

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

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

Consolidated Financial Statements

**With Independent Auditors' Report
For the Years Ended December 31, 2023 and 2022**

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

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Representation Letter

The entities that are required to be included in the combined financial statements of WINWAY TECHNOLOGY CO., LTD. as of and for the year ended December 31, 2023 under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with International Financial Reporting Standards No. 10, "Consolidated Financial Statements. " endorsed by the Financial Supervisory Commission of the Republic of China. In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, WINWAY TECHNOLOGY CO., LTD. and Subsidiaries do not prepare a separate set of combined financial statements.

Company name: WINWAY TECHNOLOGY CO., LTD.

Chairman: Chia-Huang, Wang

Date: March 6, 2024.



安侯建業聯合會計師事務所
KPMG

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Independent Auditors' Report

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

Opinion

We have audited the consolidated financial statements of WINWAY TECHNOLOGY Co., Ltd. and its subsidiaries ("the Group"), which comprise the consolidated balance sheet as of December 31, 2023 and 2022, the consolidated statement of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of material accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2023 and 2022, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards ("IFRSs"), International Accounting Standards ("IASs"), Interpretations developed by the International Financial Reporting Interpretations Committee ("IFRIC") or the former Standing Interpretations Committee ("SIC") endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

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

Key Audit Matters

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

1. Revenue recognition

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

Description of Key Audit Matter:

The Group determines the timing of transferring control over the goods and recognizes its revenue depending on whether the specified sales terms in each individual contract are met. Since inappropriate revenue recognition may occur due to the specified sales terms in each individual contract and the sales revenue before or after the financial reporting date has a significant impact on the consolidated financial statements, revenue recognition is the key areas our audit focused on.

How the matter was addressed in our audit:

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

Other Matter

WINWAY TECHNOLOGY CO., LTD. has prepared its parent-company-only financial statements as of and for the years ended December 31, 2023 and 2022, on which we have issued an unmodified opinion.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the IFRSs, IASs, IFRC, SIC endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

As part of an audit in accordance with the Standards on Auditing of the Republic of China, we exercise professional judgment and professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

KPMG

Taipei, Taiwan (Republic of China)
March 6, 2024

Notes to Readers

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

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

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

WINWAY TECHNOLOGY CO., LTD. AND SUBSIDIARIES**Consolidated Balance Sheets****December 31, 2023 and 2022****(Expressed in Thousands of New Taiwan Dollars)**

Assets	December 31, 2023		December 31, 2022		Liabilities and Equity	December 31, 2023		December 31, 2022	
	Amount	%	Amount	%		Amount	%	Amount	%
Current assets:					Current liabilities:				
Cash and cash equivalents (note 6(a))	\$ 639,467	13	1,504,089	26	Current contract liabilities (note 6(u))	\$ 96,553	2	54,937	1
Current financial assets at fair value through profit or loss (note 6(b))	80,187	2	-	-	Accounts payable	429,878	9	1,026,645	18
Financial assets measured at amortized cost (note 6(c))	179,700	4	29,700	1	Other payables (note 6(p))	281,387	6	542,881	10
Notes receivable, net (notes 6(d)(u))	1,496	-	7,029	-	Current provisions (note 6(m))	6,850	-	15,253	-
Accounts receivable, net (notes 6(d)(u) and 7)	866,346	18	1,605,759	28	Current lease liabilities (note 6(n))	9,699	-	11,222	-
Other receivables (note 6(e))	580	-	647	-	Current tax liabilities	95,353	2	296,821	5
Current tax assets	1,343	-	-	-	Current deferred revenue (notes 6(l)(o))	1,850	-	-	-
Inventories, net (note 6(f))	577,903	12	769,841	14	Long-term borrowing, current portion (notes 6(l) and 8)	<u>57,730</u>	<u>1</u>	<u>-</u>	<u>-</u>
Other current assets (note 6(k))	<u>29,501</u>	<u>1</u>	<u>44,457</u>	<u>1</u>	Total current liabilities	<u>979,300</u>	<u>20</u>	<u>1,947,759</u>	<u>34</u>
Total current assets	<u>2,376,523</u>	<u>50</u>	<u>3,961,522</u>	<u>70</u>	Non-Current liabilities:				
Non-current assets:					Long-term borrowings (notes 6(l) and 8)	337,437	7	-	-
Property, plant and equipment (notes 6(g) and 8)	2,108,761	43	1,370,950	24	Non-current lease liabilities (note 6(n))	61,239	1	49,819	1
Right-of-use assets (note 6(h))	109,989	2	101,521	2	Long-term deferred revenue (notes 6(l)(o))	8,103	-	5,545	-
Intangible assets (note 6(i))	47,490	1	33,091	-	Guarantee deposits	<u>-</u>	<u>-</u>	<u>200</u>	<u>-</u>
Deferred tax assets (note 6(q))	72,305	1	68,137	1	Total non-current liabilities	<u>406,779</u>	<u>8</u>	<u>55,564</u>	<u>1</u>
Refundable deposits	5,257	-	7,476	-	Total liabilities	<u>1,386,079</u>	<u>28</u>	<u>2,003,323</u>	<u>35</u>
Other non-current financial assets (notes 6(j) and 8)	51,752	1	51,644	1	Equity attributable to owners of parent (notes 6(r)(s)(t)):				
Other non-current assets (note 6(k))	<u>103,436</u>	<u>2</u>	<u>104,524</u>	<u>2</u>	Capital stock	347,726	7	345,380	6
Total non-current assets	<u>2,498,990</u>	<u>50</u>	<u>1,737,343</u>	<u>30</u>	Capital surplus	1,989,414	41	1,794,485	31
					Retained earnings	1,344,738	28	1,635,168	29
					Other equity	<u>(192,444)</u>	<u>(4)</u>	<u>(79,491)</u>	<u>(1)</u>
					Total equity	<u>3,489,434</u>	<u>72</u>	<u>3,695,542</u>	<u>65</u>
Total assets	<u>\$ 4,875,513</u>	<u>100</u>	<u>5,698,865</u>	<u>100</u>	Total liabilities and equity	<u>\$ 4,875,513</u>	<u>100</u>	<u>5,698,865</u>	<u>100</u>

See accompanying notes to financial statements.

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

WINWAY TECHNOLOGY CO., LTD. AND SUBSIDIARIES**Consolidated Statement of Comprehensive Income****For the years ended December 31, 2023 and 2022****(Expressed in Thousands of New Taiwan Dollars , Except for Earnings Per Share)**

	2023		2022	
	Amount	%	Amount	%
Operating revenue (notes 6(u) and 14)	\$ 3,682,049	100	5,122,173	100
Operating costs (notes 6(f)(i)(m)(n)(p)(s) and 12)	<u>2,317,376</u>	<u>63</u>	<u>2,800,140</u>	<u>55</u>
Gross profit	<u>1,364,673</u>	<u>37</u>	<u>2,322,033</u>	<u>45</u>
Operating expenses (notes 6(d)(i)(n)(p)(s)(v), 7 and 12):				
Selling expenses	355,999	10	340,698	7
General and administrative expenses	214,884	6	367,482	7
Research and development expenses	231,882	6	254,358	5
Expected credit impairment gain and losses	<u>5,148</u>	<u>-</u>	<u>17,167</u>	<u>-</u>
Total operating expenses	<u>807,913</u>	<u>22</u>	<u>979,705</u>	<u>19</u>
Net operating income	<u>556,760</u>	<u>15</u>	<u>1,342,328</u>	<u>26</u>
Non-operating income and expenses (notes 6(b)(c)(l)(o)(w)):				
Interest income	13,763	-	7,865	-
Other gains and losses	(6,383)	-	28,357	1
Finance costs (note 6(n))	<u>(3,146)</u>	<u>-</u>	<u>(963)</u>	<u>-</u>
Total non-operating income and expenses	<u>4,234</u>	<u>-</u>	<u>35,259</u>	<u>1</u>
Profit before income tax	560,994	15	1,377,587	27
Income tax expenses (note 6(q))	<u>96,956</u>	<u>3</u>	<u>277,355</u>	<u>5</u>
Profit	<u>464,038</u>	<u>12</u>	<u>1,100,232</u>	<u>22</u>
Other comprehensive income (note 6(q)):				
Components of other comprehensive income that will be reclassified to profit or loss				
Exchange differences on translation of foreign financial statements	(4,983)	-	5,257	-
Income tax related to components of other comprehensive income that will be reclassified to profit or loss (note 6(q))	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other comprehensive income	<u>(4,983)</u>	<u>-</u>	<u>5,257</u>	<u>-</u>
Comprehensive income	<u>\$ 459,055</u>	<u>12</u>	<u>1,105,489</u>	<u>22</u>
Earnings per share (note 6(t)):				
Basic earnings per share (in New Taiwan Dollars)	<u>\$ 13.52</u>		<u>32.22</u>	
Diluted earnings per share (in New Taiwan Dollars)	<u>\$ 13.35</u>		<u>31.73</u>	

See accompanying notes to financial statements.

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

WINWAY TECHNOLOGY CO., LTD. AND SUBSIDIARIES**Consolidated Statement of Changes in Equity****For the years ended December 31, 2023 and 2022****(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	Capital collected in advance	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings			
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	-	-	-	-	-	1,100,232	1,100,232	-	1,100,232
Other comprehensive income	-	-	-	-	-	-	-	5,257	5,257
Total comprehensive income	-	-	-	-	-	1,100,232	1,100,232	5,257	1,105,489
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 Awards	2,500	-	98,250	-	-	-	-	(100,750)	-
Restricted Stock Awards write-down	(60)	-	60	-	-	-	-	-	-
Restricted Stock Awards compensation cost	-	-	(2,418)	-	-	-	-	26,318	23,900
Balance at December 31, 2022	345,380	-	1,794,485	221,962	10,315	1,402,891	1,635,168	(5,059)	3,695,542
Profit	-	-	-	-	-	464,038	464,038	-	464,038
Other comprehensive income	-	-	-	-	-	-	-	(4,983)	(4,983)
Total comprehensive income	-	-	-	-	-	464,038	464,038	(4,983)	459,055
Appropriation and distribution of retained earnings:									
Legal reserve appropriated	-	-	-	110,023	-	(110,023)	-	-	-
Reversal of special reserve	-	-	-	-	(5,257)	5,257	-	-	-
Cash dividends of ordinary share	-	-	-	-	-	(754,468)	(754,468)	-	(754,468)
Restricted Stock Awards	2,500	-	201,750	-	-	-	-	(204,250)	-
Restricted Stock Awards write-down	(154)	-	154	-	-	-	-	-	-
Restricted Stock Awards compensation cost	-	-	(7,235)	-	-	-	-	96,280	89,045
Donation from shareholders	-	-	260	-	-	-	-	-	260
Balance at December 31, 2023	\$ 347,726	-	1,989,414	331,985	5,058	1,007,695	1,344,738	(10,042)	3,489,434

See accompanying notes to financial statements.

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

WINWAY TECHNOLOGY CO., LTD. AND SUBSIDIARIES**Consolidated Statement of Cash Flows****For the years ended December 31, 2023 and 2022****(Expressed in Thousands of New Taiwan Dollars)**

	2023	2022
Cash flows from operating activities:		
Profit before income tax	\$ 560,994	1,377,587
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expenses	114,605	110,775
Amortization expenses	12,637	11,472
Expected credit impairment losses	5,148	17,167
Gains on financial assets at fair value through profit or loss	(187)	-
Gains on disposal of financial assets at fair value through profit or loss	(497)	-
Interest expenses	3,146	963
Interest income	(13,763)	(7,865)
Share-based payment transactions	89,045	23,900
Losses (gains) on disposal of property, plant and equipment	585	(1,770)
Unrealized foreign exchange loss (gain)	6,651	(701)
Gains on rent concessions	-	(312)
Total adjustments to reconcile profit	217,370	153,629
Changes in operating assets and liabilities:		
Decrease (increase) in notes receivable	5,489	(1,119)
Decrease (increase) in accounts receivable	727,584	(753,146)
Decrease in other receivables	47	679
Decrease (increase) in inventories	189,826	(419,280)
Decrease (increase) in other current assets	14,836	(23,678)
Total changes in operating assets	937,782	(1,196,544)
(Decrease) increase in accounts payable	(596,395)	537,866
(Decrease) increase in other payables	(259,943)	258,956
(Decrease) increase in current provisions	(8,403)	6,785
Increase in current contract liabilities	41,616	29,570
(Decrease) increase in long-term deferred revenue	(425)	5,545
Total changes in operating liabilities	(823,550)	838,722
Total changes in operating assets and liabilities	114,232	(357,822)
Total adjustments	331,602	(204,193)
Cash inflow generated from operations	892,596	1,173,394
Interest received	13,783	7,503
Interest paid	(2,919)	(963)
Income taxes paid	(303,934)	(117,249)
Net cash flows from operating activities	599,526	1,062,685
Cash flows from (used in) investing activities:		
Acquisition of financial assets at fair value through profit or loss	(680,000)	-
Proceeds from disposal of financial assets at fair value through profit or loss	600,497	-
(Increase) decrease in financial assets at amortized cost	(150,000)	119,300
Acquisition of property, plant and equipment	(689,562)	(597,150)
Proceeds from disposal of property, plant and equipment	4,424	19,562
Decrease (increase) in refundable deposits	2,180	(711)
Acquisition of intangible assets	(11,049)	(10,407)
Increase in other financial assets	(108)	(133)
Increase in prepayments for equipment	(170,607)	(171,923)
Net cash flows used in investing activities	(1,094,225)	(641,462)
Cash flows from (used in) financing activities:		
Proceeds from long-term borrowings	400,000	-
(Decrease) increase in guarantee deposits	(200)	200
Payments of lease liabilities	(13,963)	(50,939)
Cash dividends paid	(754,468)	(376,200)
Proceeds from exercise of employee stock options	-	12,495
Net cash flows used in from financing activities	(368,631)	(414,444)
Effect of exchange rate changes on cash and cash equivalents	(1,292)	1,660
Net (decrease) increase in cash and cash equivalents	(864,622)	8,439
Cash and cash equivalents at the beginning of period	1,504,089	1,495,650
Cash and cash equivalents at the end of period	\$ 639,467	1,504,089

See accompanying notes to financial statements.

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

WINWAY TECHNOLOGY CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2023 and 2022

(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 March 6, 2024.

(3) New standards, amendments and interpretations adopted:

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

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

- Amendments to IAS 1 “Disclosure of Accounting Policies”
- Amendments to IAS 8 “Definition of Accounting Estimates”
- Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”

The Group has initially adopted the new amendment, which do not have a significant impact on its consolidated financial statements, from May 23, 2023:

- Amendments to IAS 12 “International Tax Reform—Pillar Two Model Rules”

- (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, 2024, would not have a significant impact on its consolidated financial statements:

- Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”
- Amendments to IAS 1 “Non-current Liabilities with Covenants”
- Amendments to IAS 7 and IFRS 7 “Supplier Finance Arrangements”
- Amendments to IFRS 16 “Lease Liability in a Sale and Leaseback”

(Continued)

WINWAY TECHNOLOGY CO., LTD. AND SUBSIDIARIES
Notes to the 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 IFRS 17 “Initial Application of IFRS 17 and IFRS 9 – Comparative Information”
- Amendments to IAS21 “Lack of Exchangeability”

(4) Summary of material accounting policies:

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

- (a) Statement of compliance

These consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (hereinafter referred to as “the Regulations”) and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations endorsed and issued into effect by the Financial Supervisory Commission, ROC.

- (b) Basis of preparation

- (i) Basis of measurement

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

- (ii) Functional and presentation currency

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

- (c) Basis of consolidation

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

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

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WINWAY TECHNOLOGY CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

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

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

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

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

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

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

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

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

(d) Foreign currencies

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of the Group entities at the exchange rates at the dates of the transactions. Monetary items denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. Non-monetary items denominated in foreign

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

currencies that are measured at fair value are translated into the functional currencies using the exchange rate at the date that the fair value was determined. Nonmonetary items denominated in foreign currencies that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

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

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

(ii) Foreign operations

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

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

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

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

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

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

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

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

An entity shall classify a liability as current when:

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

(f) Cash and cash equivalents

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

(g) Financial instruments

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

(i) Financial assets

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

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

1) Financial assets measured at amortized cost

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

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

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

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

2) Fair value through profit or loss (FVTPL)

All financial assets not classified as amortized cost or FVOCI described as above (e.g. financial assets held for trading and those that are managed and whose performance is evaluated on a fair value basis) are measured at FVTPL, including derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset, which meets the requirements to be measured at amortized cost or at FVOCI, as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

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

3) Business model assessment

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

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows, or realizing cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated — e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and

(Continued)

WINWAY TECHNOLOGY CO., LTD. AND SUBSIDIARIES
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- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered as sales for this purpose, and are consistent with the Group's continuing recognition of the assets.

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

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

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

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

5) Impairment of financial assets

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

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

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

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

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

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

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

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

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

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

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

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

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

6) Derecognition of financial assets

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

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

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

(ii) Financial liabilities and equity instruments

1) Classification of debt or equity

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

2) Equity instrument

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

3) Treasury shares

When shares recognized as equity are repurchased, the amount of the consideration paid, which includes directly attributable costs, is recognized as a deduction from equity. Repurchased shares are classified as treasury shares. When treasury shares are sold or reissued subsequently, the amount received is recognized as an increase in equity, and the resulting surplus or deficit on the transaction is recognized in capital surplus or retained earnings (if the capital surplus is not sufficient to be written down).

4) Financial liabilities

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

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

5) Derecognition of financial liabilities

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

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

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

6) Offsetting of financial assets and liabilities

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

(h) Inventories

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

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

(i) Property, plant and equipment

(i) Recognition and measurement

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

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

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

(ii) Subsequent expenditure

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

(iii) Depreciation

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

Land is not depreciated.

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

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

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WINWAY TECHNOLOGY CO., LTD. AND SUBSIDIARIES
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Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(j) Lease

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

(i) As a lessee

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

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

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

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

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

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

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

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WINWAY TECHNOLOGY CO., LTD. AND SUBSIDIARIES
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- 4) there is a change of its assessment on whether it will exercise an extension or termination option; or
- 5) there is any lease modifications

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

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

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

The Group has elected not to recognize right-of-use assets and lease liabilities for short-term leases of office equipment, and staff dorm that have a lease term of 12 months or less and leases of low-value assets. The Group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

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

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

(ii) As a lessor

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

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

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WINWAY TECHNOLOGY CO., LTD. AND SUBSIDIARIES
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(k) Intangible assets

(i) Recognition and measurement

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

(ii) Subsequent expenditure

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

(iii) Amortization

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

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

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

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

(l) Impairment of non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than inventories, and deferred tax assets to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units (CGUs) .

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

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

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

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

(m) Provisions

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

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

(n) Revenue

(i) Revenue from contracts with customers

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

1) Sale of goods

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

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

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

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WINWAY TECHNOLOGY CO., LTD. AND SUBSIDIARIES
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Contract liability is primarily generated from advanced receipts of commodity sales contract. The Group will recognize revenue when deliver commodity to customers.

2) Customer loyalty program

The Group operates a customer loyalty program for its customers, which provides marterial rights to customers in future purchases. The transation price is allocated to the product and the program on a relative stand-alone selling price basis. The transation price allocated to the products is recognized as revenue when control of the products has been transferred, the remaining received price is recognized as contract liabilities.

3) Financing components

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

(ii) Contract costs

1) Incremental costs of obtaining a contract

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

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

2) Costs to fulfil a contract

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

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

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

(o) Government grants

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

For loan obtained from a financial institution in accordance with the government's project norrowing policy, the Group recognizes the difference between the fair valued of the loan, caculated at market rate, and the proceed received as deferred revenue, which is amortized as other income on a systematic basis.

(p) Employee benefits

(i) Defined contribution plans

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

(ii) Termination benefits

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

(iii) Short-term employee benefits

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

(q) Share-based payment

The grant-date fair value of equity-settled share-based payment arrangements granted to employees is generally recognized as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognized is based on the number of awards that meet the related

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

service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

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

(r) **Income taxes**

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

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

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

- (i) temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and at the time of the transaction (1) affects neither accounting nor taxable profits (losses) and (2) does not give rise to equal taxable and deductible temporary differences;
- (ii) temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- (iii) taxable temporary differences arising on the initial recognition of goodwill.

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

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

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WINWAY TECHNOLOGY CO., LTD. AND SUBSIDIARIES
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Deferred tax assets and liabilities are offset if the following criteria are met:

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

(s) Earnings per share

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

(t) Operating segments

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

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

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

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

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year is as follows.

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WINWAY TECHNOLOGY CO., LTD. AND SUBSIDIARIES
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Valuation of inventories

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

(6) Explanation of significant accounts:

(a) Cash and cash equivalents

	December 31, 2023	December 31, 2022
Cash and cash on hand	\$ 326	380
Demand deposits	558,519	955,869
Time deposits	30,705	547,840
Cash equivalents	<u>49,917</u>	<u>-</u>
Cash and cash equivalents in the consolidated statement of cash flows	<u>\$ 639,467</u>	<u>1,504,089</u>

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

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

	December 31, 2023	December 31, 2022
Financial assets mandatorily measured at fair value through profit or loss — current:		
Open-end mutual funds	<u>\$ 80,187</u>	<u>-</u>

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

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

(c) Financial assets measured at amortized cost

	December 31, 2023	December 31, 2022
Domestic time deposits	<u>\$ 179,700</u>	<u>29,700</u>

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WINWAY TECHNOLOGY CO., LTD. AND SUBSIDIARIES
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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

	December 31, 2023	December 31, 2022
Notes receivable from operating activities	\$ 1,496	7,029
Accounts receivable—measured as amortized cost	891,782	1,626,174
Less: Loss allowance	<u>(25,436)</u>	<u>(20,415)</u>
	<u>\$ 867,842</u>	<u>1,612,788</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 were determined as follows:

	December 31, 2023		
	Gross carrying amount—notes receivable and accounts receivable from operating activities	Weighted-average loss rate	Loss allowance provision
Current	\$ 605,906	0.18 %	1,070
1 to 30 days past due	94,603	1.76 %	1,664
31 to 60 days past due	91,687	6.75 %	6,191
61 to 90 days past due	67,781	13.31 %	9,025
91 to 180 days past due	16,281	18.93 %	3,082
181 to 365 days past due	16,405	23.10 %	3,789
More than 365 days past due	<u>615</u>	100.00 %	<u>615</u>
	<u>\$ 893,278</u>		<u>25,436</u>

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

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

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

	2023	2022
Balance at January 1	\$ 20,415	3,325
Impairment losses recognized	5,148	17,167
Amounts written off	-	(51)
Effects of changes in foreign exchange rates	<u>(127)</u>	<u>(26)</u>
Balance at December 31	<u>\$ 25,436</u>	<u>20,415</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

	December 31, 2023	December 31, 2022
Other receivables	\$ 580	4,256
Less: Loss allowance	<u>-</u>	<u>(3,609)</u>
	<u>\$ 580</u>	<u>647</u>

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

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

(f) Inventories

	December 31, 2023	December 31, 2022
Raw materials and supplies	\$ 297,922	403,472
Work in progress	192,433	191,756
Finished goods	87,548	174,613
	\$ 577,903	769,841

The details of the cost of sales were as follows:

	2023	2022
Recognized as operating costs and expenses	\$ 2,170,503	2,781,431
Write-down of inventories (Reversal of write-downs)	61,193	(5,699)
Income from sale of scrap and wastes	16,792	15,171
Loss on scrap	(10,781)	(11,250)
Others	79,669	20,487
	\$ 2,317,376	2,800,140

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

(g) Property, plant and equipment

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

	Buildings	Machinery and equipment	Other equipment	Construction in progress	Total
Cost or deemed cost:					
Balance at January 1, 2023	\$ 218,029	586,072	302,196	797,660	1,903,957
Additions	4,144	47,850	24,177	612,068	688,239
Disposal	(9,958)	(11,945)	(33,312)	-	(55,215)
Reclassifications (note)	828,798	130,286	26,596	(829,987)	155,693
Effect of movements in exchange rates	-	(2,390)	(924)	-	(3,314)
Balance at December 31, 2023	\$ 1,041,013	749,873	318,733	579,741	2,689,360
Balance at January 1, 2022	\$ 212,546	558,102	247,864	239,629	1,258,141
Additions	5,422	9,239	38,273	558,031	610,965
Disposal	-	(63,243)	(6,099)	-	(69,342)
Reclassification (note)	-	79,880	21,093	-	100,973
Effect of movements in exchange rates	61	2,094	1,065	-	3,220
Balance at December 31, 2022	\$ 218,029	586,072	302,196	797,660	1,903,957

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

	<u>Buildings</u>	<u>Machinery and equipment</u>	<u>Other equipment</u>	<u>Construction in progress</u>	<u>Total</u>
Accumulated depreciation:					
Balance at January 1, 2023	\$ 87,084	259,951	185,972	-	533,007
Depreciation	8,653	53,995	36,565	-	99,213
Disposal	(9,121)	(8,530)	(32,555)	-	(50,206)
Effect of movements in exchange rates	-	(792)	(623)	-	(1,415)
Balance at December 31, 2023	<u>\$ 86,616</u>	<u>304,624</u>	<u>189,359</u>	<u>-</u>	<u>580,599</u>
Balance at January 1, 2022	\$ 79,550	260,099	153,256	-	492,905
Depreciation	7,471	48,952	34,048	-	90,471
Disposal	-	(49,343)	(2,207)	-	(51,550)
Reclassifications	-	(303)	303	-	-
Effect of movements in exchange rates	63	546	572	-	1,181
Balance at December 31, 2022	<u>\$ 87,084</u>	<u>259,951</u>	<u>185,972</u>	<u>-</u>	<u>533,007</u>
Carrying amounts:					
Balance at December 31, 2023	<u>\$ 954,397</u>	<u>445,249</u>	<u>129,374</u>	<u>579,741</u>	<u>2,108,761</u>
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 December 31, 2022	<u>\$ 130,945</u>	<u>326,121</u>	<u>116,224</u>	<u>797,660</u>	<u>1,370,950</u>

Note: Reclassifications are transferred from other non-current assets-prepayments and construction in progress for equipment.

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

(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, 2023	\$ 92,818	73,549	166,367
Additions	-	23,968	23,968
Effect of movements in exchange rates	-	(628)	(628)
Balance at December 31, 2023	<u>\$ 92,818</u>	<u>96,889</u>	<u>189,707</u>
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	-	412	412
Balance at December 31, 2022	<u>\$ 92,818</u>	<u>73,549</u>	<u>166,367</u>
Accumulated depreciation :			
Balance at January 1, 2023	\$ 4,979	59,867	64,846
Depreciation	1,910	13,482	15,392
Effect of movements in exchange rates	-	(520)	(520)
Balance at December 31, 2023	<u>\$ 6,889</u>	<u>72,829</u>	<u>79,718</u>

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

	<u>Land</u>	<u>Buildings</u>	<u>Total</u>
Balance at January 1, 2022	\$ 3,116	41,220	44,336
Depreciation	1,863	18,441	20,304
Effect of movements in exchange rates	-	206	206
Balance at December 31, 2022	<u>\$ 4,979</u>	<u>59,867</u>	<u>64,846</u>
Carrying amounts :			
Balance at December 31, 2023	<u>\$ 85,929</u>	<u>24,060</u>	<u>109,989</u>
Balance at January 1, 2022	<u>\$ 91,307</u>	<u>19,935</u>	<u>111,242</u>
Balance at December 31, 2022	<u>\$ 87,839</u>	<u>13,682</u>	<u>101,521</u>

(i) Intangible assets

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

	<u>Software</u>	<u>Patent</u>	<u>Trademark</u>	<u>Other</u>	<u>Total</u>
Cost :					
Balance at January 1, 2023	\$ 102,022	140,970	67,666	3,400	314,058
Additions	11,049	-	-	-	11,049
Reclassifications (note)	15,987	-	-	-	15,987
Effect of movements in exchange rates	(46)	-	-	-	(46)
Balance at December 31, 2023	<u>\$ 129,012</u>	<u>140,970</u>	<u>67,666</u>	<u>3,400</u>	<u>341,048</u>
Balance at January 1, 2022	\$ 88,879	140,970	67,666	3,400	300,915
Additions	10,407	-	-	-	10,407
Reclassification (note)	2,708	-	-	-	2,708
Effect of movements in exchange rates	28	-	-	-	28
Balance at December 31, 2022	<u>\$ 102,022</u>	<u>140,970</u>	<u>67,666</u>	<u>3,400</u>	<u>314,058</u>
Accumulated amortization and					
Impairment losses :					
Balance at January 1, 2023	\$ 73,440	140,970	66,557	-	280,967
Amortization for the period	12,032	-	605	-	12,637
Reclassification	(13)	-	-	-	(13)
Effect of movements in exchange rates	(33)	-	-	-	(33)
Balance at December 31, 2023	<u>\$ 85,426</u>	<u>140,970</u>	<u>67,162</u>	<u>-</u>	<u>293,558</u>
Balance at January 1, 2022	\$ 62,558	140,970	65,952	-	269,480
Amortization for the period	10,867	-	605	-	11,472
Effect of movements in exchange rates	15	-	-	-	15
Balance at December 31, 2022	<u>\$ 73,440</u>	<u>140,970</u>	<u>66,557</u>	<u>-</u>	<u>280,967</u>
Carrying value :					
Balance at December 31, 2023	<u>\$ 43,586</u>	<u>-</u>	<u>504</u>	<u>3,400</u>	<u>47,490</u>
Balance at January 1, 2022	<u>\$ 26,321</u>	<u>-</u>	<u>1,714</u>	<u>3,400</u>	<u>31,435</u>
Balance at December 31, 2022	<u>\$ 28,582</u>	<u>-</u>	<u>1,109</u>	<u>3,400</u>	<u>33,091</u>

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

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

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

	<u>2023</u>	<u>2022</u>
Costs of sales	\$ 3,904	3,892
Operating expenses	<u>8,733</u>	<u>7,580</u>
Total	<u><u>\$ 12,637</u></u>	<u><u>11,472</u></u>

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

(j) Other non-current financial assets

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Restricted deposits	<u><u>\$ 51,752</u></u>	<u><u>51,644</u></u>

Please refer to note 8 for details of collateral.

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

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

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Prepaid expenses	\$ 11,007	13,756
Prepayments	1,135	4,672
Offset against business tax payable	15,593	25,016
Prepayments for equipment	103,436	104,524
Other	<u>1,766</u>	<u>1,013</u>
	<u><u>\$ 132,937</u></u>	<u><u>148,981</u></u>

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Current	\$ 29,501	44,457
Non-current	<u>103,436</u>	<u>104,524</u>
	<u><u>\$ 132,937</u></u>	<u><u>148,981</u></u>

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WINWAY TECHNOLOGY CO., LTD. AND SUBSIDIARIES
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(l) Long-term borrowings

The details for long-term borrowings were as follows:

	December 31, 2023			
	Currency	Rate	Maturity date	Amount
Unsecured bank loans	NTD	1.8%	May 15, 2028~ November 15, 2028	\$ 395,167
Less: current portion				(57,730)
Total				<u>\$ 337,437</u>
Unused long-term credit lines				<u>\$ 1,960,000</u>

A. Collateral

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

B. Government low-interest loan

In 2023, the Group acquired low-interest loan from “Action Plan for Welcoming Overseas Taiwanese Businesses to Return to Invest in Taiwan” which host by Executive Yuan, R.O.C. (Taiwan). As of December 31, 2023, the loan amount is \$400,000 thousand; the loan is recognized and measured at market interest rates, the difference between the actual repayment preferential interest rate shall be handled according to government subsidy, please refer to Note 4(o).

As of December 31, 2023, the balance of deferred assistance profits was \$4,833 thousand, recognized as other current liabilities— other; \$1,850 thousand and long-term deferred revenue; \$2,983 thousand, respectively.

(m) Provisions

	Provisions for warrant
Balance at January 1, 2023	\$ 15,253
Provisions made during the period	6,850
Provision used and reversed during the period	(15,253)
Balance at December 31, 2023	<u>\$ 6,850</u>
Balance at January 1, 2022	\$ 8,468
Provisions made during the period	15,253
Provision used and reversed during the period	(8,468)
Balance at December 31, 2022	<u>\$ 15,253</u>

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WINWAY TECHNOLOGY CO., LTD. AND SUBSIDIARIES
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The provision for warranties relates mainly to goods sold during the years ended December 31, 2023 and 2022. The provision is based on estimates made from historical warranty data associated with similar products and services. The Group expects to settle the majority of the liability over the next year.

(n) Lease liabilities

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

	December 31, 2023	December 31, 2022
Current	\$ 9,699	11,222
Non-current	\$ 61,239	49,819

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

The amounts recognized in profit or loss were as follows:

	2023	2022
Interests on lease liabilities	\$ 715	963
Expenses relating to short-term leases	\$ 10,003	6,686

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

	2023	2022
Total cash outflow for leases	\$ 24,333	58,110

(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.

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WINWAY TECHNOLOGY CO., LTD. AND SUBSIDIARIES
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(o) Long-term deferred revenue

	December 31, 2023	December 31, 2022
Current	\$ 1,850	-
Non-current	8,103	5,545
	<u>\$ 9,953</u>	<u>5,545</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. The amounts of revenue recognized for the years ended December 31, 2023 and 2022, due to amortization of deferred revenue were \$425 and \$423, respectively.

In 2023, the Group acquired low-interest loan from “ Action Plan for Welcoming Overseas Taiwanese Businesses to Return to Invest in Taiwan” which host by Executive Yuan, R.O.C. (Taiwan). The Group recognized as long-term deferred revenue. The amounts of revenue recognized for the years ended December 31, 2023, due to amortization of deferred revenue were \$833, please refer to Note 4(w).

(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 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.

For the years ended December 31, 2023 and 2022, the Group recognized the pension costs under the defined contributed method amounting to \$29,319 and \$24,703, respectively; and the payments that have yet to be made to the Bureau of Labor Insurance at year-end amounted to \$6,801 and \$5,697, respectively, which were recognized as other payables in the consolidated balance sheets.

(ii) Short-term benefit obligation

As of December 31, 2023 and 2022, the Group’s short-term benefit liabilities for paid leave were \$21,633 and \$14,769, respectively, which were recognized as other payables in the consolidated balance sheets.

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

(q) Income taxes

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

	<u>2023</u>	<u>2022</u>
Current tax expense		
Current period	\$ 102,306	302,846
Adjustment for prior periods	<u>(1,182)</u>	<u>(1,543)</u>
	<u>101,124</u>	<u>301,303</u>
Deferred tax benefit		
Origination and reversal of temporary differences	<u>(4,168)</u>	<u>(23,948)</u>
Income tax expense	<u>\$ 96,956</u>	<u>277,355</u>
Income tax recognized in other comprehensive income	<u>\$ -</u>	<u>-</u>
Income tax recognized in equity	<u>\$ -</u>	<u>-</u>
	<u>2023</u>	<u>2022</u>
Profit before income tax	<u>\$ 560,994</u>	<u>1,377,587</u>
Income tax using the Company's domestic tax rate	\$ 112,199	275,517
Effect of tax rates in foreign jurisdiction	(97)	(1,626)
Adjustment for prior period	(1,207)	(1,543)
Change in unrecognized temporary differences	3,026	9,160
Tax incentives	(19,848)	(5,416)
Others	<u>2,883</u>	<u>1,263</u>
	<u>\$ 96,956</u>	<u>277,355</u>

(ii) Deferred tax assets and liabilities

1) Unrecognized deferred tax assets

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

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
The carryforward of unused tax losses	<u>\$ 7,135</u>	<u>26,565</u>
Tax of unrecognized deferred tax assets	<u>\$ 1,783</u>	<u>6,641</u>

As of December 31, 2023 and 2022, the Group considered the recoverability of these temporary differences to be unpredictable and therefore did not recognize the tax effect as deferred tax assets.

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

(Continued)

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

As of December 31, 2023, the information of the Group's unused tax losses for which no deferred tax assets were recognized are as follows:

	<u>Year of loss</u>	<u>Unused tax loss</u>	<u>Expiry date</u>
WINWAY TECHNOLOGY (SUZHOU) LTD.	2022	\$ <u><u>7,135</u></u>	2027

2) Recognized deferred tax assets and liabilities

Changes in the amount of deferred tax assets and liabilities for 2023 and 2022 were as follows:

	<u>Inventory valuation loss</u>	<u>Provision for doubtful accounts</u>	<u>Impairment loss</u>	<u>Unrealized sales profit</u>	<u>Others</u>	<u>Total</u>
Deferred tax assets:						
Balance at January 1, 2023	\$ 26,785	722	2,602	20,611	17,417	68,137
(Debit) credit profit or loss	<u>9,106</u>	<u>1,376</u>	<u>(1,232)</u>	<u>(15,096)</u>	<u>10,014</u>	<u>4,168</u>
Balance at December 31, 2023	<u>\$ 35,891</u>	<u>2,098</u>	<u>1,370</u>	<u>5,515</u>	<u>27,431</u>	<u>72,305</u>
Balance at January 1, 2022	\$ 29,531	722	3,834	2,959	8,336	45,382
(Debit) credit profit or loss	<u>(2,746)</u>	<u>-</u>	<u>(1,232)</u>	<u>17,652</u>	<u>9,081</u>	<u>22,755</u>
Balance at December 31, 2022	<u>\$ 26,785</u>	<u>722</u>	<u>2,602</u>	<u>20,611</u>	<u>17,417</u>	<u>68,137</u>
					<u>Unrealized foreign exchange gain</u>	
Deferred tax liabilities:						
Balance at January 1, 2022					\$ 1,193	
Debit profit or loss					<u>(1,193)</u>	
Balance at December 31, 2022					<u>\$ -</u>	

(iii) Assessments of tax

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

(r) Capital and other equities

The Company's total authorized shares of common stock of 50,000 thousand shares, with a par value of \$10 per share, included 34,773 thousand shares and 34,538 thousand shares as of December 31, 2023 and 2022, respectively. All issued shares were paid up upon issuance.

Reconciliation of shares outstanding for 2023 and 2022 were as follows:

	<u>Ordinary Shares</u>	
(in thousands of shares)	<u>2023</u>	<u>2022</u>
Balance on January 1	34,538	33,891
Exercise of share options	-	403
Issued restricted stock	250	250
Cancelled restricted stock	<u>(15)</u>	<u>(6)</u>
Balance on December 31	<u><u>34,773</u></u>	<u><u>34,538</u></u>

(Continued)

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

(i) Ordinary shares

For the years ended December 31, 2022, the Company had issued 376 thousand shares at par value, amounting to \$12,495, for its employee stock options; of which, the relevant statutory registration procedures of 376 thousand shares 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 issuance was authorized on July 22, 2022. The base dates for the capital increase are August 12, 2022, and July 21, 2023, respectively, with 250 thousand common stocks issued on each date. The subscription price was \$0 per share. The registration procedures have been completed.

(ii) Cancellation of ordinary share

The Company's Board of Directors resolved the cancellation of restricted stocks issued to employees, totaling 6 thousand shares on February 22, 2023, 4 thousand shares on July 21, 2023 and 4 thousand shares on November 8, 2023, respectively. The base dates for the capital decrease, as resolved by the Company's Board of Directors, were February 22, 2023, July 22, 2023 and November 8, 2023, respectively, and the registration procedures have been completed.

In October and November 2023, the Company has recalled 7 thousand shares of restricted stocks issued for employees. As of December 31, 2023, due to the incomplete registration procedure, the balance of \$7 was recorded as share capital awaiting retirement.

(iii) Capital surplus

The balances of capital surplus were as follows:

	December 31, 2023	December 31, 2022
Additional paid-in capital	\$ 1,700,604	1,674,029
Employee stock options	21,517	21,517
Employee stock options-expired	3,047	3,047
Restricted stock	263,986	95,892
Donation from shareholders	260	-
	<u>\$ 1,989,414</u>	<u>1,794,485</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.

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

(iv) Retained Earning

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

- 1) pay income tax;
- 2) make up accumulated deficit;
- 3) retain 10% as legal reserve until the accumulated legal reserve equals the issued common stock;
- 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. Company shall allocate the same amount in special reserve in accordance with the requirements issued by the Financial Supervisory Commission. When there is any subsequent use, disposal, or reclassification of the relevant assets, the Company may reverse and proportionately appropriate the earnings distribution originally allocated to special reserve.

In accordance with the requirements issued by the FSC, a portion of earnings shall be allocated as special reserve during earnings distribution. If the Company has already reclassified a portion of earnings to special reserve under the preceding subparagraph, it shall make supplemental allocation of special reserve for any difference between the amount it has already allocated and the amount of the current-period total net reduction

(Continued)

WINWAY TECHNOLOGY CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

of other shareholders' equity. An equivalent amount of special reserve shall be allocated from the after-tax net profit in the period, plus items other than after-tax net profit in the period, that are included in the undistributed current-period earnings and the undistributed prior-period earnings. A portion of undistributed prior-period earnings shall be reclassified to special earnings reserve (and does not qualify for earnings distribution) to account for cumulative changes to the net reduction of other shareholders' equity pertaining to prior periods. Amounts of subsequent reversals pertaining to the net reduction of other shareholders' equity shall qualify for additional distributions. As of December 31, 2023 and 2022, the balance of special reserve amounted to \$5,058 and \$10,315, respectively.

3) Earnings distribution

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

	2022		2021	
	Amount per share	Total amount	Amount per share	Total amount
Dividends distributed to ordinary shareholders:				
Cash	\$ 22.00	<u>754,468</u>	11.00	<u>376,200</u>

The amounts of cash dividends on the appropriations of earnings for 2023 had been approved during the board meeting on March 6, 2024 as follows:

	2023	
	Amount per share	Total amount
Dividends distributed to ordinary shareholders:		
Cash	\$ 11.0	<u>377,978</u>

(v) Other equity interest

	Exchange differences on foreign operations	Unearned stock-based Employee compensation	Total
Balance at January 1, 2023	\$ (5,059)	(74,432)	(79,491)
Exchange differences on foreign operations	(4,983)	-	(4,983)
Unearned Stock-Based Employee compensation	-	(107,970)	(107,970)
Balance at December 31, 2023	<u>\$ (10,042)</u>	<u>(182,402)</u>	<u>(192,444)</u>

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

	Exchange differenss on foreign operations	Unearned stock- based Employee compensation	Total
Balance at January 1, 2022	\$ (10,316)	-	(10,316)
Exchange differences on foreign operations	5,257	-	5,257
Unearned Stock-Based Employee compensation		(74,432)	(74,432)
Balance at December 31, 2022	<u>\$ (5,059)</u>	<u>(74,432)</u>	<u>(79,491)</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. The restricted stock has been registered with, and approved by, the Securities and Futures Bureau of the Financial Supervisory Commission, R.O.C. On July 21, 2023, the board of directors issued 250,000 restricted stocks. The fair value on the grant date was \$817 per share, which was the closing price less the issue price.

Full-time employees who are granted restricted shares as mentioned above shall receive the granted shares without consideration and shall remain in service with the Company for one, two and three years from the grant date, and shall receive 30%, 30% and 40% of the restricted shares each year, depending on the achievement of the Company's overall and individual performance targets for that year, respectively. All of the 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 :

	2023	2022
	Number of restricted stock (in thousands)	Number of restricted stock (in thousands)
Outstanding at January 1	244	-
Granted during the period	250	250
Forfeited during the period	(15)	(6)
Exercised during the period	(68)	-
Outstanding at December 31	<u>411</u>	<u>244</u>

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

For the year ended December 31, 2023 and 2022, the Company incurred expenses of \$89,045 and \$23,900 for each of the restricted stock, respectively, which were recognized as operating costs and operating expenses.

(ii) Employee stock options

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

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

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

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

	2022	
	Weighted average exercise price (price NTD)	Number of options (Units)
Outstanding at January 1	\$ 33.3	376,000
Forfeited during the period	33.23	-
Exercised during the period	33.23	376,000
Outstanding at December 31	<u>\$ 32.40</u>	<u>-</u>
Exercisable at December 31	<u>\$ 32.40</u>	<u>-</u>

(t) Earnings per share

The calculation of basic earnings per share and diluted earnings per share for 2023 and 2022 were as follows:

	2023	2022
Basic earnings per share (expressed in New Taiwan dollars)		
Profit attributable to ordinary shareholders of the Company	<u>\$ 464,038</u>	<u>1,100,232</u>
Weighted average number of ordinary shares outstanding (shares in thousands)	<u>34,312</u>	<u>34,145</u>
Basic earnings per share	<u>\$ 13.52</u>	<u>32.22</u>

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

	<u>2023</u>	<u>2022</u>
Diluted earnings per share (expressed in New Taiwan dollars)		
Profit attributable to ordinary shareholders of the Company	\$ <u>464,038</u>	<u>1,100,232</u>
Weighted average number of ordinary shares outstanding (shares in thousands)	34,312	34,145
Effect of dilutive potential ordinary shares (shares in thousands)		
Effect of employee stock options	-	160
Effect of employee stock bonus	285	351
Effect of employee restricted stock	<u>154</u>	<u>15</u>
Weighted average number of ordinary shares (diluted) (shares in thousands)	<u>34,751</u>	<u>34,671</u>
Diluted earnings per share	<u>\$ 13.35</u>	<u>31.73</u>

(u) Revenue from contracts with customers

(i) Disaggregation of revenue

	<u>2023</u>	<u>2022</u>
Primary geographical markets:		
Taiwan	\$ 918,477	1,233,013
America	830,006	1,495,654
China	1,189,124	1,482,553
Europe	17,493	17,422
Canada	13,270	27,884
Asia	<u>713,679</u>	<u>865,647</u>
	<u>\$ 3,682,049</u>	<u>5,122,173</u>
Major products/services lines:		
Test Socket	\$ 2,678,224	3,205,968
Contact Element	523,018	619,145
Probe Card	250,881	996,778
Other	<u>229,926</u>	<u>300,282</u>
	<u>\$ 3,682,049</u>	<u>5,122,173</u>

(ii) Contract balances

	<u>December 31, 2023</u>	<u>December 31, 2022</u>	<u>January 1, 2022</u>
Notes receivable	\$ 1,496	7,029	5,828
Accounts receivable	891,782	1,626,174	870,512
Less: loss allowance	<u>(25,436)</u>	<u>(20,415)</u>	<u>(3,325)</u>
	<u>\$ 867,842</u>	<u>1,612,788</u>	<u>873,015</u>

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

	December 31, 2023	December 31, 2022	January 1, 2022
Contract liabilities-advance collections	\$ 360	286	5,930
Contract liabilities-customer loyalty program	96,193	54,651	19,429
	<u>\$ 96,553</u>	<u>54,937</u>	<u>25,359</u>

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

The amounts of revenue recognized for the years ended December 31, 2023 and 2022, that were included in the contract liability balance at the beginning of the each period were \$3,708 and \$15,140, 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 years ended December 31, 2023 and 2022, the Company estimated its employee remuneration amounting to \$30,376 and \$141,512, and directors' remuneration amounting to \$3,038, and \$6,000, respectively. The employee compensation and directors' remuneration were estimated as the income before tax, excluding the amount of employee compensation and directors' remuneration, multiplied by the percentage of remuneration to employees and directors as specified in the Company's articles. These remunerations were expensed under operating costs or operating expenses during 2023 and 2022. Related information would be available at the Market Observation Post System website. The amount, as stated in the parent company only financial statements, are identical to those of the actual distributions for 2023 and 2022.

(w) Non-operating income and expenses

(i) Interest income

Details of interest income of the Group were as follows:

	2023	2022
Interest income		
Bank deposits	\$ 13,728	7,834
Others	35	31
	<u>\$ 13,763</u>	<u>7,865</u>

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

(ii) Other gains and losses

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

	<u>2023</u>	<u>2022</u>
Foreign exchange (losses) gains	\$ (11,098)	19,977
Gains on financial assets at fair value through profit or loss	684	-
(Losses) gains on disposals of property, plant and equipment	(585)	1,770
Government grants	2,445	5,206
Others	<u>2,171</u>	<u>1,404</u>
	<u><u>\$ (6,383)</u></u>	<u><u>28,357</u></u>

(iii) Finance costs

Details of finance costs of the Group were as follows:

	<u>2023</u>	<u>2022</u>
Interest expenses		
Bank loans	\$ 2,431	-
Lease liabilities	<u>715</u>	<u>963</u>
	<u><u>\$ 3,146</u></u>	<u><u>963</u></u>

(x) Financial Instruments

(i) Credit risk

1) Credit risk exposure

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

2) Concentration to credit risk

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

3) Credit risk of receivables and debt instruments

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

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

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

December 31, 2023			
At amortized cost			
	12-month ECL	Lifetime ECL-not credit-impaired	Lifetime ECL-credit-impaired
Other receivables	\$ 580	-	-
Refundable deposits	5,257	-	-
Other financial assets	51,752	-	-
Loss allowance	-	-	-
Amortized cost	<u>\$ 57,589</u>	<u>-</u>	<u>-</u>
Carrying amount	<u>\$ 57,589</u>	<u>-</u>	<u>-</u>
December 31, 2022			
At amortized cost			
	12-month ECL	Lifetime ECL-not credit-impaired	Lifetime ECL-credit-impaired
Other receivables	\$ 647	-	3,609
Refundable deposits	7,476	-	-
Other financial assets	51,644	-	-
Loss allowance	-	-	(3,609)
Amortized cost	<u>\$ 59,767</u>	<u>-</u>	<u>-</u>
Carrying amount	<u>\$ 59,767</u>	<u>-</u>	<u>-</u>

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

For the years ended December 31, 2023				
	12-month ECL	Lifetime ECL-not credit-impaired	Lifetime ECL-credit-impaired	Total
Balance at January 1, 2023	\$ -	-	3,609	3,609
Written off	-	-	(3,609)	(3,609)
Balance at December 31, 2023	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>

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WINWAY TECHNOLOGY CO., LTD. AND SUBSIDIARIES
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	For the years ended December 31, 2022			
	12-month ECL	Lifetime ECL- not credit- impaired	Lifetime ECL- credit- impaired	Total
Balance at January 1, 2022(equal to balance at December 31, 2022) \$	-	-	3,609	3,609

(ii) Liquidity Risk

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

	Carrying amount	Contracted cash flows	Due within 6 months	Due in 6-12 months	Due in 1-2 years	Due in 2-5 years	over 5 years
December 31, 2023							
Non-derivative financial liabilities							
Notes and accounts payable (non-interest-bearing)	\$ 429,878	429,878	429,878	-	-	-	-
Other payables (non-interest-bearing)	281,387	281,387	281,387	-	-	-	-
Long-term borrowings (including due within one year) (floating rate)	395,167	412,924	14,838	47,888	102,332	247,866	-
Lease liabilities (included due within one year) (fix interest rate)	70,938	84,045	5,642	4,865	9,771	10,273	53,494
	<u>\$ 1,177,370</u>	<u>1,208,234</u>	<u>731,745</u>	<u>52,753</u>	<u>112,103</u>	<u>258,139</u>	<u>53,494</u>
December 31, 2022							
Non-derivative financial liabilities							
Notes and accounts payable (non-interest-bearing)	\$ 1,026,645	1,026,645	1,026,645	-	-	-	-
Other payables (non-interest-bearing)	542,881	542,881	542,881	-	-	-	-
Lease liabilities (included due within one year) (fix interest rate)	61,041	74,343	6,566	5,278	2,384	5,187	54,928
Guarantee deposits (non-interest-bearing)	200	200	-	200	-	-	-
	<u>\$ 1,630,767</u>	<u>1,644,069</u>	<u>1,576,092</u>	<u>5,478</u>	<u>2,384</u>	<u>5,187</u>	<u>54,928</u>

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

(iii) Currency risk

1) Exposure to foreign currency risk

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

	December 31, 2023			December 31, 2022		
	Foreign currency	Exchange rate	TWD	Foreign currency	Exchange rate	TWD
<u>Financial assets</u>						
<u>Monetary items</u>						
USD	\$	25,817	30,705	792,717	71,023	30,710
JPY		185,176	0.2172	40,220	594,639	0.2324
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD		16,682	30,705	512,217	45,772	30,710
JPY		260,131	0.2172	56,501	181,616	0.2324

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WINWAY TECHNOLOGY CO., LTD. AND SUBSIDIARIES
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2) Sensitivity analysis

The foreign currency risk mainly arose from the translation of cash and cash equivalents, accounts receivable, other receivables, accounts payable, and other payables. As of December 31, 2023 and 2022, if the exchange rate of TWD versus USD and JPY had increased or decreased by 1%, given no changes in other factors, profit after tax would have increased or decreased by \$2,114 and \$6,972, for the years ended December 31, 2023 and 2022, respectively. The method of analysis remains the same as 2022.

3) Foreign exchange gains and losses of monetary items

Since the Group has many kinds of functional currency, the information on foreign exchange gain (loss) on monetary items is disclosed by total amount. For years 2023 and 2022, foreign exchange (including realized and unrealized portions) amounted to net loss \$(11,098) and net gain \$19,977, respectively.

(iv) Interest rate analysis

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

The following sensitivity analysis is based on the risk exposure to interest rate on the non-derivative financial instruments on the reporting date. Regarding the liabilities with variable interest rates, the analysis is on the basis of the assumption that the amount of liabilities outstanding at the reporting date was outstanding throughout the year. The rate of change is expressed as the interest rate increases or decreases by 0.1% when reporting to management internally, which also represents management of the Group's assessment on the reasonably possible interval of interest rate change.

If the interest rate had increased or decreased by 0.1%, the net profit after tax would have increased or decreased by \$316, for the years 2023 which would be mainly resulted from the borrowings with variable interest rates.

(v) Other market price risk

	2023	
	Other comprehensive income after tax	Net income
Prices of securities at the reporting date		
Increasing 3%	\$ -	1,924
Decreasing 3%	\$ -	1,924

(Continued)

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

(vi) Fair value of financial instruments

1) Fair value hierarchy

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

December 31, 2023					
	Book Value	Fair Value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss					
Open fund	\$ 80,187	80,187	-	-	80,187
Financial assets measured at amortized cost					
Cash and cash equivalents	639,467	-	-	-	-
Domestic-time deposits	179,700	-	-	-	-
Notes and accounts receivables	867,842	-	-	-	-
Other receivables	580	-	-	-	-
Other financial assets	51,752	-	-	-	-
Refundable deposits	5,257	-	-	-	-
Subtotal	1,744,598				
Total	\$ 1,824,785				
Financial liabilities measured at amortized cost					
Borrowings from bank	\$ 395,167	-	-	-	-
Accounts payables	429,878	-	-	-	-
Other payables	281,387	-	-	-	-
Lease liabilities	70,938	-	-	-	-
Total	\$ 1,177,370				

December 31, 2022					
	Book Value	Fair Value			Total
		Level 1	Level 2	Level 3	
Financial assets measured at amortized cost					
Cash and cash equivalents	\$ 1,504,089	-	-	-	-
Domestic-time deposits	29,700	-	-	-	-
Notes and accounts receivables	1,612,788	-	-	-	-
Other receivables	647	-	-	-	-
Other financial assets	51,644	-	-	-	-
Refundable deposits	7,476	-	-	-	-
Total	\$ 3,206,344				

(Continued)

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

	December 31, 2022				
	Book Value	Fair Value			Total
		Level 1	Level 2	Level 3	
Financial liabilities measured at amortized cost					
Notes and accounts payables	\$ 1,026,645	-	-	-	-
Other payables	542,881	-	-	-	-
Lease liabilities	61,041	-	-	-	-
Guarantee deposits	200	-	-	-	-
Total	\$ 1,630,767				

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

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

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

- a) Financial assets measured at amortized cost

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

- b) Financial assets and financial liabilities measured at amortized cost

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

(Continued)

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

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

(i) Overview

The Group have exposures to the following risks from its financial instruments:

- 1) Credit risk
- 2) Liquidity risk
- 3) Market risk

The following likewise discusses the Group's objectives, policies and processes for measuring and managing the above mentioned risks. For more disclosures about the quantitative effects of these risks exposures, please refer to the respective notes in the accompanying consolidated financial statements.

(ii) Structure of risk management

The Group's finance management department provides business services. It sets the objectives, policies and processes for managing the risk and the methods used to measure the risk arising from both the domestic and international financial market operations. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures.

The risk management policies were set to identify and analyze the risks that the Group is exposed to, evaluate influences of financial risks, and implement related policies to avoid financial risks. Risk management policies and systems are reviewed regularly to reflect the changes in market conditions and the Group's activities.

(Continued)

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

(iii) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and bank deposits.

1) Accounts receivable and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the Group's customer base, including the default risk of the industry and country in which customers operate, as these factors may have an influence on credit risk.

According to the credit policy, the Group has to evaluate the credit of each new customer before setting the payment and delivery terms. The evaluations include external credit ratings, if available, and bank references. The Group reviewed credit limits periodically and required customers to pay in advance when the customers' credit ratings did not meet the benchmark.

2) Investment

The exposure to credit risk for the bank deposits and other financial instruments is measured and monitored by the Group's finance department. The Group only deals with banks with good credit rating. The Group does not expect any counterparty above fails to meet its obligations hence there is no significant credit risk arising from these counterparties.

3) Guarantees

The Group's policies are to provide financial guarantees only to wholly owned subsidiaries. At December 31, 2023, not other guarantees were out standing.

(iv) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it always has sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

As of December 31, 2023 and 2022, the Group's unused credit line were amounted to \$2,560,087 and \$2,809,974, respectively.

(v) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, and equity prices, will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

(Continued)

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

1) Currency risk

The Group is exposed to currency risk on sales and purchases that are denominated in a currency other than the respective functional currencies of the Group, primarily the NTD. The currencies used in these transactions are the US dollar (USD) and Japanese Yen (JPY).

2) Interest rate risk

To Group adopts a policy to ensure the exposure of changes in interest rates on borrowings is evaluated based on the trend in market interest rates. The Group can manage its interest risk through maintaining an appropriate portfolio of floating interest rate and fixed interest rate.

3) Other market price risk

The Group is exposed to equity price risk due to the investments in equity instruments and mutual funds that contain uncertainty of future prices risk. Therefore, the Group monitors and manages the equity investments by holding different investment portfolio and regularly updating the information of equity instruments and mutual funds investment.

(z) Capital management

The Group must maintain sufficient capital to establish and expand production capacity and equipment. In consideration of the characteristic of the industry business cycle, the capital management of the Group is to ensure that it has sufficient and necessary financial resources to support its working capital requirements, capital expenditures, research and development activities, dividend payment, debt repayment and other business needs in the next 12 months.

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

Reconciliation of liabilities arising from financing activities was as follows:

	January 1, 2023	Cash flows	Non-Cash changes			December 31, 2023
			Foreign exchange movement	Increase in right-of- use assets	Changes in deferred revenue	
Long-term borrowings (including due within one year)	\$ -	400,000	-	-	(4,833)	395,167
Lease liabilities	61,041	(13,963)	(108)	23,968	-	70,938
Total liabilities from financing activities	<u>\$ 61,041</u>	<u>386,037</u>	<u>(108)</u>	<u>23,968</u>	<u>(4,833)</u>	<u>466,105</u>

	January 1, 2022	Cash flows	Non-Cash changes			December 31, 2022
			Foreign exchange movement	Changes in lease payments		
Lease liabilities	\$ 101,703	(50,939)	212	10,065		61,041
Total liabilities from financing activities	<u>\$ 101,703</u>	<u>(50,939)</u>	<u>212</u>	<u>10,065</u>		<u>61,041</u>

(Continued)

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

(7) Related-party transactions:

(a) Names and relationship with related parties

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

<u>Name of related party</u>	<u>Relationship with the Group</u>
Kaohsiung City WinWay Charity Association	Same key management personnel with the Group

(b) Significant related party transactions

For the years ended December 31, 2023, the Group has donated \$1,000 which were recognized in operating expenses, to Kaohsiung City WinWay Charity Association.

(c) Key management personnel compensation

Key management personnel compensation comprised:

	<u>2023</u>	<u>2022</u>
Short-term employee benefits	\$ 54,976	52,792
Post-employment benefits	216	216
	<u>\$ 55,192</u>	<u>53,008</u>

(8) Assets pledged as security:

The carrying amounts of assets pledged as security were follows:

<u>Assets pledged as security</u>	<u>Liabilities secured by pledge</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Other financial	Guarantee for customs duty	\$ 1,522	1,513
assets-non-current-demand deposits			
Other financial	Construction of plant	50,230	50,131
assets-non-current-time deposits			
Property, plant, and equipment	Bank borrowings	129,750	130,946
		<u>\$ 181,502</u>	<u>182,590</u>

(9) Significant commitments and contingencies:

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

(Continued)

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

In addition, MPI filed an additional lawsuit and a petition to stop the trial in December 2020, and raised the claim amount to \$158,910. The Group agreed to stop the trial from March 2022 to November 21, 2022. As of March 6, 2024, after the renewal of MPI's petition for continuation of the above-mentioned lawsuit, no substantive proceedings have been conducted, and it is not yet possible to determine the probable final outcome of the above-mentioned lawsuit.

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

- (b) As at December 31, 2023 and 2022, significant outstanding purchase commitments for construction in progress, property, plant and equipment the amounts of \$113,135 and \$633,397.

(10) Losses Due to Major Disasters: none

(11) Significant Subsequent Events:

On March 6, 2024, the Company's Board of Directors resolved on the first issuance of domestic unsecured convertible bonds, totalling 10,000 shares, with a par value of \$100 per share, amounting to \$1,000,000.

(12) Other:

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

By function By item	2023			2022		
	Cost of sales	Operating expenses	Total	Cost of sales	Operating expenses	Total
Employee benefits						
Salary	387,348	459,065	846,413	428,669	675,515	1,104,184
Labor and health insurance	42,919	34,562	77,481	31,611	29,751	61,362
Pension	13,291	16,028	29,319	10,530	14,173	24,703
Remuneration of directors	-	3,158	3,158	-	6,105	6,105
Others	23,537	23,052	46,589	21,341	21,493	42,834
Depreciation	89,060	25,545	114,605	85,814	24,961	110,775
Amortization	3,904	8,733	12,637	3,892	7,580	11,472

(Continued)

WINWAY TECHNOLOGY CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(13) Other disclosures:

(a) Information on significant transactions:

The following is the information on significant transactions required by the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” for the Group for the years ended December 31, 2023.

(i) Lending to other parties:

Name of lender	Name of borrower	Account name	Related party	Highest balance of financing to other parties during the period	Ending balance	Actual usage amount during the period	Range of interest rates during the period	Purposes of fund financing for the borrower	Transaction amount for business between two parties	Reasons for short-term financing	Allowance for bad debt	Collateral		Individual funding loan limits (Note 2)	Maximum limit of fund financing (Note 2)	Note
												Item	Value			
The Company	WINWAY TECHNOLOGY INTERNATIONAL INC.	Other receivables-related parties	Yes	15,353	15,353	-	2.867%	(Note 1)	-	Operating requirements	-	-	-	697,887	1,395,774	(Note 3)

Note 1: WINWAY TECHNOLOGY INTERNATIONAL INC. requires a short-term financing with it.

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

Note 3: It was eliminated in the consolidation.

(ii) Guarantees and endorsements for other parties: None

(iii) Securities held as of December 31, 2023 (excluding investment in subsidiaries, associates and joint ventures):

Name of holder	Category and name of security	Relationship with company	Account name	Ending balance				Highest Shares of ownership	Note
				Shares/Units	Carrying value	Percentage of ownership (%)	Fair value		
The Company	Taishin 1699 Money Market Fund	-	Financial assets at fair value through profit or loss	5,751,289.15	80,187	-	80,187	36,070,742.96	-

(iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20% of the capital stock:

Name of company	Category and name of security	Account name	Name of counter-party	Relationship with the company	Beginning Balance		Purchases		Sales				Ending Balance		
					Shares	Amount	Shares	Amount	Shares	Price	Cost	Gain (loss) on disposal	Shares	Amount	Note
The Company	Taishin 1699 Money Market Fund	Financial assets at fair value through profit or loss	-	-	-	-	49,066,073.02	680,000	43,314,783.87	600,497	600,000	497	5,751,289.15	80,187	-

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

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

Name of company	Name of property	Transaction date	Transaction amount	Status of payment	Counter-party	Relationship with the Company	If the counter-party is a related party, disclose the previous transfer information				References for determining price	Purpose of acquisition and current condition	Others
							Owner	Relationship with the Company	Date of transfer	Amount			
The Company	Hsinchu Tai-Yuan presold offices	January 27, 2021	279,113	274,170	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	460,000	HSIN HSIUNG CONSTRUCTION CO., LTD.	Non-related party	-	-	-	-	Bidding	Plant expansion	
The Company	Nanzih Technology Industrial Park-plant construction	August 26, 2021	204,000	193,800	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	145,000	CHENG DA ELECTRIC ENGINEERING CO., LTD.	Non-related party	-	-	-	-	Bidding	Plant expansion	

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

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

Name of company	Related party	Nature of relationship	Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		Note
			Purchase/Sale	Amount	Percentage of total purchases/sales	Payment terms	Unit price	Payment terms	Ending balance	Percentage of total notes/accounts receivable (payable)	
The Company	WINWAY TECHNOLOGY (SUZHOU) LTD.	Subsidiary	Sale	674,848	20.86 %	90~150 Days	(Note 1)	The main customers are 60 to 120 days	274,270	32.42 %	(Note)
WINWAY TECHNOLOGY (SUZHOU) LTD.	The Company	Parent Company	Purchase	674,848	90.04 %	90~150 Days	(Note 1)	The main suppliers are 60 to 120 days	274,270	93.99 %	(Note)

Note : It was eliminated in the consolidation.

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

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

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

Name of company	Related party	Nature of relationship	Ending balance	Turnover rate	Overdue		Amounts received in subsequent period	Allowance for bad debts	Note
					Amount	Action taken			
The Company	WINWAY TECHNOLOGY (SUZHOU) LTD.	Subsidiary	Accounts receivable \$274,270	132.60 %	23,930	Expected to be recovered in January 2024.	Accounts receivable \$60,605	-	(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	Other payable	3,759	Commissions are not comparable with similar transactions.	0.08 %
				Sales expenses	62,286		1.69 %
0	The Company	WINWAY TECHNOLOGY (SUZHOU) LTD.	1	Accounts receivable	274,270	Selling price offered could not be compared to those offered to third-party customers; the collection terms are 90~150 days; the payment terms are 60 days; were not significantly different from those with third-party customers.	5.63 %
				Accounts payable	159		0.00 %
				Other payable	381		0.01 %
				Other receivable	2,244		0.05 %
				Sales revenue	674,848		18.33 %
				Cost of goods sold	1,217		0.03 %
				Sales expenses	2,069		0.06 %

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

No. 2 represents transactions from subsidiaries to parent company.

No. 3 represents transactions between subsidiaries.

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

(b) Information on investments:

The following is the information on investees for the years ended December 31, 2023 (excluding information on investees in Mainland China):

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2023			Highest percentage of ownership during the year	Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2023	December 31, 2022	Shares	Percentage of ownership	Carrying value				
The Company	WINWAY INTERNATIONAL CO., LTD.	SAMOA	Investment holding	204,599	204,599	6,580,000	100 %	235,337	100 %	(10,210)	(10,210)	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	241,934	100 %	14,540	100 %	2,221	2,221	Subsidiary (Note)

Note : It was eliminated in the consolidation.

(c) Information on investment in mainland China:

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

Name of investee	Main businesses and products	Total amount of paid-in capital	Method of investment	Accumulated remittance from Taiwan as of January 1, 2023	Investment flows		Highest investment amount during the year	Accumulated remittance from Taiwan as of December 31, 2023	Net income (Losses) of investee	Indirect investment holding percentage	Share of profit/losses of investee	Book value (Note)	Accumulated remittance of earnings in current period
					Outflow	Inflow							
WINWAY TECHNOLOGY (SUZHOU) LTD.	Process and sales of optoelectronic product test fixtures, integrated circuit test interfaces and fixtures	204,599	Indirect investment in Mainland China through an existing company registered in the third country.	204,599	-	-	204,599	204,599	(10,211)	100%	(10,211)	262,961	-

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

(ii) Limitation on investment in Mainland China:

Accumulated remittance from Taiwan to China as of December 31, 2023	Investment Amounts Authorized by Investment Commission, MOEA (Note 1)	Upper Limit on investment in Mainland China set by Investment Commission, Ministry of Economic Affairs
204,599 (USD6,580,000)	202,039 (USD6,580,000)	2,093,660

Note : It was eliminated in the consolidation.

Note 1: The amounts denominated in foreign currencies were translated using the rate of exchange at December 31, 2023.

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

(iii) Significant transactions:

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

(d) Major shareholders:

Shareholder's Name	Shareholding	Shares	Percentage
HE WEI INVESTMENT CO., LTD.		3,499,559	10.06 %

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.

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

(14) Segment information:

(a) General Information

The Group has one reportable segment. This segment is mainly the manufacturing and sales of optoelectronic products test fixtures. Accounting policies for the operating segments correspond to those stated in note 4. The profit before tax of the operating segment of the Group is measured by using the earnings before tax as the basis for performance measurement. For segments' information on profit or loss, as well as assets and liabilities of the Group, which are same as those in the financial statements, please refer to the balance sheet and statement of comprehensive income.

(b) Product and service information

Revenue from the external customers of the Group was as follows:

<u>Product and services</u>	<u>2023</u>	<u>2022</u>
Test Socket	\$ 2,678,224	3,205,968
Contact Element	523,018	619,145
Probe Card	250,881	996,778
Others	<u>229,926</u>	<u>300,282</u>
Total	<u><u>\$ 3,682,049</u></u>	<u><u>5,122,173</u></u>

(c) Geographic information

In presenting information on the basis of geography, segment revenue is based on the geographical location of customers and segment assets are based on the geographical location of the assets.

<u>Geographical information</u>	<u>2023</u>	<u>2022</u>
Revenue from external customers:		
Taiwan	\$ 918,477	1,233,013
America	830,006	1,495,654
China	1,189,124	1,482,553
Europe	17,493	17,422
Canada	13,270	27,884
Asia	<u>713,679</u>	<u>865,647</u>
Total	<u><u>\$ 3,682,049</u></u>	<u><u>5,122,173</u></u>

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

	<u>December 31,</u> 2023	<u>December 31,</u> 2022
Non-current assets:		
Taiwan	\$ 2,264,510	1,499,478
America	1,078	1,299
China	<u>109,345</u>	<u>116,786</u>
Total	<u>\$ 2,374,933</u>	<u>1,617,563</u>

Non-current assets include property, plant and equipment, right-of use assets, intangible assets and other assets, but not include financial instruments and deferred tax assets.

(d) Major customers

<u>Customer</u>	<u>2023</u>	<u>2022</u>
A	\$ 374,312	308,291
B	559,794	632,916
C	155,079	226,571
D	378,703	512,808
E	59,506	262,802
G	<u>246,686</u>	<u>837,994</u>
Total	<u>\$ 1,774,080</u>	<u>2,781,382</u>