

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

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

Consolidated Financial Statements

**With Independent Auditors' Review Report
For the Nine Months Ended September 30, 2022 and 2021**

Address: No.68, Chuangyi S. Rd., Nanzih Dist., Kaohsiung City
Telephone: (07)361-0999

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

Table of contents

Contents	Page
1. Cover Page	1
2. Table of Contents	2
3. Independent Auditors' Review Report	3
4. Consolidated Balance Sheets	4
5. Consolidated Statement of Comprehensive Income	5
6. Consolidated Statement of Changes in Equity	6
7. Consolidated Statement of Cash Flows	7
8. Notes to the Consolidated Financial Statements	
(1) Company history	8
(2) Approval date and procedures of the consolidated financial statements	8
(3) New standards, amendments and interpretations adopted	8~9
(4) Summary of significant accounting policies	9~10
(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty	10
(6) Explanation of significant accounts	10~34
(7) Related-party transactions	34
(8) Assets pledged as security	34
(9) Commitments and contingencies	35
(10) Losses Due to Major Disasters	35
(11) Significant Subsequent Events	35
(12) Other	36
(13) Other disclosures	
(a) Information on significant transactions	37~40
(b) Information on investments	40
(c) Information on investment in mainland China	41~42
(d) Major shareholders	42
(14) Segment information	42



安侯建業聯合會計師事務所

KPMG

高雄市80147前金區中正四路211號12樓之6
12th Fl., - 6, No. 211, Zhongzheng 4th Road,
Kaohsiung City 80147, Taiwan (R.O.C.)

Telephone 電話 + 886 (7) 213 0888
Fax 傳真 + 886 (7) 271 3721
Internet 網址 kpmg.com/tw

Independent Auditors' Review Report

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

Introduction

We have reviewed the accompanying consolidated balance sheets of WINWAY TECHNOLOGY Co., Ltd. ("the Company") and its subsidiaries ("the Group") as of September 30, 2022 and 2021, and the related consolidated statements of comprehensive income for the three months and nine months ended September 30, 2022 and 2021, as well as the changes in equity and cash flows for the nine months ended September 30, 2022 and 2021, and notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

Scope of Review

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

Conclusion

Based on our reviews, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Group as of September 30, 2022 and 2021, and of its consolidated financial performance for the three months and nine months ended September 30, 2022 and 2021, as well as its consolidated cash flows for the nine months ended September 30, 2022 and 2021 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.



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

KPMG

Taipei, Taiwan (Republic of China)

November 10, 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 review such consolidated financial statements are those generally accepted and applied in the Republic of China.

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

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)
Reviewed only, not audited in accordance with generally accepted auditing standards as of September 30, 2022 and 2021

WINWAY TECHNOLOGY CO., LTD. AND SUBSIDIARIES

Consolidated Balance Sheets

September 30, 2022, December 31, 2021, and September 30, 2021

(Expressed in Thousands of New Taiwan Dollars)

Assets	September 30, 2022		December 31, 2021		September 30, 2021	
	Amount	%	Amount	%	Amount	%
Current assets:						
Cash and cash equivalents (note 6(a))	\$ 1,212,632	24	1,495,650	38	910,495	26
Current financial assets at fair value through profit or loss (note 6(b))	-	-	-	-	400,567	12
Financial assets measured at amortized cost (note 6(c))	29,700	1	149,000	4	149,000	4
Notes receivable, net (note 6(d))	2,122	-	5,828	-	7,512	-
Accounts receivable, net (note 6(d))	1,496,485	30	867,187	22	708,013	20
Other receivables (note 6(e))	13,038	-	953	-	1,808	-
Current tax assets	-	-	1,772	-	2,932	-
Inventories, net (note 6(f))	625,976	12	350,358	9	312,507	9
Other current assets (note 6(k))	67,316	1	20,643	1	28,887	1
Total current assets	3,447,269	68	2,891,391	74	2,521,721	72
Non-current assets:						
Property, plant and equipment (notes 6(g) and 8)	1,246,879	25	765,236	19	667,275	19
Right-of-use assets (note 6(h))	106,566	2	111,242	3	118,722	4
Intangible assets (note 6(i))	33,906	1	31,435	1	33,479	1
Deferred tax assets	62,273	1	45,382	1	46,700	1
Refundable deposits	5,493	-	6,724	-	6,006	-
Other non-current financial assets (notes 6(j) and 8)	51,642	1	51,511	1	51,511	2
Other non-current assets (note 6(k))	81,571	2	36,284	1	37,181	1
Total non-current assets	1,588,330	32	1,047,814	26	960,874	28
Total assets	\$ 5,035,599	100	3,939,205	100	3,482,595	100
Liabilities and Equity						
Current liabilities:						
Current contract liabilities (note 6(u))	\$ 43,910	-	25,359	1	542	-
Accounts payable	909,621	18	488,672	12	377,920	11
Other payables (note 6(p))	516,061	11	269,357	7	218,235	6
Current provisions (note 6(m))	13,477	-	8,468	-	6,679	-
Current lease liabilities (note 6(n))	13,797	-	48,568	1	16,725	1
Current tax liabilities	188,005	4	114,595	3	69,035	2
Total current liabilities	1,684,871	33	955,019	24	689,136	20
Non-Current liabilities:						
Long-term deferred revenue (notes 6(o))	5,650	1	-	-	-	-
Long-term borrowings (notes 6(l) and 8)	-	-	-	-	10,000	-
Deferred tax liabilities	10,515	-	1,193	-	1,745	-
Non-current lease liabilities (note 6(n))	51,941	1	53,135	1	91,983	3
Total non-current liabilities	68,106	2	54,328	1	103,728	3
Total liabilities	1,752,977	35	1,009,347	25	792,864	23
Equity attributable to owners of parent (notes 6(q)(r)(s)):						
Capital stock	345,440	7	338,910	9	338,820	10
Advance receipts for share capital	-	-	270	-	90	-
	345,440	7	339,180	9	338,910	10
Capital surplus	1,796,843	36	1,689,858	43	1,688,255	48
Retained earnings	1,231,440	24	911,136	23	675,083	19
Other equity	(91,101)	(2)	(10,316)	-	(12,517)	-
Total equity	3,282,622	65	2,929,858	75	2,689,731	77
Total liabilities and equity	\$ 5,035,599	100	3,939,205	100	3,482,595	100

See accompanying notes to financial statements.

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

WINWAY TECHNOLOGY CO., LTD. AND SUBSIDIARIES

Consolidated Statement of Comprehensive Income

For the nine months ended September 30, 2022 and 2021

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

	For the three months ended September 30,				For the nine months ended September 30,			
	2022		2021		2022		2021	
	Amount	%	Amount	%	Amount	%	Amount	%
Operating revenue (notes 6(u) and 14)	\$ 1,555,029	100	754,569	100	3,413,012	100	1,942,819	100
Operating costs (notes 6(f)(i)(m)(n)(p)(s) and 12)	<u>824,390</u>	<u>53</u>	<u>447,228</u>	<u>59</u>	<u>1,924,006</u>	<u>56</u>	<u>1,192,476</u>	<u>61</u>
Gross profit	<u>730,639</u>	<u>47</u>	<u>307,341</u>	<u>41</u>	<u>1,489,006</u>	<u>44</u>	<u>750,343</u>	<u>39</u>
Operating expenses (notes 6((d)(i)(n)(p)(s)(v), 7 and 12):								
Selling expenses	91,576	6	66,751	9	223,667	7	185,659	10
General and administrative expenses	110,795	7	44,426	6	236,808	7	116,039	6
Research and development expenses	83,511	5	48,944	6	194,262	6	137,257	7
Expected credit impairment gains and losses	<u>8,575</u>	<u>1</u>	<u>(601)</u>	<u>-</u>	<u>15,275</u>	<u>-</u>	<u>(2,460)</u>	<u>-</u>
Total operating expenses	<u>294,457</u>	<u>19</u>	<u>159,520</u>	<u>21</u>	<u>670,012</u>	<u>20</u>	<u>436,495</u>	<u>23</u>
Net operating income	<u>436,182</u>	<u>28</u>	<u>147,821</u>	<u>20</u>	<u>818,994</u>	<u>24</u>	<u>313,848</u>	<u>16</u>
Non-operating income and expenses (note 6(w)):								
Interest income	1,529	-	649	-	4,757	-	1,769	-
Other gains and losses	31,661	2	2,342	-	52,617	2	(1,756)	-
Finance costs (note 6(n))	<u>(226)</u>	<u>-</u>	<u>(327)</u>	<u>-</u>	<u>(783)</u>	<u>-</u>	<u>(1,058)</u>	<u>-</u>
Total non-operating income and expenses	<u>32,964</u>	<u>2</u>	<u>2,664</u>	<u>-</u>	<u>56,591</u>	<u>2</u>	<u>(1,045)</u>	<u>-</u>
Profit before income tax	469,146	30	150,485	20	875,585	26	312,803	16
Income tax expenses (note 6(q))	<u>100,301</u>	<u>6</u>	<u>29,946</u>	<u>4</u>	<u>179,081</u>	<u>5</u>	<u>62,227</u>	<u>3</u>
Profit	<u>368,845</u>	<u>24</u>	<u>120,539</u>	<u>16</u>	<u>696,504</u>	<u>21</u>	<u>250,576</u>	<u>13</u>
Other comprehensive income (note 6(r)):								
Items that will be reclassified subsequently to profit or loss								
Exchange differences on translation of foreign financial statements	3,195	-	(161)	-	10,170	-	(4,523)	-
Income tax related to components of other comprehensive income that will be reclassified to profit or loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other comprehensive income	<u>3,195</u>	<u>-</u>	<u>(161)</u>	<u>-</u>	<u>10,170</u>	<u>-</u>	<u>(4,523)</u>	<u>-</u>
Comprehensive income	<u>\$ 372,040</u>	<u>24</u>	<u>120,378</u>	<u>16</u>	<u>706,674</u>	<u>21</u>	<u>246,053</u>	<u>13</u>
Earnings per share (note 6(t)):								
Basic earnings per share (in New Taiwan Dollars)	<u>\$ 10.79</u>		<u>3.57</u>		<u>20.43</u>		<u>7.46</u>	
Diluted earnings per share (in New Taiwan Dollars)	<u>\$ 10.68</u>		<u>3.52</u>		<u>20.16</u>		<u>7.37</u>	

See accompanying notes to financial statements.

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

WINWAY TECHNOLOGY CO., LTD. AND SUBSIDIARIES

Consolidated Statement of Changes in Equity

For the nine months ended September 30, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

	Equity attributable to owners of parent							Total other equity interest		
	Retained earnings						Exchange differences on translation of foreign financial statements	unearned stock - Based Employee compensation	Total equity	
	Ordinary shares	Captial collected in advance	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings				Total retained earnings
Balance at January 1, 2021	\$ 305,710	-	609,440	120,203	11,454	732,757	864,414	(7,994)	-	1,771,570
Profit	-	-	-	-	-	250,576	250,576	-	-	250,576
Other comprehensive income	-	-	-	-	-	-	-	(4,523)	-	(4,523)
Total comprehensive income	-	-	-	-	-	250,576	250,576	(4,523)	-	246,053
Appropriation and distribution of retained earnings:										
Legal reserve appropriated	-	-	-	53,096	-	(53,096)	-	-	-	-
Reversal of special reserve	-	-	-	-	(3,460)	3,460	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	-	(439,907)	(439,907)	-	-	(439,907)
Capital increase by cash	30,460	-	1,069,045	-	-	-	-	-	-	1,099,505
Exercise of employee stock options	2,650	90	6,834	-	-	-	-	-	-	9,574
Stock options compensation cost	-	-	2,936	-	-	-	-	-	-	2,936
Balance at September 30, 2021	\$ 338,820	90	1,688,255	173,299	7,994	493,790	675,083	(12,517)	-	2,689,731
Balance at January 1, 2022	\$ 338,910	270	1,689,858	173,299	7,994	729,843	911,136	(10,316)	-	2,929,858
Profit	-	-	-	-	-	696,504	696,504	-	-	696,504
Other comprehensive income	-	-	-	-	-	-	-	10,170	-	10,170
Total comprehensive income	-	-	-	-	-	696,504	696,504	10,170	-	706,674
Appropriation and distribution of retained earnings:										
Legal reserve appropriated	-	-	-	48,663	-	(48,663)	-	-	-	-
Special reserve appropriated	-	-	-	-	2,321	(2,321)	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	-	(376,200)	(376,200)	-	-	(376,200)
Exercise of employee stock options	4,030	(270)	8,735	-	-	-	-	-	-	12,495
Restricted Stock	2,500	-	98,250	-	-	-	-	-	(100,750)	-
Compensation cost arising from restricted stock	-	-	-	-	-	-	-	-	9,795	9,795
Balance at September 30, 2022	\$ 345,440	-	1,796,843	221,962	10,315	999,163	1,231,440	(146)	(90,955)	3,282,622

See accompanying notes to financial statements.

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

WINWAY TECHNOLOGY CO., LTD. AND SUBSIDIARIES

Consolidated Statement of Cash Flows

For the nine months ended September 30, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

	For the nine months ended September 30,	
	2022	2021
Cash flows from operating activities:		
Profit before income tax	\$ 875,585	312,803
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expenses	82,639	84,542
Amortization expenses	8,404	8,877
Expected credit impairment losses (gains)	15,275	(2,460)
Gains on financial assets at fair value through profit or losses	-	(763)
Interest expenses	783	1,058
Interest income	(4,757)	(1,769)
Share-based payment transactions	9,795	2,936
(Gains) Losses on disposal of property, plant and equipment	(2,084)	25
Unrealized foreign exchange loss (gain)	(8,822)	3,729
Gains on rent concessions	(312)	-
Total adjustments to reconcile profit	<u>100,921</u>	<u>96,175</u>
Changes in operating assets and liabilities:		
Decrease in notes receivable	3,840	3,656
Increase in accounts receivable	(634,824)	(178,305)
Increase in other receivables	(11,734)	(1,652)
(Increase) decrease in inventories	(272,588)	103,714
Increase in other current assets	(43,870)	(19,367)
Increase in accounts payable	420,429	164,789
Increase in other payables	240,852	1,179
Increase in current provisions	5,009	1,274
Increase (decrease) in current contract liabilities	18,541	(2,058)
Increase in long-term deferred revenue	5,650	-
Total adjustments	<u>(167,774)</u>	<u>169,405</u>
Cash inflow generated from operations	707,811	482,208
Interest received	4,438	1,601
Interest paid	(783)	(1,058)
Income taxes paid	(111,479)	(41,683)
Net cash flows from operating activities	<u>599,987</u>	<u>441,068</u>
Cash flows from (used in) investing activities:		
Decrease (increase) in financial assets at amortized cost	119,300	(149,000)
Acquisition of financial assets at fair value through profit or loss	-	(600,000)
Proceeds from disposal of financial assets at fair value through profit or loss	-	200,196
Acquisition of property, plant and equipment	(482,353)	(175,038)
Proceeds from disposal of property, plant and equipment	17,408	9
Decrease in refundable deposits	1,289	1,615
Acquisition of intangible assets	(8,788)	(4,479)
Increase in other financial assets	(131)	(50,000)
Increase in prepayments for equipment	(122,962)	(56,207)
Net cash flows used in investing activities	<u>(476,237)</u>	<u>(832,904)</u>
Cash flows from (used in) financing activities:		
Proceeds from long-term borrowings	-	30,000
Repayments of long-term borrowings	-	(60,000)
Payments of lease liabilities	(46,361)	(14,702)
Cash dividends paid	(376,200)	(439,907)
Capital increase by cash	-	1,099,505
Proceeds from exercise of employee stock options	12,495	9,574
Net cash flows from financing activities	<u>(410,066)</u>	<u>624,470</u>
Effect of exchange rate changes on cash and cash equivalents	<u>3,298</u>	<u>(2,243)</u>
Net (decrease) increase in cash and cash equivalents	<u>(283,018)</u>	<u>230,391</u>
Cash and cash equivalents at the beginning of period	<u>1,495,650</u>	<u>680,104</u>
Cash and cash equivalents at the end of period	<u>\$ 1,212,632</u>	<u>910,495</u>

See accompanying notes to financial statements.

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

WINWAY TECHNOLOGY CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

September 30, 2022 and 2021

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

(1) Company history:

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

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

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

The consolidated financial statements were authorized for issuance by the Board of Directors on November 10, 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. 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, 2022:

- 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”

- (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, 2023, would not have a significant impact on its consolidated financial statements:

- 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”

(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”
- IFRS16 “Requirements for Sale and Leaseback Transactions”
- Amendments to IAS 1 “Non-current Liabilities with Covenants”

(4) Summary of significant accounting policies:

- (a) Statement of compliance

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

Except the following accounting policies mentioned below, the significant accounting policies adopted in the consolidated financial statements are the same as those in the consolidated financial statement for the year ended December 31, 2021. For the related information, please refer to note 4 of the consolidated financial statements for the year ended December 31, 2021.

- (b) Basis of consolidation

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

Name of Investor	Name of Subsidiary	Business Activity	Percentage Ownership			Description
			September 30, 2022	December 31, 2021	September 30, 2021	
The Company	WINWAY INTERNATIONAL CO., LTD.	Investment holding	100 %	100 %	100 %	Significant subsidiary
The Company	WINWAY TECHNOLOGY INTERNATIONAL INC.	Sales of optoelectronic product test fixtures, integrated circuit test interfaces and fixtures	100 %	100 %	100 %	Non-significant subsidiary.
WINWAY INTERNATIONAL CO., LTD.	WINTEST ENTERPRISES LTD.	Sales of optoelectronic product test fixtures, integrated circuit test interfaces and fixtures	100 %	100 %	100 %	Significant subsidiary.
WINWAY INTERNATIONAL CO., LTD.	WINWAY TECHNOLOGY (SUZHOU) LTD. (Note)	Process and sales of optoelectronic product test fixtures, integrated circuit test interfaces and fixtures	100 %	100 %	100 %	Significant subsidiary

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

(Continued)

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

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

(c) Income taxes

The income tax expenses have been prepared and disclosed in accordance with paragraph B12 of IAS 34 “Interim Financial Reporting”.

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

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

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

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

In preparing the consolidated financial statements, estimates and underlying assumptions are reviewed on an ongoing basis which are in conformity with those described in note 5 of the consolidated financial statements for the year ended December 31, 2021.

(6) Explanation of significant accounts:

Except for the following disclosures, there were no material differences in the disclosures of significant accounts between the interim consolidated financial statements for the current period and those described in note 6 of the consolidated financial statements for the year ended December 31, 2021.

(a) Cash and cash equivalents

	September 30, 2022	December 31, 2021	September 30, 2021
Cash and cash on hand	\$ 378	381	390
Demand deposits	772,254	905,269	500,105
Time deposits	440,000	590,000	410,000
Cash and cash equivalents in the consolidated statement of cash flows	<u><u>\$ 1,212,632</u></u>	<u><u>1,495,650</u></u>	<u><u>910,495</u></u>

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

(Continued)

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

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

	September 30, 2022	December 31, 2021	September 30, 2021
Financial assets mandatorily measured at fair value through profit or loss — current:			
Open-end mutual funds	\$ <u>-</u>	<u>-</u>	<u>400,567</u>

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

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

(c) Financial assets measured at amortized cost

	September 30, 2022	December 31, 2021	September 30, 2021
Domestic time deposits	\$ <u>29,700</u>	<u>149,000</u>	<u>149,000</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 investments were classified as financial assets measured at amortized cost.

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

(d) Notes and accounts receivable

	September 30, 2022	December 31, 2021	September 30, 2021
Notes receivable from operating activities	\$ 2,122	5,828	7,512
Accounts receivable—measured as amortized cost	1,515,157	870,512	708,592
Less: Loss allowance	<u>(18,672)</u>	<u>(3,325)</u>	<u>(579)</u>
	<u>\$ 1,498,607</u>	<u>873,015</u>	<u>715,525</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:

(Continued)

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

September 30, 2022			
	Gross carrying amount—notes receivable and accounts receivable from operating activities	Weighted- average loss rate	Loss allowance provision
Current	\$ 1,278,468	0.06 %	822
1 to 30 days past due	124,944	1.33 %	1,665
31 to 60 days past due	53,975	4.17 %	2,249
61 to 90 days past due	11,709	9.69 %	1,134
91 to 180 days past due	19,935	5.51 %	1,097
181 to 365 days past due	24,494	32.46 %	7,951
More than 365 days past due	3,754	100.00 %	3,754
	\$ 1,517,279		18,672
December 31, 2021			
	Gross carrying amount—notes receivable and accounts receivable from operating activities	Weighted- average loss rate	Loss allowance provision
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
	\$ 876,340		3,325
September 30, 2021			
	Gross carrying amount—notes receivable and accounts receivable from operating activities	Weighted- average loss rate	Loss allowance provision
Current	\$ 638,246	0.00 %	1
1 to 30 days past due	50,528	0.00 %	2
31 to 60 days past due	9,583	0.01 %	1
61 to 90 days past due	7,571	0.33 %	25
91 to 180 days past due	9,486	0.46 %	43
181 to 365 days past due	418	56.32 %	235
More than 365 days past due	272	100.00 %	272
	\$ 716,104		579

(Continued)

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

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

	Nine months ended September 30,	
	2022	2021
Balance at January 1	\$ 3,325	3,045
Impairment losses recognized	15,275	-
Impairment losses reversed	-	(2,460)
Effects of changes in foreign exchange rates	72	(6)
Balance at September 30	<u>\$ 18,672</u>	<u>579</u>

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

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

(e) Other receivables

	September 30, 2022	December 31, 2021	September 30, 2021
Other receivables	\$ 16,647	4,562	5,417
Less: Loss allowance	(3,609)	(3,609)	(3,609)
	<u>\$ 13,038</u>	<u>953</u>	<u>1,808</u>

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

(f) Inventories

	September 30, 2022	December 31, 2021	September 30, 2021
Raw materials and supplies	\$ 275,683	185,814	153,615
Work in progress	247,415	82,364	83,984
Finished goods	102,878	82,180	74,908
	<u>\$ 625,976</u>	<u>350,358</u>	<u>312,507</u>

The details of the cost of sales were as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
Recognized as operating costs	\$ 835,553	420,134	1,889,603	1,093,772
Write-down of inventories (reversal of write-downs)	(13,806)	16,515	16,609	59,308
Income from sale of scrap and wastes	(44)	(14)	(111)	(62)
Others	2,687	10,593	17,905	39,458
	<u>\$ 824,390</u>	<u>447,228</u>	<u>1,924,006</u>	<u>1,192,476</u>

As of September 30, 2022 and December 31, and September 30, 2021 the Group did not provide any inventories as collateral or restricted.

(Continued)

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

(g) Property, plant and equipment

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

	<u>Buildings</u>	<u>Machinery and equipment</u>	<u>Other equipment</u>	<u>Construction in progress</u>	<u>Total</u>
Cost or deemed cost:					
Balance at January 1, 2022	\$ 212,546	558,102	247,864	239,629	1,258,141
Additions	5,422	8,966	35,407	437,563	487,358
Disposal	-	(59,725)	(3,632)	-	(63,357)
Reclassifications (note)	-	55,876	17,269	-	73,145
Effect of movements in exchange rates	83	4,009	1,877	-	5,969
Balance at September 30, 2022	<u>\$ 218,051</u>	<u>567,228</u>	<u>298,785</u>	<u>677,192</u>	<u>1,761,256</u>
Balance at January 1, 2021	\$ 209,958	508,075	204,934	1,700	924,667
Additions	1,969	12,744	16,228	151,487	182,428
Disposal	-	(118)	(1,175)	-	(1,293)
Reclassification (note)	-	16,207	17,214	-	33,421
Effect of movements in exchange rates	(13)	(2,080)	(743)	-	(2,836)
Balance at September 30, 2021	<u>\$ 211,914</u>	<u>534,828</u>	<u>236,458</u>	<u>153,187</u>	<u>1,136,387</u>
Accumulated depreciation:					
Balance at January 1, 2022	\$ 79,550	260,099	153,256	-	492,905
Depreciation	5,709	36,411	25,147	-	67,267
Disposal	-	(45,824)	(2,209)	-	(48,033)
Reclassifications	-	(303)	303	-	-
Effect of movements in exchange rates	84	1,108	1,046	-	2,238
Balance at September 30, 2022	<u>\$ 85,343</u>	<u>251,491</u>	<u>177,543</u>	<u>-</u>	<u>514,377</u>
Balance at January 1, 2021	\$ 72,213	205,254	125,078	-	402,545
Depreciation	5,536	40,911	22,022	-	68,469
Disposal	-	(115)	(1,144)	-	(1,259)
Effect of movements in exchange rates	(13)	(329)	(301)	-	(643)
Balance at September 30, 2021	<u>\$ 77,736</u>	<u>245,721</u>	<u>145,655</u>	<u>-</u>	<u>469,112</u>
Carrying amounts:					
Balance at January 1, 2022	<u>\$ 132,996</u>	<u>298,003</u>	<u>94,608</u>	<u>239,629</u>	<u>765,236</u>
Balance at September 30, 2022	<u>\$ 132,708</u>	<u>315,737</u>	<u>121,242</u>	<u>677,192</u>	<u>1,246,879</u>
Balance at January 1, 2021	<u>\$ 137,745</u>	<u>302,821</u>	<u>79,856</u>	<u>1,700</u>	<u>522,122</u>
Balance at September 30, 2021	<u>\$ 134,178</u>	<u>289,107</u>	<u>90,803</u>	<u>153,187</u>	<u>667,275</u>

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

As of September 30, 2022 and December 31, and September 30, 2021, the property, plant and equipment of the Group has been pledged as collateral for long-term borrowings and credit line, please refer to note 8.

(h) Right-of-use assets

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

	<u>Land</u>	<u>Buildings</u>	<u>Total</u>
Cost :			
Balance at January 1, 2022	\$ 94,423	61,155	155,578
Additions	-	12,205	12,205
Write-off	(1,605)	(223)	(1,828)
Effect of movements in exchange rates	-	830	830
Balance at September 30, 2022	<u>\$ 92,818</u>	<u>73,967</u>	<u>166,785</u>

(Continued)

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

	<u>Land</u>	<u>Buildings</u>	<u>Total</u>
Balance at January 1, 2021	\$ 96,766	61,367	158,133
Effect of movements in exchange rates	-	(463)	(463)
Balance at September 30, 2021	<u>\$ 96,766</u>	<u>60,904</u>	<u>157,670</u>
Accumulated depreciation :			
Balance at January 1, 2022	\$ 3,116	41,220	44,336
Depreciation	1,385	13,987	15,372
Effect of movements in exchange rates	-	511	511
Balance at September 30, 2022	<u>\$ 4,501</u>	<u>55,718</u>	<u>60,219</u>
Balance at January 1, 2021	\$ 1,029	21,999	23,028
Depreciation	1,644	14,429	16,073
Effect of movements in exchange rates	-	(153)	(153)
Balance at September 30, 2021	<u>\$ 2,673</u>	<u>36,275</u>	<u>38,948</u>
Carrying amounts :			
Balance at January 1, 2022	<u>\$ 91,307</u>	<u>19,935</u>	<u>111,242</u>
Balance at September 30, 2022	<u>\$ 88,317</u>	<u>18,249</u>	<u>106,566</u>
Balance at January 1, 2021	<u>\$ 95,737</u>	<u>39,368</u>	<u>135,105</u>
Balance at September 30, 2021	<u>\$ 94,093</u>	<u>24,629</u>	<u>118,722</u>

(i) Intangible assets

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

	<u>Software</u>	<u>Patent</u>	<u>Trademark</u>	<u>Other</u>	<u>Total</u>
Cost :					
Balance at January 1, 2022	\$ 88,879	140,970	67,666	3,400	300,915
Additions	8,788	-	-	-	8,788
Reclassification (note)	2,070	-	-	-	2,070
Effect of movements in exchange rates	56	-	-	-	56
Balance at September 30, 2022	<u>\$ 99,793</u>	<u>140,970</u>	<u>67,666</u>	<u>3,400</u>	<u>311,829</u>
Balance at January 1, 2021	\$ 82,509	140,970	67,666	3,400	294,545
Additions	4,479	-	-	-	4,479
Reclassification (note)	1,410	-	-	-	1,410
Effect of movements in exchange rates	(30)	-	-	-	(30)
Balance at September 30, 2021	<u>\$ 88,368</u>	<u>140,970</u>	<u>67,666</u>	<u>3,400</u>	<u>300,404</u>
Accumulated amortization and impairment losses :					
Balance at January 1, 2022	\$ 62,558	140,970	65,952	-	269,480
Amortization for the period	7,950	-	454	-	8,404
Effect of movements in exchange rates	39	-	-	-	39
Balance at September 30, 2022	<u>\$ 70,547</u>	<u>140,970</u>	<u>66,406</u>	<u>-</u>	<u>277,923</u>
Balance at January 1, 2021	\$ 51,744	140,970	65,348	-	258,062
Amortization for the period	8,423	-	454	-	8,877
Effect of movements in exchange rates	(14)	-	-	-	(14)
Balance at September 30, 2021	<u>\$ 60,153</u>	<u>140,970</u>	<u>65,802</u>	<u>-</u>	<u>266,925</u>

(Continued)

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

	<u>Software</u>	<u>Patent</u>	<u>Trademark</u>	<u>Other</u>	<u>Total</u>
Carrying value :					
Balance at January 1, 2022	\$ 26,321	-	1,714	3,400	31,435
Balance at September 30, 2022	\$ 29,246	-	1,260	3,400	33,906
Balance at January 1, 2021	\$ 30,765	-	2,318	3,400	36,483
Balance at September 30, 2021	\$ 28,215	-	1,864	3,400	33,479

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

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

	<u>Three months ended September 30,</u>		<u>Nine months ended September 30,</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Costs of sales	\$ 996	911	2,924	2,435
Operating expenses	2,013	1,748	5,480	6,442
Total	\$ 3,009	2,659	8,404	8,877

As of September 30, 2022 and December 31, and September 30, 2021 the Group did not provide any intangible assets as collateral or restricted.

(j) Other non-current financial assets

	<u>September 30,</u> <u>2022</u>	<u>December 31,</u> <u>2021</u>	<u>September 30,</u> <u>2021</u>
Restricted deposits	\$ 51,642	51,511	51,511

Please refer to note 8 for details of collateral.

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

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

	<u>September 30,</u> <u>2022</u>	<u>December 31,</u> <u>2021</u>	<u>September 30,</u> <u>2021</u>
Prepaid expenses	\$ 12,092	8,193	10,001
Prepayments	2,401	128	9,676
Offset against business tax payable	21,152	9,602	6,357
Prepayments for equipment	81,571	36,284	37,181
Business tax refund receivable	23,642	-	-
Other	8,029	2,720	2,853
	\$ 148,887	56,927	66,068

	<u>September 30,</u> <u>2022</u>	<u>December 31,</u> <u>2021</u>	<u>September 30,</u> <u>2021</u>
Current	\$ 67,316	20,643	28,887
Non-current	81,571	36,284	37,181
	\$ 148,887	56,927	66,068

(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 industry-academy cooperation fees.

(l) Long-term borrowings

	September 30, 2022	December 31, 2021	September 30, 2021
Unsecured bank loans	\$ -	-	10,000
Less: current portion	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ -</u>	<u>-</u>	<u>10,000</u>
Unused long-term credit lines	<u>\$ 2,360,000</u>	<u>2,360,000</u>	<u>2,080,000</u>
Range of interest rates	<u>-</u>	<u>-</u>	<u>0.55%</u>

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

(m) Provisions

	Provisions for warrant
Balance at January 1, 2022	\$ 8,468
Provisions made during the period	13,477
Provision used and reversed during the period	<u>(8,468)</u>
Balance at September 30, 2022	<u>\$ 13,477</u>
Balance at January 1, 2021	\$ 5,405
Provisions made during the period	6,679
Provision used and reversed during the period	<u>(5,405)</u>
Balance at September 30, 2021	<u>\$ 6,679</u>

(n) Lease liabilities

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

	September 30, 2022	December 31, 2021	September 30, 2021
Current	<u>\$ 13,797</u>	<u>48,568</u>	<u>16,725</u>
Non-current	<u>\$ 51,941</u>	<u>53,135</u>	<u>91,983</u>

(Continued)

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

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

The amounts recognized in profit or loss were as follows:

	<u>Three months ended September 30,</u>		<u>Nine months ended September 30,</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Interests on lease liabilities	\$ <u>226</u>	<u>317</u>	<u>783</u>	<u>1,026</u>
Expenses relating to short-term leases	\$ <u>1,946</u>	<u>1,819</u>	<u>4,578</u>	<u>4,875</u>

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

	<u>Nine months ended September 30,</u>	
	<u>2022</u>	<u>2021</u>
Total cash outflow for leases	\$ <u>51,781</u>	<u>21,381</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.

(o) Long-term deferred revenue

	<u>September 30,</u>	<u>December 31,</u>	<u>September 30,</u>
	<u>2022</u>	<u>2021</u>	<u>2021</u>
Current	\$ -	-	-
Non-current	<u>5,650</u>	<u>-</u>	<u>-</u>
	\$ <u>5,650</u>	<u>-</u>	<u>-</u>

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

(Continued)

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

(p) Employee benefits

(i) Defined contribution plans

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

The 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 pension plan.

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

	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
Operating cost	\$ 2,658	2,830	7,727	7,953
Selling expenses	1,997	1,952	5,989	5,445
Administration expenses	859	861	2,609	2,419
Research and development expenses	1,266	1,393	4,004	4,057
Total	<u>\$ 6,780</u>	<u>7,036</u>	<u>20,329</u>	<u>19,874</u>

(ii) Short-term benefit obligation

As of September 30, 2022, and December 31, and September 30, 2021, the Group's short-term benefit liabilities for paid leave were \$13,200, \$13,590 and \$13,747, respectively, which were recognized as other payables in the consolidated balance sheets.

(q) Income taxes

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

	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
Current tax expense				
Current period	\$ 92,264	31,148	188,213	69,047
Adjustment for prior periods	1,806	-	(1,563)	(887)
	<u>94,070</u>	<u>31,148</u>	<u>186,650</u>	<u>68,160</u>
Deferred tax				
Origination and reversal of temporary differences	6,231	(1,202)	(7,569)	(5,933)
Income tax expense	<u>\$ 100,301</u>	<u>29,946</u>	<u>179,081</u>	<u>62,227</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>

(Continued)

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

The Company's tax returns for the years through 2020 were examined and approved by the ROC tax authorities.

(r) Capital and other equities

Except for the following disclosure, there was no significant change in capital and other equity for the periods from January 1 to September 30, 2022 and 2021. For the related information, please refer to note 6(p) of the consolidated financial statements for the year ended December 31, 2021.

(i) Capital stock

The Company's total authorized shares of common stock of 50,000 thousand shares, with a par value of \$10 per share, included 34,544 thousand shares, 33,918 thousand shares and 33,891 thousand shares as of September 30, 2022 and December 31, and September 30, 2021, respectively. All issued shares were paid up upon issuance.

For the nine months ended September 30, 2022 and 2021, the Company had issued 376 thousand shares and 274 thousand shares at par value, amounting to \$12,495 and \$9,590, respectively, for its employee stock options; of which, the relevant statutory registration procedures of 376 thousand shares and 265 thousand shares, respectively, had since been completed and all the capital had been received.

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

(ii) Capital surplus

The balances of capital surplus were as follows:

	September 30, 2022	December 31, 2021	September 30, 2021
Additional paid-in capital	\$ 1,674,029	1,660,965	1,659,827
Employee stock options	21,517	26,253	25,788
Employee stock options-expired	3,047	2,640	2,640
Restricted stock	98,250	-	-
	<u>\$ 1,796,843</u>	<u>1,689,858</u>	<u>1,688,255</u>

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

(Continued)

WINWAY TECHNOLOGY CO., LTD. AND SUBSIDIARIES
Notes to Consolidated 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 No.1010012865 issued by the FSC on April 6, 2012, an increase in retained earnings due to the first-time adoption of IFRSs shall be retained as a special reserve, and when the relevant assets are used, disposed of, or reclassified, this special reserve shall be reversed as distributable earnings proportionately.

In accordance with the guidelines of the above Ruling, a portion of current-period earnings and undistributed prior-period earnings shall be retained as a special reserve. The amount to be retained should be equal to the current-period total reduction of other shareholders' equity. Similarly, a portion of undistributed prior-period earnings shall be reclassified as a special reserve (which does not qualify for earnings distribution) to account for cumulative changes to other shareholders' equity pertaining to prior periods.

(Continued)

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

Amounts of subsequent reversals pertaining to the net reduction of other shareholders' equity shall qualify for additional distributions. As of September 30, 2022, December 31, and September 30, 2021, the balance of special reserve amounted to \$10,315, \$7,994 and \$7,994, respectively.

3) Earnings distribution

The following are the appropriations of earnings in 2021 and 2020 which were approved in the Board of Directors' meeting held on February 23, 2022 and March 19, 2021. These earnings were appropriated as follows:

	2021		2020	
	Amount per share	Total amount	Amount per share	Total amount
Dividends distributed to ordinary shareholders:				
Cash	\$ 11.00	<u>376,200</u>	13.00	<u>439,907</u>
(iv) Other equity interest				

	Exchange differences on foreign operations	Unearned Stock-Based Employee compensation	Total
Balance at January 1, 2022	\$ (10,316)	-	(10,316)
Exchange differences on foreign operations	10,170	-	10,170
Unearned Stock-Based Employee compensation	-	(90,955)	(90,955)
Balance at September 30, 2022	<u>\$ (146)</u>	<u>(90,955)</u>	<u>(91,101)</u>

	Exchange differences on foreign operations	Unearned Stock-Based Employee compensation	Total
Balance at January 1, 2021	\$ (7,994)	-	(7,994)
Exchange differences on foreign operations	(4,523)	-	(4,523)
Balance at September 30, 2021	<u>\$ (12,517)</u>	<u>-</u>	<u>(12,517)</u>

(s) Share-based payment

(i) Employee restricted stock awards

On June 24, 2022, the shareholders' meeting approved the issuance of 500,000 restricted stocks to those full-time employees who meet the Company's requirements. The restricted stock has been registered with, and approved by, the Securities and Futures Bureau of the Financial Supervisory Commission, R.O.C. On August 5, 2022, the board of directors issued 250,000 restricted stocks. The fair value on the grant date was \$403 per share, which was the closing price less the issue price. Full-time employees who are granted restricted shares as mentioned above shall receive the granted shares without consideration and shall remain in

(Continued)

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

service with the Company for one, two and three years from the grant date, and shall receive 30%, 30% and 40% of the restricted shares each year, depending on the achievement of the Company's overall and individual performance targets for that year, respectively. All of the restricted stocks shall be delivered to the Company's designated trustee for safekeeping until the vesting conditions are met, and shall not be sold, pledged, transferred, gifted or otherwise disposed of. The voting rights of the stocks shall be exercised by the trustee in accordance with the relevant laws and regulations during the period when the stocks are delivered to the trustee for safekeeping. If any employee fails to meet the vesting conditions after subscribing for the new stocks, the Company will take back his/her shares without consideration and cancel the stocks in accordance with the law.

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

	<u>Nine months ended September 30, 2022</u>
	<u>Number of restricted stock (in thousands)</u>
Outstanding at January 1	-
Granted during the period	<u>250</u>
Outstanding at September 30	<u>250</u>

For the three months and nine months ended September 30, 2022, the Company incurred expenses of \$9,795 for each of the restricted stock, which were recognized as operating costs and operating expenses.

(ii) Employee stock options

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

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

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

(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.

	Nine months ended September 30,			
	2022		2021	
	Weighted average exercise price (price NTD)	Number of options (Units)	Weighted average exercise price (price NTD)	Number of options (Units)
Outstanding at January 1	\$ 33.3	376,000	35	689,000
Forfeited during the year	33.23	-	34.94	12,000
Exercised during the year	33.23	376,000	34.94	274,000
Outstanding at September 30	\$ 32.40	-	33.3	403,000
Exercisable at September 30	\$ 32.40	-	33.3	30,200

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

(t) Earnings per share

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

	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
Basic earnings per share (expressed in New Taiwan dollars)				
Profit attributable to ordinary shareholders of the Company	\$ 368,845	120,539	696,504	250,576
Weighted average number of ordinary shares outstanding (shares in thousands)	34,276	33,864	34,091	33,584
Basic earnings per share	\$ 10.79	3.57	20.43	7.46
Diluted earnings per share (expressed in New Taiwan dollars)				
Profit attributable to ordinary shareholders of the Company	\$ 368,845	120,539	696,504	250,576

(Continued)

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

	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
Weighted average number of ordinary shares outstanding (shares in thousands)	34,276	33,864	34,091	33,584
Effect of dilutive potential ordinary shares				
Effect of employee stock options (shares in thousands)	23	31	213	104
Effect of employee stock bonus (shares in thousands)	231	394	248	334
Effect of restricted stock	<u>5</u>	<u>-</u>	<u>2</u>	<u>-</u>
Weighted average number of ordinary shares (diluted) (shares in thousands)	<u>34,535</u>	<u>34,289</u>	<u>34,554</u>	<u>34,022</u>
Diluted earnings per share	\$ <u>10.68</u>	<u>3.52</u>	<u>20.16</u>	<u>7.37</u>

(u) Revenue from contracts with customers

(i) Disaggregation of revenue

	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
Primary geographical markets:				
Taiwan	\$ 283,530	292,667	955,506	749,093
America	544,759	134,001	996,200	387,700
China	474,327	217,208	956,712	555,063
Europe	4,818	6,751	12,479	15,838
Canada	6,688	3,807	26,069	15,785
Asia	<u>240,907</u>	<u>100,135</u>	<u>466,046</u>	<u>219,340</u>
	<u>\$ 1,555,029</u>	<u>754,569</u>	<u>3,413,012</u>	<u>1,942,819</u>
Major products/services lines:				
Test Socket	\$ 895,493	499,322	2,075,671	1,265,517
Contact Element	153,700	123,166	435,345	391,936
Probe Card	422,094	73,001	679,730	143,802
Other	<u>83,742</u>	<u>59,080</u>	<u>222,266</u>	<u>141,564</u>
	<u>\$ 1,555,029</u>	<u>754,569</u>	<u>3,413,012</u>	<u>1,942,819</u>

(Continued)

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

(ii) Contract balances

	September 30, 2022	December 31, 2021	September 30, 2021
Notes receivable	\$ 2,122	5,828	7,512
Accounts receivable	1,515,157	870,512	708,592
Less: loss allowance	<u>(18,672)</u>	<u>(3,325)</u>	<u>(579)</u>
	<u>\$ 1,498,607</u>	<u>873,015</u>	<u>715,525</u>
Contract liabilities-advance collections	\$ 323	5,930	542
Contract liabilities-customer loyalty program	<u>43,587</u>	<u>19,429</u>	<u>-</u>
	<u>\$ 43,910</u>	<u>25,359</u>	<u>542</u>

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

The amount of revenue recognized for the three months ended September 30, 2022 and 2021, and for the nine months ended September 30, 2022 and 2021 that were included in the contract liability balance at the beginning of the period were \$9,516, \$38, \$15,147 and \$2,582, respectively.

(v) Remunerations to employees and directors

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

For the three months ended September 30, 2022 and 2021, and for the nine months ended September 30, 2022 and 2021, the Company estimated its employee remuneration amounting to \$52,709, \$8,113, \$86,701 and \$16,633, and directors' remuneration amounting to \$(688), \$1,641, \$6,000 and \$4,197, respectively. The employee compensation and directors' remuneration were estimated as the income before tax, excluding the amount of employee compensation and directors' remuneration, multiplied by the percentage of remuneration to employees and directors as specified in the Company's articles. These remunerations were expensed under operating costs or operating expenses. If there are any subsequent adjustments to the actual remuneration amounts, the adjustment will be accounted for as changes in accounting estimates and will be reflected in profit or loss in the following year.

For the years ended December 31, 2021 and 2020, the remuneration to employees amounted to \$31,546 and \$34,337, and the remuneration to directors amounted to \$4,198 and \$3,068, respectively. The aforementioned approved amounts were the same as the amounts charged against the earnings in 2021 and 2020. Related information would be available at the Market Observation Post System website.

(Continued)

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

(w) Non-operating income and expenses

(i) Interest income

Details of interest income of the Group were as follows:

	<u>Three months ended September 30,</u>		<u>Nine months ended September 30,</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Interest income				
Bank deposits	\$ 1,525	647	4,746	1,758
Others	<u>4</u>	<u>2</u>	<u>11</u>	<u>11</u>
	<u><u>\$ 1,529</u></u>	<u><u>649</u></u>	<u><u>4,757</u></u>	<u><u>1,769</u></u>

(ii) Other gains and losses

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

	<u>Three months ended September 30,</u>		<u>Nine months ended September 30,</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Foreign exchange gains (losses)	\$ 30,888	1,928	46,244	(4,650)
Gains on financial assets at fair value through profit or loss	-	231	-	763
Gains (losses) on disposals of property, plant and equipment	(1,597)	(7)	2,084	(25)
Government grants	1,654	43	3,230	1,046
Others	<u>716</u>	<u>147</u>	<u>1,059</u>	<u>1,110</u>
	<u><u>\$ 31,661</u></u>	<u><u>2,342</u></u>	<u><u>52,617</u></u>	<u><u>(1,756)</u></u>

(iii) Finance costs

Details of finance costs of the Group were as follows:

	<u>Three months ended September 30,</u>		<u>Nine months ended September 30,</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Interest expenses				
Bank loans	\$ -	10	-	32
Lease liabilities	<u>226</u>	<u>317</u>	<u>783</u>	<u>1,026</u>
	<u><u>\$ 226</u></u>	<u><u>327</u></u>	<u><u>783</u></u>	<u><u>1,058</u></u>

(Continued)

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

(x) Financial Instruments

Except for the contention mentioned below, there was no significant change in the fair value of the Group's financial instruments and degree of exposure to credit risk, liquidity risk and market risk arising from financial instruments. For related information, please refer to note 6(v) of the consolidated financial statements for the year ended December 31, 2021.

(i) Credit risk

1) Credit risk exposure

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

2) Concentration to credit risk

The customers of the Group has a significant concentration on electronics industry. To reduce the credit risk, the Group regularly evaluates the collectability of accounts receivable and notes receivable. As of September 30, 2022, and December 31, and September 30, 2021, the Group does not have a significant concentration of credit risk.

3) Credit risk of receivables and debt instruments

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

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

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

	September 30, 2022		
	At amortized cost		
	12-month ECL	Lifetime ECL-not credit-impaired	Lifetime ECL-credit-impaired
Other receivables	\$ 13,038	-	3,609
Refundable deposits	5,493	-	-
Other financial assets	51,642	-	-
Loss allowance	-	-	(3,609)
Amortized cost	<u>\$ 70,173</u>	<u>-</u>	<u>-</u>
Carrying amount	<u>\$ 70,173</u>	<u>-</u>	<u>-</u>

(Continued)

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

December 31, 2021			
At amortized cost			
	12-month ECL	Lifetime ECL-not credit-impaired	Lifetime ECL-credit-impaired
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>

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

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

For the Nine months ended September 30, 2022				
	12-month ECL	Lifetime ECL-not credit-impaired	Lifetime ECL-credit-impaired	Total
Balance at January 1, 2022(equal to balance at September 30, 2022)	<u>\$ -</u>	<u>-</u>	<u>3,609</u>	<u>3,609</u>
For the Nine months ended September 30, 2021				
	12-month ECL	Lifetime ECL-not credit-impaired	Lifetime ECL-credit-impaired	Total
Balance at January 1, 2021(equal to balance at September 30, 2021)	<u>\$ -</u>	<u>-</u>	<u>3,609</u>	<u>3,609</u>

(Continued)

WINWAY TECHNOLOGY CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(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
September 30, 2022							
Non-derivative financial liabilities							
Notes and accounts payable (non-interest-bearing)	\$ 909,621	909,621	909,621	-	-	-	-
Other payables (non-interest-bearing)	516,061	516,061	516,061	-	-	-	-
Lease liabilities (fix interest rate)	65,738	79,221	8,353	6,102	4,252	5,107	55,407
	<u>\$ 1,491,420</u>	<u>1,504,903</u>	<u>1,434,035</u>	<u>6,102</u>	<u>4,252</u>	<u>5,107</u>	<u>55,407</u>
December 31, 2021							
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>
September 30, 2021							
Non-derivative financial liabilities							
Bank borrowings (interest-bearing)	\$ 10,000	10,298	27	27	55	5,347	4,842
Notes and accounts payable (non-interest-bearing)	377,920	377,920	377,920	-	-	-	-
Other payables (non-interest-bearing)	218,235	218,235	218,235	-	-	-	-
Lease liabilities (fix interest rate)	108,708	123,461	10,488	7,365	42,961	6,025	56,622
	<u>\$ 714,863</u>	<u>729,914</u>	<u>606,670</u>	<u>7,392</u>	<u>43,016</u>	<u>11,372</u>	<u>61,464</u>

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

(iii) Market risk

1) Currency risk

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

	September 30, 2022			December 31, 2021			September 30, 2021		
	Foreign currency	Exchange rate	TWD	Foreign currency	Exchange rate	TWD	Foreign currency	Exchange rate	TWD
Financial assets									
<u>Monetary items</u>									
USD	\$ 31,241	31.750	991,911	21,141	27.680	585,193	10,411	27.850	289,935
JPY	364,203	0.2201	80,161	189,351	0.2405	45,539	134,115	0.2490	33,395
Financial liabilities									
<u>Monetary items</u>									
USD	15,751	31.750	500,096	10,057	27.680	278,376	7,149	27.850	199,108
JPY	179,633	0.2201	39,537	93,901	0.2405	22,583	98,418	0.2490	24,506

The foreign currency risk mainly arises from the translation of cash and cash equivalents, accounts receivable, other receivables, accounts payable, and other payables. As of September 30, 2022 and 2021, 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 \$4,260 and \$798, for the nine months ended September 30, 2022 and 2021, respectively. The method of analysis remains the same as 2021.

(Continued)

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

Since the Group has many kinds of functional currency, the information on foreign exchange gain (loss) on monetary items is disclosed by total amount. For the three months ended September 30, 2022 and 2021 and nine months ended September 30, 2022 and 2021, the foreign exchange gain (loss) (including realized and unrealized portions) amounted to \$30,888, \$1,928, \$46,244 and \$(4,650), respectively.

2) Other market price risk

For the nine months ended September 30, 2022 and 2021, the sensitivity analyses for the changes in the securities price at the reporting date were performed using the same basis for profit or loss as illustrated below:

Prices of securities at the reporting date	Nine months ended September 30,			
	2022		2021	
	Other comprehensive income after tax	Net income	Other comprehensive income after tax	Net income
Increasing 3%	\$ -	-	-	9,614
Decreasing 3%	\$ -	-	-	9,614

(iv) Fair value of financial instruments

1) Fair value hierarchy

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

		September 30, 2022				
		Book Value	Fair Value			
			Level 1	Level 2	Level 3	Total
Financial assets measured at amortized cost						
Cash and cash equivalents	\$	1,212,632	-	-	-	-
Domestic-time deposits		29,700	-	-	-	-
Notes and accounts receivables		1,498,607	-	-	-	-
Other receivables		13,038	-	-	-	-
Other financial assets		51,642	-	-	-	-
Refundable deposits		5,493	-	-	-	-
Total	\$	2,811,112				
Financial liabilities measured at amortized cost						
Notes and accounts payables	\$	909,621	-	-	-	-
Other payables		516,061	-	-	-	-
Lease liabilities		65,738	-	-	-	-
Total	\$	1,491,420				

(Continued)

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

December 31, 2021					
	Book Value	Fair Value			Total
		Level 1	Level 2	Level 3	
Financial assets measured at amortized cost					
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	-	-	-	-
Total	\$ 2,576,853				
Financial liabilities measured at amortized cost					
Notes and accounts payables	\$ 488,672	-	-	-	-
Other payables	269,357	-	-	-	-
Lease liabilities	101,703	-	-	-	-
Total	\$ 859,732				

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

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).

(Continued)

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

- 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.

- (y) Financial risk management

Except for the following disclosures, there were no significant changes in the Group's financial risk management and policies as disclosed in note 6(w) of the consolidated financial statements for the year ended December 31, 2021.

(Continued)

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

(z) Capital management

Management believes that the objectives, policies and processes of capital management of the Group has been applied consistently with those described in the consolidated financial statements for the year ended December 31, 2021. Also, management believes that there were no significant changes in the Group's capital management information as disclosed for the year ended December 31, 2021. Please refer to note 6(x) of the consolidated financial statements for the year ended December 31, 2021 for further details.

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

Reconciliation of liabilities arising from financing activities was as follows:

	January 1, 2022	Cash flows	Non-Cash changes Foreign exchange movement	Changes in lease payments	September 30, 2022
Lease liabilities	\$ 101,703	(46,361)	331	10,065	65,738
	<u>\$ 101,703</u>	<u>(46,361)</u>	<u>331</u>	<u>10,065</u>	<u>65,738</u>
	January 1, 2021	Cash flows	Non-Cash changes Foreign exchange movement	Changes in lease payments	September 30, 2021
Long-term borrowings	\$ 40,000	(30,000)	-	-	10,000
Lease liabilities	123,697	(14,702)	(287)	-	108,708
	<u>\$ 163,697</u>	<u>(44,702)</u>	<u>(287)</u>	<u>-</u>	<u>118,708</u>

(7) Related-party transactions:

(a) Key management personnel compensation

Key management personnel compensation comprised:

	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
Short-term employee benefits	\$ 10,612	8,164	33,979	17,460
Post-employment benefits	54	-	162	81
	<u>\$ 10,666</u>	<u>8,164</u>	<u>34,141</u>	<u>17,541</u>

(8) Assets pledged as security:

The carrying amounts of assets pledged as security were as follows:

Assets pledged as security	Liabilities secured by pledge	September 30, 2022	December 31, 2021	September 30, 2021
Other financial assets-non-current-demand deposits	Guarantee for customs duty	\$ 1,512	1,511	1,511
Other financial assets-non-current-time deposits	Construction of plant	50,130	50,000	50,000
Property, plant, and equipment	Bank borrowings	132,708	132,995	134,178
		<u>\$ 184,350</u>	<u>184,506</u>	<u>185,689</u>

(Continued)

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

(9) Commitments and contingencies:

- (a) MPI Corporation (hereinafter referred to as MPI) filed a business secret civil lawsuit against the Group and the chair of the board in the Intellectual Property Court on September 19, 2018, and jointly claimed \$44,000 compensation from the Group, \$9,270 from 4 employees and the interest was calculated at 5% per annum from the day after the complaint was served to the settlement date.

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

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

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

- (b) On July 15, 2021, Johnstech International Corp. filed a patent infringement lawsuit against the Group to the United States District Court, Northern District of California, demanding for compensation. After going through several negotiations, the Group signed the settlement agreement with Johnstech International Corp. on May 5, 2022. Thereafter, the Group no longer has to pay for said compensation and they will seek business collaboration in the future. The above lawsuit did not have a significant impact on the finance and business operation of the Group.
- (c) As at September 30, 2022 and December 31, and September 30, 2021, significant outstanding purchase commitments for construction in progress, property, plant and equipment the amounts of \$640,282, \$856,574 and \$919,742.

(10) Losses Due to Major Disasters: none

(11) Significant Subsequent Events: none

(Continued)

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

(12) Other:

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

	Three months ended September 30,					
By function	2022			2021		
By item	Cost of sales	Operating expenses	Total	Cost of sales	Operating expenses	Total
Employee benefits						
Salary	140,564	215,575	356,139	80,561	97,547	178,108
Labor and health insurance	7,962	6,570	14,532	7,365	6,084	13,449
Pension	2,658	4,122	6,780	2,830	4,206	7,036
Remuneration of directors	-	(672)	(672)	-	1,657	1,657
Others	5,710	4,097	9,807	4,483	2,939	7,422
Depreciation	21,804	6,082	27,886	22,304	5,953	28,257
Amortization	996	2,013	3,009	911	1,748	2,659

	Nine months ended September 30,					
By function	2022			2021		
By item	Cost of sales	Operating expenses	Total	Cost of sales	Operating expenses	Total
Employee benefits						
Salary	314,967	450,840	765,807	214,990	254,732	469,722
Labor and health insurance	22,737	19,552	42,289	20,588	17,336	37,924
Pension	7,727	12,602	20,329	7,953	11,921	19,874
Remuneration of directors	-	6,056	6,056	-	4,277	4,277
Others	15,173	11,920	27,093	12,596	8,716	21,312
Depreciation	63,946	18,693	82,639	67,477	17,065	84,542
Amortization	2,924	5,480	8,404	2,435	6,442	8,877

(b) Seasonality of operations

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

(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 nine months ended September 30, 2022.

(i) Lending to other parties:None

(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 specific enterprise	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	328,262 (Note 1)	28,575 (USD 900,000) (Note 3)	28,575 (USD 900,000) (Note 3)	-	-	0.87 %	656,524 (Note 2)	Y	-	Y
0	The Company	WINTEST ENTERPRISES LTD.	Subsidiary	328,262 (Note 1)	66,675 (USD 2,100,000) (Note 3)	66,675 (USD 2,100,000) (Note 3)	-	-	2.03 %	656,524 (Note 2)	Y	-	Y

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

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

Note 3: The amounts denominated in foreign currencies were translated using the rate of exchange at September 30, 2022.

(iii) Securities held as of September 30, 2022 (excluding investment in subsidiaries, associates and joint ventures): None

(iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20% of the capital stock:None

(Continued)

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

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

Name of company	Name of property	Transaction date	Transaction amount	Status of payment	Counter-party	Relationship with the Company	If the counter-party is a related party, disclose the previous transfer information				References for determining price	Purpose of acquisition and current condition	Others
							Owner	Relationship with the Company	Date of transfer	Amount			
The Company	Hsinchu Tai-Yuan presold offices	January 27, 2021	281,363	55,372	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	271,400	HSIN HSIUNG CONSTRUCTION CO., LTD.	Non-related party	-	-	-	-	Bidding	Plant expansion	
The Company	Nanzih Technology Industrial Park-plant construction	August 26, 2021	204,000	140,250	SEAN KUNG ELECTRIC ENGINEERING CO., LTD.	Non-related party	-	-	-	-	Bidding	Plant expansion	
The Company	Nanzih Technology Industrial Park-plant construction	February 10, 2022	145,000	92,056	CHENG DA ELECTRIC ENGINEERING CO., LTD.	Non-related party	-	-	-	-	Bidding	Plant expansion	

(vi) Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock:None

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

Name of company	Related party	Nature of relationship	Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		Note
			Purchase/Sale	Amount	Percentage of total purchases/sales	Payment terms	Unit price	Payment terms	Ending balance	Percentage of total notes/accounts receivable (payable)	
The Company	WINTEST ENTERPRISES LTD.	Subsidiary	Sale	711,717	21.53 %	90 Days	(Note 1)	The main customers are 60 to 120 days	567,689	35.21 %	(Note)
WINTEST ENTERPRISES LTD.	The Company	Parent company	Purchase	711,717	81.57 %	90 Days	(Note 1)	The main suppliers are 60 to 120 days	(567,689)	85.91 %	(Note)
WINWAY TECHNOLOGY (SUZHOU) LTD.	WINTEST ENTERPRISES LTD.	Affiliated company	Sale	143,856	82.85 %	60 Days	(Note 1)	The main customers are 60 to 90 days	93,112	77.88 %	(Note)
WINTEST ENTERPRISES LTD.	WINWAY TECHNOLOGY (SUZHOU) LTD.	Affiliated company	Purchase	143,856	16.49 %	60 Days	(Note 1)	The main suppliers are 60 to 90 days	(93,112)	14.09 %	(Note)

Note : It was eliminated in the consolidation.

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

(Continued)

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

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

Name of company	Related party	Nature of relationship	Ending balance	Turnover rate	Overdue		Amounts received in subsequent period	Allowance for bad debts	Note
					Amount	Action taken			
The Company	WINTEST ENTERPRISES LTD.	Subsidiary	Accounts receivable \$567,689	236.07 %	-	-	Accounts receivable \$71,381	-	(Note)
WINWAY TECHNOLOGY (SUZHOU) LTD.	WINTEST ENTERPRISES LTD.	Affiliated company	Accounts receivable \$93,112	320.33 %	-	-	-	-	(Note)

Note : It was eliminated in the consolidation.

(ix) Trading in derivative instruments:None

(x) Business relationships and significant intercompany transactions:

No.	Name of company	Name of counter-party	Nature of relationship (Note)	Intercompany transactions			
				Account name	Amount	Trading terms	Percentage of the consolidated net revenue or total assets
0	The Company	WINWAY TECHNOLOGY INTERNATIONAL INC.	1	Accounts payable Other payable Sales expenses	11 14,266 45,966	Commissions are not comparable with similar transactions.	0.00 % 0.28 % 1.35 %
0	The Company	WINTEST ENTERPRISES LTD.	1	Accounts receivable Other payable Sales revenue Sales expenses	567,689 3,317 711,717 5,310	Selling price offered could not be compared to those offered to third-party customers; the collection terms are 90 days; were not significantly different from those with third-party customers. Commissions are not comparable with similar transactions.	11.27 % 0.07 % 20.85 % 0.16 %
0	The Company	WINWAY TECHNOLOGY (SUZHOU) LTD.	1	Accounts receivable Accounts payable Sales revenue Cost of goods sold	47,106 1,520 49,962 7,935	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.	0.94 % 0.03 % 1.46 % 0.23 %

(Continued)

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

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
1	WINTEST ENTERPRISES LTD.	WINWAY TECHNOLOGY (SUZHOU) LTD.	3	Accounts receivable	1,569	No other trading terms for comparison.	0.03 %
				Other receivable	1,608		0.03 %
				Accounts payable	93,112		1.85 %
				Sales revenue	1,375		0.04 %
				Cost of goods sold	143,856		4.21 %

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 nine months ended September 30, 2022 (excluding information on investees in Mainland China):

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of September 30, 2022			Net income (losses) of investee	Share of profits/losses of investee	Note
				September 30, 2022	December 31, 2021	Shares	Percentage of ownership	Carrying value			
The Company	WINWAY INTERNATIONAL CO., LTD.	SAMOA	Investment holding	204,599	204,599	5,580,000	100 %	186,320	(13,098)	(18,532)	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 %	21,384	5,729	5,729	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, 2022	Investment flows		Accumulated remittance from Taiwan as of September 30, 2022	Net income (Losses) of investee (Note 2)	Indirect investment holding percentage	Share of profit/losses of investee	Book value (Note)	Accumulated remittance of earnings in current period
					Outflow	Inflow						
WINTEST ENTERPRISES LTD.	Sales of optoelectronic product test fixtures, integrated circuit test interfaces and fixtures	9,200	Indirect investment in Mainland China through an existing company registered in the third country.	9,200	-	-	9,200	(37,801)	100%	(37,801)	51,571	-
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	24,703	100%	24,703	207,944	-

Note : It was eliminated in the consolidation.

(Continued)

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 September 30, 2022	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)	208,915 (USD6,580,000)	1,969,573

Note 1: The amounts denominated in foreign currencies were translated using the rate of exchange at September 30, 2022.

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	10.13 %

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

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

(14) Segment information:

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