December 31, 2021 and 2020, the Company did not provide any investment accounted for using equity method as collaterals or restricted.

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**WINWAY TECHNOLOGY CO., LTD.**  
**Notes to the Parent Company Only Financial Statements**

(g) Property, plant and equipment

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

	<b>Buildings</b>	<b>Machinery and equipment</b>	<b>Other equipment</b>	<b>Construction in progress</b>	<b>Total</b>
<b>Cost or deemed cost:</b>					
Balance on January 1, 2021	\$ 209,375	382,867	163,315	1,700	757,257
Additions	2,604	15,501	16,924	237,929	272,958
Disposal	-	(420)	(1,516)	-	(1,936)
Reclassification(note)	-	35,303	19,285	-	54,588
Balance on December 31, 2021	<u>\$ 211,979</u>	<u>433,251</u>	<u>198,008</u>	<u>239,629</u>	<u>1,082,867</u>
Balance on January 1, 2020	\$ 208,270	361,350	137,481	-	707,101
Additions	1,105	16,924	22,264	1,700	41,993
Disposal	-	(22,090)	(1,295)	-	(23,385)
Reclassification(note)	-	26,683	4,865	-	31,548
Balance on December 31, 2020	<u>\$ 209,375</u>	<u>382,867</u>	<u>163,315</u>	<u>1,700</u>	<u>757,257</u>
<b>Accumulated depreciation:</b>					
Balance on January 1, 2021	\$ 71,631	189,701	110,114	-	371,446
Depreciation	7,353	43,899	21,890	-	73,142
Disposal	-	(244)	(699)	-	(943)
Balance on December 31, 2021	<u>\$ 78,984</u>	<u>233,356</u>	<u>131,305</u>	<u>-</u>	<u>443,645</u>
Balance on January 1, 2020	\$ 62,656	161,001	86,312	-	309,969
Depreciation	8,975	39,569	25,097	-	73,641
Disposal	-	(10,869)	(1,295)	-	(12,164)
Balance on December 31, 2020	<u>\$ 71,631</u>	<u>189,701</u>	<u>110,114</u>	<u>-</u>	<u>371,446</u>
<b>Carrying amounts:</b>					
Balance on December 31, 2021	<u>\$ 132,995</u>	<u>199,895</u>	<u>66,703</u>	<u>239,629</u>	<u>639,222</u>
Balance on January 1, 2020	<u>\$ 145,614</u>	<u>200,349</u>	<u>51,169</u>	<u>-</u>	<u>397,132</u>
Balance on December 31, 2020	<u>\$ 137,744</u>	<u>193,166</u>	<u>53,201</u>	<u>1,700</u>	<u>385,811</u>

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

As of December 31, 2021 and 2020, the property, plant and equipment of the Company 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:

	<b>Land</b>	<b>Buildings</b>	<b>Total</b>
<b>Cost :</b>			
Balance at January 1, 2021	\$ 96,766	33,207	129,973
Write-off	(2,343)	-	(2,343)
Balance at December 31, 2021	<u>\$ 94,423</u>	<u>33,207</u>	<u>127,630</u>

(Continued)

**WINWAY TECHNOLOGY CO., LTD.**  
**Notes to the Parent Company Only Financial Statements**

	<u>Land</u>	<u>Buildings</u>	<u>Total</u>
Balance at January 1, 2020	\$ 20,444	31,356	51,800
Additions	76,517	10,742	87,259
Write-off	<u>(195)</u>	<u>(8,891)</u>	<u>(9,086)</u>
Balance at December 31, 2020	<u><b>\$ 96,766</b></u>	<u><b>33,207</b></u>	<u><b>129,973</b></u>
<b>Accumulated depreciation :</b>			
Balance at January 1, 2021	\$ 1,029	13,271	14,300
Depreciation	2,087	12,521	14,608
Write-off	<u>-</u>	<u>-</u>	<u>-</u>
Balance at December 31, 2021	<u><b>\$ 3,116</b></u>	<u><b>25,792</b></u>	<u><b>28,908</b></u>
Balance at January 1, 2020	\$ 465	9,775	10,240
Depreciation	564	12,387	12,951
Write-off	<u>-</u>	<u>(8,891)</u>	<u>(8,891)</u>
Balance at December 31, 2020	<u><b>\$ 1,029</b></u>	<u><b>13,271</b></u>	<u><b>14,300</b></u>
<b>Carrying amount :</b>			
Balance at December 31, 2021	<u><b>\$ 91,307</b></u>	<u><b>7,415</b></u>	<u><b>98,722</b></u>
Balance at January 1, 2020	<u><b>\$ 19,979</b></u>	<u><b>21,581</b></u>	<u><b>41,560</b></u>
Balance at December 31, 2020	<u><b>\$ 95,737</b></u>	<u><b>19,936</b></u>	<u><b>115,673</b></u>

(i) Intangible assets

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

	<u>Software</u>	<u>Patent</u>	<u>Trademark</u>	<u>other</u>	<u>Total</u>
<b>Cost :</b>					
Balance at January 1, 2021	\$ 80,612	140,970	67,666	3,400	292,648
Additions	4,627	-	-	-	4,627
Reclassifications (note)	<u>1,757</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,757</u>
Balance at December 31, 2021	<u><b>\$ 86,996</b></u>	<u><b>140,970</b></u>	<u><b>67,666</b></u>	<u><b>3,400</b></u>	<u><b>299,032</b></u>
Balance at January 1, 2020	\$ 67,838	140,970	67,666	3,400	279,874
Additions	10,514	-	-	-	10,514
Reclassifications (note)	<u>2,260</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,260</u>
Balance at December 31, 2020	<u><b>\$ 80,612</b></u>	<u><b>140,970</b></u>	<u><b>67,666</b></u>	<u><b>3,400</b></u>	<u><b>292,648</b></u>
<b>Accumulated amortization and impairment losses :</b>					
Balance at January 1, 2021	\$ 51,029	140,970	65,348	-	257,347
Amortization for the year	<u>10,336</u>	<u>-</u>	<u>604</u>	<u>-</u>	<u>10,940</u>
Balance at December 31, 2021	<u><b>\$ 61,365</b></u>	<u><b>140,970</b></u>	<u><b>65,952</b></u>	<u><b>-</b></u>	<u><b>268,287</b></u>
Balance at January 1, 2020	\$ 40,173	140,970	64,743	-	245,886
Amortization for the year	<u>10,856</u>	<u>-</u>	<u>605</u>	<u>-</u>	<u>11,461</u>
Balance at December 31, 2020	<u><b>\$ 51,029</b></u>	<u><b>140,970</b></u>	<u><b>65,348</b></u>	<u><b>-</b></u>	<u><b>257,347</b></u>

(Continued)

**WINWAY TECHNOLOGY CO., LTD.**  
**Notes to the Parent Company Only Financial Statements**

	<u>Software</u>	<u>Patent</u>	<u>Trademark</u>	<u>other</u>	<u>Total</u>
Carrying value :					
Balance at December 31, 2021	<u>\$ 25,631</u>	<u>-</u>	<u>1,714</u>	<u>3,400</u>	<u>30,745</u>
Balance at January 1, 2020	<u>\$ 27,665</u>	<u>-</u>	<u>2,923</u>	<u>3,400</u>	<u>33,988</u>
Balance at December 31, 2020	<u>\$ 29,583</u>	<u>-</u>	<u>2,318</u>	<u>3,400</u>	<u>35,301</u>

(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>2021</u>	<u>2020</u>
Costs of sales	\$ 2,957	2,967
Operating expenses	7,983	8,494
	<u>\$ 10,940</u>	<u>11,461</u>

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

(j) Other non-current financial assets

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

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 Company were as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Prepaid expenses	\$ 2,675	2,514
Prepayments	96	21
Offset against business tax payable	9,409	147
Prepayments for equipment	36,284	15,805
Others	<u>2,634</u>	<u>696</u>
	<u>\$ 51,098</u>	<u>19,183</u>
Current	\$ 14,814	3,378
Non-current	<u>36,284</u>	<u>15,805</u>
	<u>\$ 51,098</u>	<u>19,183</u>

(Continued)



**WINWAY TECHNOLOGY CO., LTD.**  
**Notes to the Parent Company Only Financial Statements**

(i) Prepaid expenses

Prepaid expenses were primarily for prepayments for office expenses.

(ii) Prepayments

Prepayments were primarily for prepayments for suppliers.

(iii) Others

Others were primarily for prepayments for the year-end party and registry fees.

(l) Long-term borrowings

<b>December 31, 2020</b>			
	<u>Currency</u>	<u>Rate</u>	<u>Maturity date</u>
Unsecured bank loans	NTD	1.10%	2028.08.15
Less: current portion			-
Total			<u><u>\$ 40,000</u></u>
Unused long-term credit lines			<u><u>\$ 290,000</u></u>

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

(m) Provisions

	<b>Provisions for warrant</b>
Balance at January 1, 2021	\$ 5,405
Provisions made during the year	8,468
Provision reversed during the year	(5,405)
Balance at December 31, 2021	<u><u>\$ 8,468</u></u>
Balance at January 1, 2021	\$ 5,429
Provisions made during the year	5,405
Provisions reversed during the year	(5,429)
Balance at December 31, 2021	<u><u>\$ 5,405</u></u>

The provision for warranties relates mainly to paper sold during the years ended December 31, 2021 and 2020. The provision is based on estimates made from historical warranty data associated with similar products and services. The Company expects to settle the majority of the liability over the next year.

(n) Lease liabilities

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

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Current	<u><u>\$ 41,649</u></u>	<u><u>13,378</u></u>
Non-current	<u><u>\$ 47,111</u></u>	<u><u>90,533</u></u>

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**WINWAY TECHNOLOGY CO., LTD.**  
**Notes to the Parent Company Only Financial Statements**

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

The amounts recognized in profit or loss was as follows:

	<u>2021</u>	<u>2020</u>
Interests on lease liabilities	<u>\$ 1,099</u>	<u>450</u>
Expenses relating to short-term leases	<u>\$ 2,293</u>	<u>2,070</u>
Covid-19-related rent concessions(recognized as other income and losses)	<u>\$ -</u>	<u>59</u>

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

	<u>2021</u>	<u>2020</u>
Total cash outflow for leases	<u>\$ 16,137</u>	<u>15,307</u>

(i) Land and buildings leases

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

Some leases provide for additional rent payments that are based on changes in local price indices, wherein the amounts are generally determined annually. The extension options held are exercisable only by the Company 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 Company 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 Company has elected not to recognize right-of-use assets and lease liabilities for these leases.

(o) Employee benefits

(i) Defined contribution plans

The Company 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.

For the years ended December 31, 2021 and 2020, the Company recognized the pension costs under the defined contributed method amounting to \$22,483 and \$18,300, respectively; and the payments that have yet to be made to the Bureau of Labor Insurance at year-end amounted to \$5,849 and \$5,070, respectively, which were recognized as other payables in the balance sheets.

(Continued)

**WINWAY TECHNOLOGY CO., LTD.**  
**Notes to the Parent Company Only Financial Statements**

(ii) Short-term benefit obligation

As of December 31, 2021 and 2020, the Company's short-term benefit liabilities for paid leave were \$13,590 and \$11,862, respectively, which were recognized as other payables in the balance sheets.

(p) Income taxes

(i) The components of income tax in the years 2021 and 2020 were as follows:

	<u>2021</u>	<u>2020</u>
Current tax expense		
Current period	\$ 114,628	111,849
Adjustment for prior periods	<u>(910)</u>	<u>(5,039)</u>
	<u>113,718</u>	<u>106,810</u>
Deferred tax expense (benefit)		
Origination and reversal of temporary differences	<u>(5,167)</u>	<u>11,562</u>
Income tax expense	<u><u>\$ 108,551</u></u>	<u><u>118,372</u></u>
Income tax recognized in other comprehensive income	<u>\$ -</u>	<u>-</u>
Income tax recognized in equity	<u><u>\$ -</u></u>	<u><u>-</u></u>

Reconciliation of income tax and profit before tax for 2021 and 2020 is as follows:

	<u>2021</u>	<u>2020</u>
Profit excluding income tax	<u><u>\$ 595,180</u></u>	<u><u>649,337</u></u>
Income tax using the Company's domestic tax rate	\$ 119,036	129,867
Domestic investment gain under the equity method	(1,595)	(3,292)
Adjustment for prior period	(910)	(5,039)
Tax incentives	(7,669)	(6,871)
Additional tax on undistributed earnings	-	3,949
Others	<u>(311)</u>	<u>(242)</u>
Total	<u><u>\$ 108,551</u></u>	<u><u>118,372</u></u>

(Continued)

**WINWAY TECHNOLOGY CO., LTD.**  
**Notes to the Parent Company Only Financial Statements**

(ii) Deferred tax assets and liabilities

1) Unrecognized deferred tax assets

Deferred tax assets have not been recognized in respect of the following items:

	December 31, 2021	December 31, 2020
Aggregate amount of temporary differences related to investments in subsidiaries	<u>\$ 225</u>	<u>9,182</u>
Tax of unrecognized deferred tax assets	<u>\$ 45</u>	<u>1,836</u>

As of December 31, 2021 and 2020, the Company considered the recoverability of these temporary differences to be unpredictable and therefore did not recognize the tax effect as deferred tax assets.

2) Recognized deferred tax assets and liabilities

Changes in the amount of deferred tax assets and liabilities for 2021 and 2020 were as follows:

	Inventory valuation loss	Provision for doubtful accounts	Impairment loss	Unrealized sales profit	Others	Total
<b>Deferred tax assets:</b>						
Balance at January 1, 2021	\$ 22,485	1,067	8,080	4,186	3,273	39,091
(Debit) credit profit or loss	<u>7,046</u>	<u>(345)</u>	<u>(4,246)</u>	<u>(1,227)</u>	<u>5,063</u>	<u>6,291</u>
Balance at December 31, 2021	<u>\$ 29,531</u>	<u>722</u>	<u>3,834</u>	<u>2,959</u>	<u>8,336</u>	<u>45,382</u>
Balance at January 1, 2020	\$ 15,458	8,902	13,340	5,253	7,631	50,584
(Debit) credit profit or loss	<u>7,027</u>	<u>(7,835)</u>	<u>(5,260)</u>	<u>(1,067)</u>	<u>(4,358)</u>	<u>(11,493)</u>
Balance at December 31, 2020	<u>\$ 22,485</u>	<u>1,067</u>	<u>8,080</u>	<u>4,186</u>	<u>3,273</u>	<u>39,091</u>

	Unrealized foreign exchange gain
<b>Deferred tax liabilities:</b>	
Balance at January 1, 2021	\$ 69
Debit profit or loss	<u>1,124</u>
Balance at December 31, 2021	<u>\$ 1,193</u>
Balance at January 1, 2020	\$ -
Debit profit or loss	<u>69</u>
Balance at December 31, 2020	<u>\$ 69</u>

(iii) Assessments of tax

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

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**WINWAY TECHNOLOGY CO., LTD.**  
**Notes to the Parent Company Only Financial Statements**

(q) Capital and other equities

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 and 30,571 thousand shares as of December 31, 2021 and 2020, respectively. All issued shares were paid up upon issuance.

Reconciliation of shares outstanding for 2021 and 2020 was as follows:

(in thousands of shares )	<b>Ordinary Shares</b>	
	<b>2021</b>	<b>2020</b>
Balance on January 1	30,571	30,298
Issued for cash	3,046	-
Exercise of share options	274	273
Balance on December 31	<b>33,891</b>	<b>30,571</b>

(i) Ordinary shares

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 years ended December 31, 2021 and 2020, the Company had issued 301 thousand shares and 273 thousand shares at par value, amounting to \$10,474 and \$9,555, respectively, for its employee stock options; of which, the relevant statutory registration procedures of 274 thousand shares and 273 thousand shares, respectively, had since been completed and all the capital had been received.

(ii) Capital surplus

The balances of capital surplus were as follows:

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Share capital	\$ 1,660,965	575,847
Employee share options	26,253	30,953
Employee stock options-expired	2,640	2,640
	<b>\$ 1,689,858</b>	<b>609,440</b>

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.

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## WINWAY TECHNOLOGY CO., LTD.

### Notes to the Parent Company Only Financial Statements

#### (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 reserve according to the securities exchange act;
- 5) after 1~4 above, the remainder shall be distributed at the discretion of the board of directors and approved at the stockholders' meeting.

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

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

#### 1) Legal reserve

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

#### 2) Special reserve

The Company initially adopted the IFRSs to apply for exemptions granted under IFRS 1 First-time Adoption of International Financial Reporting Standards approved by the FSC, wherein its undistributed prior-period earnings shall be reclassified as unappropriated retained earnings at the adoption date, which will result in an increase in retained earnings amounting to \$13. In accordance with Ruling issued by the FSC, 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.

(Continued)

# WINWAY TECHNOLOGY CO., LTD.

## Notes to the Parent Company Only Financial Statements

Amounts of subsequent reversals pertaining to the net reduction of other shareholders' equity shall qualify for additional distributions. As of December 31, 2021 and 2020, the balance of special reserve amounted to \$7,994 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:

	2021	
	\$	
Legal reserve	<u>53,096</u>	<u>55,704</u>
Special reserve	<u>(3,460)</u>	<u>11,441</u>

	2020		2019	
	Amount per share	Amount	Amount per share	Amount
Dividends distributed to preference shareholders				
Cash	13.00	<u>\$ 439,907</u>	12.00	<u>366,564</u>

	2021	
	Amount per share	Total amount
Dividends distributed to ordinary shareholders:		
Cash	\$ 11.0	<u>376,200</u>

### (iv) Other equity interest

The other equity interest is the foreign exchange differences arising from foreign operations. The movements were as follows:

	2021	2020
Balance January 1	\$ (7,994)	(11,454)
Component entities of the Company	(2,322)	3,460
Balance at December 31	<u>\$ (10,316)</u>	<u>(7,994)</u>

### (r) 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.

(Continued)

**WINWAY TECHNOLOGY CO., LTD.**  
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- 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.

	<b>2021</b>		<b>2020</b>	
	<b>Weighted average exercise price</b>	<b>Number of options</b>	<b>Weighted average exercise price</b>	<b>Number of options</b>
Outstanding at January 1	\$ 35	689,000	35	965,000
Forfeited during the year	34.94	12,000	35	3,000
Exercised during the year	34.94	301,000	35	273,000
Outstanding at December 31	\$ <b>33.3</b>	<b>376,000</b>	<b>35</b>	<b>689,000</b>
Exercisable at December 31	\$ <b>33.3</b>	<b>3,200</b>	<b>35</b>	<b>15,600</b>

- 3) For the years ended December 31, 2021 and 2020 the compensation cost resulting from granted employee share options were \$3,910 and \$8,447, 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:

	<b>Cash subscription reserved for employee subscription</b>
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

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**WINWAY TECHNOLOGY CO., LTD.**  
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(s) Earnings per share

The calculation of basic earnings per share and diluted earnings per share for 2021 and 2020 were as follows:

	<u>2021</u>	<u>2020</u>
<b>Basic earnings per share (expressed in New Taiwan dollars)</b>		
Profit attributable to ordinary shareholders of the Company	<u>\$ 486,629</u>	<u>530,965</u>
Weighted-average number of ordinary shares outstanding (shares in thousands)	<u>33,660</u>	<u>30,478</u>
<b>Basic earnings per share</b>	<u>\$ 14.46</u>	<u>17.42</u>
<b>Diluted earnings per share (expressed in New Taiwan dollars)</b>		
Profit attributable to ordinary shareholders of the Company	<u>\$ 486,629</u>	<u>530,965</u>
Weighted-average number of ordinary shares outstanding (shares in thousands)	33,660	30,478
Effect of dilutive potential ordinary shares		
Effect of employee stock options (shares in thousands)	444	722
Effect of employee stock bonus (shares in thousands)	113	112
Weighted-average number of ordinary shares (diluted) (shares in thousands)	<u>34,217</u>	<u>31,312</u>
<b>Diluted earnings per share</b>	<u>\$ 14.22</u>	<u>16.96</u>

(t) Revenue from contracts with customers

(i) Disaggregation of revenue

	<u>2021</u>	<u>2020</u>
Primary geographical markets:		
Taiwan	\$ 1,061,068	1,142,979
America	510,247	628,122
China	651,425	704,191
Europe	454,905	276,571
Canada	17,608	19,305
Asia	16,169	18,387
	<u>\$ 2,711,422</u>	<u>2,789,555</u>
Major products/services lines:		
Test Socket	\$ 1,712,688	1,805,467
Contact Element	572,166	531,960
Probe Card	235,683	270,080
Other	190,885	182,048
	<u>\$ 2,711,422</u>	<u>2,789,555</u>

(ii) Contract balances

	<u>December 31, 2021</u>	<u>December 31, 2020</u>	<u>January 1, 2020</u>
Notes receivable	\$ -	-	-
Accounts receivable	857,472	638,930	935,341
Less: allowance for impairment	(3,325)	(2,398)	(48,529)
	<u>\$ 854,147</u>	<u>636,532</u>	<u>886,812</u>

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**WINWAY TECHNOLOGY CO., LTD.**  
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	December 31, 2021	December 31, 2020	January 1, 2020
Contract liabilities-advance collections	\$ 5,484	127	5,261
Contract liabilities-customer loyalty program	19,429	-	-
	<u>\$ 24,913</u>	<u>127</u>	<u>5,261</u>

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

The amount of revenue recognized for the years ended December 31, 2021 and 2020, that was included in the contract liability balance at the beginning of the period were \$87 thousand and \$5,224, respectively.

(u) Employee compensation and directors' and supervisors' remuneration

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 years ended December 31, 2021 and 2020, the Company estimated its employee remuneration amounting to \$31,546 and \$34,337, and directors' remuneration amounting to \$4,198 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 during 2021 and 2020. The amounts, as stated in the parent company only financial statements, are identical to those of the actual distributions for 2021 and 2020.

(v) Non-operating income and expenses

(i) Interest income

Details of interest income of the Company for 2021 and 2020 were as follows:

	2021	2020
Interest income		
Bank deposits	\$ 2,383	316
Others	19	18
	<u>\$ 2,402</u>	<u>334</u>

(Continued)

**WINWAY TECHNOLOGY CO., LTD.**  
**Notes to the Parent Company Only Financial Statements**

(ii) Other gains and losses

Details of other gains and losses of the Company for 2021 and 2020 were as follows:

	<u>2021</u>	<u>2020</u>
Foreign exchange losses, net	\$ (6,614)	(27,245)
Net gains on disposal of available-for-sale financial assets	834	337
Gain (loss) on disposal of property, plant and equipment, net	(72)	(8,030)
Government grants	850	951
Others	1,310	1,627
	<u><b>\$ (3,692)</b></u>	<u><b>(32,360)</b></u>

(iii) Finance costs

Details of finance costs of the Company for 2021 and 2020 were as follows:

	<u>2021</u>	<u>2020</u>
Interest expenses		
Bank loans	\$ 41	476
Lease liabilities	1,099	450
Others	-	11
	<u><b>\$ 1,140</b></u>	<u><b>937</b></u>

(w) Financial Instruments

(i) Credit risk

1) Credit risk exposure

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

2) Concentration of credit risk

The customers of the Company has a significant concentration on electronics industry. To reduce the credit risk, the Company regularly evaluates the collectability of accounts receivable and notes receivable. As of December 31, 2021, and 2020, the Company does not have a significant concentration of credit risk.

3) Credit risk of receivables and debt instruments

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

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

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# WINWAY TECHNOLOGY CO., LTD.

## Notes to the Parent Company Only Financial Statements

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>December 31, 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	\$ 340	-	3,609
Refundable deposits	5,110	-	-
Other financial assets	51,511	-	-
Loss allowance	-	-	(3,609)
Amortized cost	<u><b>\$ 56,961</b></u>	<u><b>-</b></u>	<u><b>-</b></u>
Carrying amount	<u><b>\$ 56,961</b></u>	<u><b>-</b></u>	<u><b>-</b></u>

<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	5,113	-	-
Other financial assets	1,511	-	-
Loss allowance	-	-	(3,609)
Amortized cost	<u><b>\$ 6,624</b></u>	<u><b>-</b></u>	<u><b>-</b></u>
Carrying amount	<u><b>\$ 6,624</b></u>	<u><b>-</b></u>	<u><b>-</b></u>

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

<b>For the years ended December 31, 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 December 31, 2021)	<u><b>\$ -</b></u>	<u><b>-</b></u>	<u><b>3,609</b></u>	<u><b>3,609</b></u>

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**WINWAY TECHNOLOGY CO., LTD.**  
**Notes to the Parent Company Only Financial Statements**

	For the years ended December 31, 2020			
	<u>12-month ECL</u>	<u>Lifetime ECL-not credit-impaired</u>	<u>Lifetime ECL credit-impaired</u>	<u>Total</u>
Balance at January 1, 2020(equal to balance at December 31, 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.

	<u>Carrying amount</u>	<u>Contracted cash flows</u>	<u>Due within 6 months</u>	<u>Due in 6-12 months</u>	<u>Due in 1-2 years</u>	<u>Due in 2-5 years</u>	<u>over 5 years</u>
<b>December 31, 2021</b>							
Non-derivative financial liabilities							
Notes and accounts payable (non-interest-bearing)	\$ 478,943	478,943	478,943	-	-	-	-
Other payables (non-interest-bearing)	263,302	263,302	263,302	-	-	-	-
Lease liabilities(fix interest rate)	88,760	102,865	5,467	37,121	711	3,411	56,155
	<u>\$ 831,005</u>	<u>845,110</u>	<u>747,712</u>	<u>37,121</u>	<u>711</u>	<u>3,411</u>	<u>56,155</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)	210,787	210,787	210,787	-	-	-	-
Other payables (non-interest-bearing)	218,353	218,353	218,353	-	-	-	-
Lease liabilities (fix interest rate)	103,911	119,331	7,054	7,054	43,387	4,171	57,665
	<u>\$ 573,051</u>	<u>589,693</u>	<u>436,314</u>	<u>7,174</u>	<u>43,627</u>	<u>28,429</u>	<u>74,149</u>

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

(iii) Currency risk

1) Exposure to foreign currency risk

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

	December 31, 2021			December 31, 2020		
	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>TWD</u>	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>TWD</u>
<u>Financial assets</u>						
<u>Monetary items</u>						
USD	\$ 29,670	27.680	821,254	19,394	28.480	552,334
JPY	189,351	0.2405	45,539	20,234	0.2760	5,591
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD	10,444	27.680	289,084	3,864	28.480	110,057
JPY	93,901	0.2405	22,583	44,587	0.2760	12,319

2) Sensitivity analysis

The foreign currency risk mainly arose from the translation of cash and cash equivalents, accounts receivable (including from related parties), other receivables (including from related parties), accounts payable (including to related parties), and other payables

(Continued)

# WINWAY TECHNOLOGY CO., LTD.

## Notes to the Parent Company Only Financial Statements

(including to related parties) . As of December 31, 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 \$ 4,441 and \$ 3,484, for the years ended December 31, 2021 and 2020, respectively. The method of analysis remains the same as 2020.

### 3) Foreign exchange gains and losses on monetary items

Since the Company has many kinds of functional currency, the information on foreign exchange gain (loss) on monetary items is disclosed by total amount. For years 2021 and 2020, foreign exchange gains (loss) (including realized and unrealized portions) amounted to \$(6,614) and \$(27,245), respectively.

### (iv) Fair value of financial instruments

#### 1) Fair value hierarchy

The fair value of financial assets and liabilities at fair value through profit or loss are measured on a recurring basis. The carrying amount and fair value of the Company' 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:

December 31, 2021					
	Book Value	Fair Value			Total
		Level 1	Level 2	Level 3	
<b>Financial assets measured at amortized cost</b>					
Cash and cash equivalents	\$ 1,418,263	-	-	-	-
Domestic-time deposits	149,000	-	-	-	-
Notes and accounts receivables	854,147	-	-	-	-
Other financial assets	51,511	-	-	-	-
Refundable deposits	5,110	-	-	-	-
<b>Total</b>	<b>\$ 2,478,031</b>				
<b>Financial liabilities at amortized cost</b>					
Notes and accounts payables	\$ 478,943	-	-	-	-
Other payables	263,302	-	-	-	-
Lease liabilities	88,760	-	-	-	-
<b>Total</b>	<b>\$ 831,005</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	\$ 518,323	-	-	-	-
Notes and accounts receivables	636,532	-	-	-	-
Other financial assets	1,511	-	-	-	-
Refundable deposits	5,113	-	-	-	-
<b>Total</b>	<b>\$ 1,161,479</b>				
<b>Financial liabilities measured at amortized cost</b>					
Notes and accounts payables	\$ 210,787	-	-	-	-
Other payables	218,353	-	-	-	-
Lease liabilities	103,911	-	-	-	-
Long-term borrowings	40,000	-	-	-	-
<b>Total</b>	<b>\$ 573,051</b>				

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## WINWAY TECHNOLOGY CO., LTD.

### Notes to the Parent Company Only Financial Statements

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

(x) Financial risk management

(i) Overview

The Company have exposures to the following risks from its financial instruments:

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

The following likewise discusses the Company' s objectives, policies and processes for measuring and managing the above mentioned risks. For more disclosures about the quantitative effects of these risks exposures, please refer to the respective notes in the accompanying parent company only financial statements.

(ii) Structure of risk management

The Company' s finance management department provides business services. It sets the objectives, policies and processes for managing the risk and the methods used to measure the risk arising from both the domestic and international financial market operations. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures.

The risk management policies were set to identify and analyze the risks that the Company is exposed to, evaluate influences of financial risks, and implement related policies to avoid financial risks. Risk management policies and systems are reviewed regularly to reflect the changes in market conditions and the Company' s activities.

(iii) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company' s receivables from customers and bank deposits.

1) Accounts receivable and other receivables

The Company' s exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the Company' s customer base, including the default risk of the industry and country in which customers operate, as these factors may have an influence on credit risk.

According to the credit policy, the Company has to evaluate the credit of each new customer before setting the payment and delivery terms. The evaluations include external credit ratings, if available, and bank references. The Company reviewed credit limits periodically and required customers to pay in advance when the customers' credit ratings did not meet the benchmark.

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## WINWAY TECHNOLOGY CO., LTD.

### Notes to the Parent Company Only Financial Statements

#### 2) Investment

The exposure to credit risk for the bank deposits and other financial instruments is measured and monitored by the Company's finance department. The Company only deals with banks with good credit rating. The Company does not expect any counterparty above fails to meet its obligations hence there is no significant credit risk arising from these counterparties.

#### 3) Guarantees

The Company's policies are to provide financial guarantees only to wholly owned subsidiaries. Please refer to note 13 for the financial assurance as of December 31, 2021.

#### (iv) Liquidity risk

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

As of December 31, 2021 and 2020, the Company's unused credit line were amounted to \$2,762,830 and \$882,060, respectively.

#### (v) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, and equity prices, will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

##### 1) Currency risk

The Company is exposed to currency risk on sales and purchases that are denominated in a currency other than the respective functional currencies of the Company, primarily the NTD. The currencies used in these transactions are the US dollar (USD) and Japanese Yen (JPY).

Generally, borrowings are denominated in currencies that match the cash flows generated by the underlying operations of the Company, primarily the TWD, USD and JPY. This provides an economic hedge without derivatives being entered into, and therefore, hedge accounting is not applied in these circumstances.

##### 2) Interest rate risk

To Company adopts a policy to ensure the exposure of changes in interest rates on borrowings is evaluated based on the trend in market interest rates. The Company can manage its interest risk through maintaining an appropriate portfolio of floating interest rate and fixed interest rate.

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**WINWAY TECHNOLOGY CO., LTD.**  
**Notes to the Parent Company Only Financial Statements**

3) Other market price risk

The Company is exposed to equity price risk due to the investments in equity instruments and mutual funds that contain uncertainty of future prices risk. Therefore, the Company monitors and manages the equity investments by holding different investment portfolio and regularly updating the information of equity instruments and mutual funds investment.

(y) Capital management

The Company must maintain sufficient capital to establish and expand production capacity and equipment. In consideration of the characteristic of the industry business cycle, the capital management of the Company is to ensure that it has sufficient and necessary financial resources to support its working capital requirements, capital expenditures, research and development activities, dividend payment, debt repayment and other business needs in the next 12 months.

(z) 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		December 31, 2021
			Increase in right-of-use assets	Changes in lease payments	
Long-term borrowings	\$ 40,000	(40,000)	-	-	-
Lease liabilities	103,911	(12,808)	-	(2,343)	88,760
Total liabilities from financing activities	<u>\$ 143,911</u>	<u>(52,808)</u>	<u>-</u>	<u>(2,343)</u>	<u>88,760</u>

	January 1, 2020	Cash flows	Non-Cash changes		December 31, 2020
			Increase in right-of-use assets	Changes in lease payments	
Long-term borrowings	\$ -	40,000	-	-	40,000
Lease liabilities	41,740	(12,787)	75,311	(353)	103,911
Total liabilities from financing activities	<u>\$ 41,740</u>	<u>27,213</u>	<u>75,311</u>	<u>(353)</u>	<u>143,911</u>

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

(a) Names and relationship with related parties

The followings are entities that have had transactions with related party during the periods covered in the consolidated financial statements.

<u>Name of related party</u>	<u>Relationship with the Company</u>
WINWAY TECHNOLOGY INTERNATIONAL INC.	Subsidiary
WINTEST ENTERPRISES LTD.	Subsidiary
WINWAY TECHNOLOGY (SUZHOU) LTD.	Subsidiary

(Continued)

**WINWAY TECHNOLOGY CO., LTD.**  
**Notes to the Parent Company Only Financial Statements**

(b) Significant transactions with related parties

(i) Operating revenue

The amounts of significant sales by the Company to related parties were as follows:

	<u>2021</u>	<u>2020</u>
Subsidiaries- WINTEST ENTERPRISES LTD.	\$ 567,798	526,271
Subsidiaries- WINWAY TECHNOLOGY (SUZHOU) LTD.	<u>3,289</u>	<u>-</u>
	<u><b>\$ 571,087</b></u>	<u><b>526,271</b></u>

The selling prices for sales to subsidiaries were not significantly different from those for third-party customers. The collection terms were 90~150 days, which were not significantly different from those of other customers.

(ii) Purchases

The amounts of significant purchases by the Company from related parties were as follows:

	<u>2021</u>	<u>2020</u>
Subsidiaries- WINWAY TECHNOLOGY (SUZHOU) LTD.	<u><b>\$ 3,698</b></u>	<u><b>6,113</b></u>

The purchases price of the Company to its related parties is not comparable to other purchases due to the differences in the purchases of the goods. The payment terms for purchases to related parties were 60 days, which were not materially different from those of the third parties.

(iii) Receivables from Related Parties

The receivables from related parties were as follows:

<u>Account</u>	<u>Relationship</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Accounts Receivable	Subsidiaries - WINTEST ENTERPRISES LTD.	\$ 236,285	236,264
Accounts Receivable	Subsidiaries - WINWAY TECHNOLOGY (SUZHOU) LTD.	<u>1,277</u>	<u>-</u>
		<u><b>\$ 237,562</b></u>	<u><b>236,264</b></u>

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**WINWAY TECHNOLOGY CO., LTD.**  
**Notes to the Parent Company Only Financial Statements**

(iv) Payables to Related Parties

The payables to related parties were as follows:

<u>Account</u>	<u>Relationship</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Accounts payable	Subsidiaries- WINTEST ENTERPRISES LTD.	\$ -	280
Accounts payable	Subsidiaries- WINWAY TECHNOLOGY (SUZHOU) LTD.	2,100	-
		<u>\$ 2,100</u>	<u>280</u>

(v) Property transactions

The disposals of property, plant and equipment to related parties are summarized as follows:

	<u>2021</u>		<u>2020</u>	
	<u>Disposal price</u>	<u>Gain (loss) from disposal</u>	<u>Disposal price</u>	<u>Gain (loss) from disposal</u>
Subsidiaries - WINTEST ENTERPRISES LTD.	\$ 938	225	-	-

In 2021, the Company sold machinery and equipment to its subsidiary. As of December 31, 2021, all income had been fully collected.

(vi) Others

The amounts of sales commission paid to related parties and the outstanding balance are as follows:

		<u>Other payments</u>	
		<u>December 31, 2021</u>	<u>December 31, 2020</u>
Subsidiaries - WINWAY TECHNOLOGY INTERNATIONAL INC.	\$ 46,145	41,176	10,341
Subsidiaries - WINTEST ENTERPRISES LTD.	4,221	11,148	711
	<u>\$ 50,366</u>	<u>52,324</u>	<u>11,052</u>
		<u>17,644</u>	

(Continued)

**WINWAY TECHNOLOGY CO., LTD.**  
**Notes to the Parent Company Only Financial Statements**

(c) Key management personnel compensation

Key management personnel compensation comprised:

	<b>2021</b>	<b>2020</b>
Short-term employee benefits	\$ 26,255	36,012
Post-employment benefits	304	324
	<b><u>\$ 26,559</u></b>	<b><u>36,336</u></b>

**(8) Pledged assets:**

The carrying values of pledged assets were as follows:

<b>Pledged assets</b>	<b>Object</b>	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Other financial assets-non-current-demand deposits	Guarantee for customs duty	\$ 1,511	1,511
Other financial assets-non-current-time deposits	Construction of plant	50,000	-
Property, plant, and equipment	Bank borrowings	132,995	137,745
		<b><u>\$ 184,506</u></b>	<b><u>139,256</u></b>

**(9) Significant Commitments and Contingencies:**

- (a) MPI Corporation (hereinafter referred to as MPI) filed a business secret civil lawsuit against the Company and the chair of the board in the Intellectual Property Court on September 19, 2018, and jointly claimed \$44,000 compensation from the Company, \$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 Company for evidence preservation on March 5, 2019. The assets of the Company 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 Company has appointed lawyers to handle it and it is not yet possible to judge the final possible outcome. The Company is continuously evaluating the substance of these lawsuits.

The main products of the Company are mostly highly customized and the Company always respects intellectual property rights and are committed to technology research and development. There is no statement by MPI that the Company 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 Company 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 Company expect the litigation will not have material impact, so the impact was not recognized on the parent company only financial statements.

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**WINWAY TECHNOLOGY CO., LTD.**  
**Notes to the Parent Company Only Financial Statements**

- (c) As at December 31, 2021 and 2020, significant outstanding purchase commitments for construction in progress, property, plant and equipment the amounts of \$856,574 and \$28,788.

**(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:

By item	By function	2021			2020		
		Cost of sales	Operating expenses	Total	Cost of sales	Operating expenses	Total
Employee benefits							
Salary		250,659	308,007	558,666	323,765	282,421	606,186
Labor and health insurance		25,525	21,898	47,423	24,917	15,714	40,631
Pension		10,636	11,847	22,483	10,321	7,979	18,300
Remuneration of directors		-	4,309	4,309	-	3,188	3,188
Others		13,709	10,631	24,340	14,889	11,064	25,953
Depreciation		69,478	18,272	87,750	71,892	14,700	86,592
Amortization		2,957	7,983	10,940	2,967	8,494	11,461

The additional information of number of employees and employee benefits in the year 2021 and 2020 was as follows:

	2021	2020
Number of employees	<u>622</u>	<u>593</u>
Number of non-employee directors	<u>6</u>	<u>4</u>
Average employee benefits	<u>\$ 1,060</u>	<u>1,173</u>
Average employee salary	<u>\$ 907</u>	<u>1,029</u>
Adjustment of average employee salary	<u>-11.86%</u>	
Supervisor's remuneration	<u>\$ -</u>	<u>-</u>

The Company's remuneration policy including directors, supervisors, managers, and employees is stated below:

1. The remuneration to employees mainly includes salary (basic salary, meal allowance, special workplace allowance, etc.) year-end bonus, performance bonus, etc.
  - (i) The Company draw up the salary standards for employees based on market salary level, its operating conditions and organization structure. Furthermore, the salary will be properly adjusted which depending on the market salary dynamics, changes in the overall economic and business conditions and government regulations.
  - (ii) The remuneration to employees is based on their education, professional knowledge and technique skills, experience and personal performance, without distinction of age, sex,

(Continued)

**WINWAY TECHNOLOGY CO., LTD.**  
**Notes to the Parent Company Only Financial Statements**

race, religion, political inclination, marital status and union.

(iii) The starting salary of the inexperience complied with the government regulations.

(iv) In accordance with the Articles of incorporation, the Company should contribute 5%~ 15% of the profit as employee remuneration when there is profit for the year. However, if the Company has accumulated deficits, the profit should be reserved to offset the deficit.

2. The managers' remuneration including salary, addition pay, severance pay, various bonus, allowances, etc., is based on the business strategies and profitability of the Company, personal performance and contribution, as well as market salary level. Moreover, in accordance with the Articles of incorporation, the Company should contribute 5%~ 15% of the profit as employee remuneration when there is profit for the year. However, if the Company has accumulated deficits, the profit should be reserved to offset the deficit.

3. Director' s remuneration

(i) The directors' remuneration by annual distribution does not include the independent directors' remuneration. Independent directors receive a fixed monthly remuneration.

(ii) In accordance with the Articles of incorporation, if the Company incurs profit for the year, the profit should first be used to offset any deficit. The remainder, if any, a maximum of 3% shall be distributed as directors' remuneration based on the contribution of each director to the Company.

(iii) A fixed transportation allowance is provided based on the number of directors' attendance.

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**WINWAY TECHNOLOGY CO., LTD.**  
**Notes to the Parent Company Only Financial Statements**

**(13) Other disclosures:**

(a) Information on significant transactions:

The following is the information on significant transactions required by the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” for the Company for the years ended December 31, 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	13,840 (USD 500,000) (Note 2)	-	-	2,616	Short-term financing	-	Operating requirements	-	-	-	585,972 (Note 1)	1,171,943 (Note 1)	

Note 1: The aggregate loan amount and the individual loans were limited to 40% and 20%, respectively, of the Company net equity.

Note 2: The amounts denominated in foreign currencies were translated using the rate of exchange at December 31, 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	292,986 (Note 1)	24,912 (USD 900,000) (Note 3)	24,912 (USD 900,000) (Note 3)	-	-	0.85%	585,972 (Note 2)	Y	-	Y
0	The Company	WINTEST ENTERPRISES LTD.	Subsidiary	292,986 (Note 1)	58,128 (USD 2,100,000) (Note 3)	58,128 (USD 2,100,000) (Note 3)	-	-	1.98%	585,972 (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 December 31, 2021.

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**WINWAY TECHNOLOGY CO., LTD.**  
**Notes to the Parent Company Only Financial Statements**

(iii) Securities held as of December 31, 2021 (excluding investment in subsidiaries, associates and joint ventures): None

(iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20% of the capital stock:

(In Thousands of New Taiwan Dollars)

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	120,194	120,000	194	-	-	-
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	180,276	180,000	276	-	-	-
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	100,168	100,000	168	-	-	-

(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	34,400	WEN SHENG DEVELOPMENT CO., LTD.	Non-related party	-	-	-	-	Bidding	Plant expansion	
The Company	Nanzih Technology Industrial Park-plant construction	February 28, 2021	71,000	71,000	HSIN HSIUNG CONSTRUCTION CO., LTD.	Non-related party	-	-	-	-	Bidding	Plant expansion	
The Company	Nanzih Technology Industrial Park-plant construction	August 26, 2021	460,000	78,200	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

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WINWAY TECHNOLOGY CO., LTD.  
Notes to the Parent Company Only Financial Statements

(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	567,798	20.94%	90~150 Days	(Note 1)	The main customers are 60 to 120 days	236,285	27.56%	
WINTEST ENTERPRISES LTD.	The Company	Parent company	Purchase	567,798	84.16%	90~150 Days	(Note 1)	The main suppliers are 60 to 120 days	(236,285)	89.72%	
WINWAY TECHNOLOGY (SUZHOU) LTD.	WINTEST ENTERPRISES LTD.	Affiliated company	Sale	108,936	96.72%	60 Days	(Note 1)	The main customers are 60 to 120 days	26,643	92.69%	
WINTEST ENTERPRISES LTD.	WINWAY TECHNOLOGY (SUZHOU) LTD.	Affiliated company	Purchase	108,936	15.62%	60 Days	(Note 1)	The main suppliers are 60 to 120 days	(26,643)	10.12%	

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

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

Name of company	Related party	Nature of relationship	Ending balance	Turnover rate	Overdue		Amounts received in subsequent period	Allowance for bad debts	Note
					Amount	Action taken			
The Company	WINTEST ENTERPRISES LTD.	Subsidiary	Accounts receivable \$236,285	240.31%	-	-	Accounts receivable \$47,440	-	

(ix) Trading in derivative instruments:None

**WINWAY TECHNOLOGY CO., LTD.**  
**Notes to the Parent Company Only Financial Statements**

(b) Information on investments:

The following is the information on investees year 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 December 31, 2021			Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 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%	246,636	13,252	9,948	Subsidiary
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%	13,227	(1,974)	(1,974)	Subsidiary

(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	Highest percentage of ownership during the year	Share of profit/losses of investee	Book value	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	1,169	100%	100%	1,169	87,167	-
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	12,083	100%	100%	12,083	177,712	-

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**WINWAY TECHNOLOGY CO., LTD.**  
**Notes to the Parent Company Only Financial Statements**

(ii) Limitation on investment in Mainland China:

<b>Accumulated remittance from Taiwan to China as of December 31, 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)	182,134 (USD6,580,000)	1,757,915

Note 1: The amounts denominated in foreign currencies were translated using the rate of exchange at December 31, 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 "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	10.31%

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:**

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