

**WISTRON INFORMATION TECHNOLOGY AND  
SERVICES CORPORATION AND SUBSIDIARIES**

**Consolidated Financial Statements**

**With Independent Auditors' Review Report  
For the Nine Months Ended September 30, 2021 and 2020**

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

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## **Independent Auditors' Review Report**

To the Board of Directors of Wistron Information Technology and Services Corporation:

### **Introduction**

We have reviewed the accompanying consolidated balance sheets of Wistron Information Technology and Services Corporation and its subsidiaries (“the Group”) as of September 30, 2021 and 2020, and the related consolidated statements of comprehensive income for the three-months and nine-months ended September 30, 2021 and 2020, as well as the related consolidated statements of changes in equity and cash flows for the nine months ended September 30, 2021 and 2020, and notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

### **Scope of Review**

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

### **Conclusion**

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

The engagement partners on the review resulting in this independent auditors' review report are Ya-Ling Chen and Ming-Hung Huang.

KPMG

Taipei, Taiwan (The Republic of China)  
November 4, 2021

### **Notes to Readers**

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

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

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)  
Reviewed only, not audited in accordance with the generally accepted auditing standards as of September 30, 2021 and 2020  
**WISTRON INFORMATION TECHNOLOGY AND SERVICES CORPORATION AND SUBSIDIARIES**

**Consolidated Balance Sheets**

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

(Expressed in Thousands of New Taiwan Dollars)

Assets	September 30, 2021		December 31, 2020		September 30, 2020			Liabilities and Equity	September 30, 2021		December 31, 2020		September 30, 2020	
	Amount	%	Amount	%	Amount	%			Amount	%	Amount	%	Amount	%
<b>Current assets:</b>								<b>Current liabilities:</b>						
1100 Cash and cash equivalents (note 6(a))	\$ 606,562	16	1,175,302	33	660,865	20	2100	Short-term borrowings (note 6(h))	\$ 190,000	5	-	-	19,562	1
1140 Current contract assets (note 6(n))	21,410	1	31,134	1	40,262	1	2130	Current contract liabilities (notes 6(n) and 7)	17,563	-	20,151	-	16,266	-
1170 Notes and accounts receivable, net (notes 6(c)(n))	2,032,015	55	1,450,961	40	1,629,105	49	2170	Accounts payable	90,606	2	109,134	3	105,566	3
1180 Accounts receivable-related parties, net (notes 6(c)(n) and 7)	41,039	1	16,964	-	18,585	1	2219	Other payables (note 6(o))	770,825	21	850,951	23	670,388	20
1200 Other receivables	99	-	72	-	59	-	2220	Other payables-related parties (note 7)	-	-	440	-	-	-
1220 Current tax assets	1,935	-	918	-	465	-	2230	Current tax liabilities	37,862	1	63,538	2	30,032	1
1410 Prepayments	26,266	1	15,712	-	17,514	-	2399	Other current liabilities	22,967	1	25,034	1	24,669	1
1470 Other current assets (notes 6(g))	22,054	1	17,432	-	18,245	1	2280	Current lease liabilities (note 6(i))	20,054	1	23,150	1	19,058	1
<b>Total current assets</b>	<b>2,751,380</b>	<b>75</b>	<b>2,708,495</b>	<b>74</b>	<b>2,385,100</b>	<b>72</b>	2322	Long-term borrowings, current portion (notes 6(d)(h) and 8)	8,120	-	7,984	-	7,746	-
								<b>Total current liabilities</b>	<b>1,157,997</b>	<b>31</b>	<b>1,100,382</b>	<b>30</b>	<b>893,287</b>	<b>27</b>
<b>Non-current assets:</b>								<b>Non-Current liabilities:</b>						
1600 Property, plant and equipment (notes 6(d) and 8)	820,313	22	810,501	22	816,445	25	2540	Long-term loans (notes 6(d)(h) and 8)	57,148	2	64,123	2	64,832	2
1755 Right-of-use assets (note 6(e))	47,281	1	54,300	2	32,002	1	2570	Deferred tax liabilities	98,889	3	99,878	3	107,806	4
1780 Intangible assets (note 6(f) and 7)	30,441	1	32,870	1	31,388	1	2580	Non-current lease liabilities (note 6(i))	23,676	1	25,721	1	9,117	-
1840 Deferred tax assets	21,832	1	22,475	1	22,285	1	2640	Net defined benefit liability, non-current	16,492	-	16,065	-	15,796	-
1900 Other non-current assets (notes 6(g))	17,390	-	15,536	-	15,716	-	2670	Other non-current liabilities	2,545	-	2,790	-	2,777	-
<b>Total non-current assets</b>	<b>937,257</b>	<b>25</b>	<b>935,682</b>	<b>26</b>	<b>917,836</b>	<b>28</b>		<b>Total non-current liabilities</b>	<b>198,750</b>	<b>6</b>	<b>208,577</b>	<b>6</b>	<b>200,328</b>	<b>6</b>
								<b>Total liabilities</b>	<b>1,356,747</b>	<b>37</b>	<b>1,308,959</b>	<b>36</b>	<b>1,093,615</b>	<b>33</b>
								<b>Equity (notes 6(b)(l)):</b>						
							3100	Capital stock	669,211	18	667,083	18	667,083	20
							3200	Capital surplus	770,877	21	753,005	21	752,979	23
							3300	Retained earnings	1,082,756	29	1,069,842	29	973,802	30
							3400	Other equity	(117,454)	(3)	(81,212)	(2)	(111,043)	(4)
							3500	Treasury shares	(73,500)	(2)	(73,500)	(2)	(73,500)	(2)
								<b>Total equity</b>	<b>2,331,890</b>	<b>63</b>	<b>2,335,218</b>	<b>64</b>	<b>2,209,321</b>	<b>67</b>
<b>Total assets</b>	<b>\$ 3,688,637</b>	<b>100</b>	<b>3,644,177</b>	<b>100</b>	<b>3,302,936</b>	<b>100</b>		<b>Total liabilities and equity</b>	<b>\$ 3,688,637</b>	<b>100</b>	<b>3,644,177</b>	<b>100</b>	<b>3,302,936</b>	<b>100</b>

See accompanying notes to financial statements.

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**WISTRON INFORMATION TECHNOLOGY AND SERVICES CORPORATION AND  
 SUBSIDIARIES**

**Consolidated Statements of Comprehensive Income**

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

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

	For the three-month periods ended September 30				For the nine-month periods ended September 30				
	2021		2020		2021		2020		
	Amount	%	Amount	%	Amount	%	Amount	%	
4000	Net revenue (notes 6(n) and 7)	\$ 1,598,219	100	1,341,206	100	\$ 4,432,030	100	3,768,505	100
5000	Cost of Sales (notes 6(d)(e)(f)(i)(j), 7 and 12)	(1,212,389)	(76)	(977,016)	(73)	(3,365,822)	(76)	(2,781,887)	(74)
	<b>Gross profit</b>	<b>385,830</b>	<b>24</b>	<b>364,190</b>	<b>27</b>	<b>1,066,208</b>	<b>24</b>	<b>986,618</b>	<b>26</b>
	<b>Operating expenses (notes 6(c)(d)(e)(f)(i)(j)(n)(o) and 12)</b>								
6100	Selling expenses	(42,842)	(3)	(35,160)	(3)	(120,894)	(3)	(95,173)	(3)
6200	Administrative expenses	(214,139)	(13)	(171,837)	(13)	(571,741)	(13)	(484,664)	(13)
6300	Research and development expenses	(4,912)	-	(3,487)	-	(14,428)	-	(6,470)	-
6450	Expected credit gains (losses)	(6,568)	(1)	(3,089)	-	3,664	-	(17,914)	-
	<b>Total operating expenses</b>	<b>(268,461)</b>	<b>(17)</b>	<b>(213,573)</b>	<b>(16)</b>	<b>(703,399)</b>	<b>(16)</b>	<b>(604,221)</b>	<b>(16)</b>
	<b>Net operating income</b>	<b>117,369</b>	<b>7</b>	<b>150,617</b>	<b>11</b>	<b>362,809</b>	<b>8</b>	<b>382,397</b>	<b>10</b>
	<b>Non-operating income and expenses (notes 6(i)(p)):</b>								
7100	Interest income	1,845	-	1,636	-	6,971	-	3,649	-
7010	Other income	29,045	2	33,804	3	39,840	1	46,834	1
7020	Other gains and losses	2,522	-	(5,176)	-	(630)	-	(3,796)	-
7050	Finance costs	(1,240)	-	(1,280)	-	(3,529)	-	(4,883)	-
	<b>Total non-operating income and expenses</b>	<b>32,172</b>	<b>2</b>	<b>28,984</b>	<b>3</b>	<b>42,652</b>	<b>1</b>	<b>41,804</b>	<b>1</b>
	<b>Profit before tax</b>	<b>149,541</b>	<b>9</b>	<b>179,601</b>	<b>14</b>	<b>405,461</b>	<b>9</b>	<b>424,201</b>	<b>11</b>
7950	Income tax expenses (note 6(k))	(26,715)	(1)	(20,603)	(2)	(63,795)	(1)	(54,493)	(1)
	<b>Net profit</b>	<b>122,826</b>	<b>8</b>	<b>158,998</b>	<b>12</b>	<b>341,666</b>	<b>8</b>	<b>369,708</b>	<b>10</b>
8300	<b>Other comprehensive income (note 6(l)):</b>								
8310	<b>Items that will not be reclassified subsequently to profit or loss</b>								
8316	Unrealized losses from investments in equity instruments measured at fair value through other comprehensive income	-	-	7,448	1	-	-	4,734	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	-	-	-	-	-	-	-	-
	<b>Total items that will not be reclassified subsequently to profit or loss</b>	<b>-</b>	<b>-</b>	<b>7,448</b>	<b>1</b>	<b>-</b>	<b>-</b>	<b>4,734</b>	<b>-</b>
8360	<b>Items that may be reclassified subsequently to profit or loss</b>								
8361	Exchange differences on translation of foreign financial statements	(5,871)	(1)	27,846	2	(36,242)	(1)	(8,134)	-
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss	-	-	-	-	-	-	-	-
	<b>Total items that may be reclassified subsequently to profit or loss</b>	<b>(5,871)</b>	<b>(1)</b>	<b>27,846</b>	<b>2</b>	<b>(36,242)</b>	<b>(1)</b>	<b>(8,134)</b>	<b>-</b>
8300	<b>Other comprehensive income (loss)</b>	<b>(5,871)</b>	<b>(1)</b>	<b>35,294</b>	<b>3</b>	<b>(36,242)</b>	<b>(1)</b>	<b>(3,400)</b>	<b>-</b>
	<b>Total comprehensive income</b>	<b>\$ 116,955</b>	<b>7</b>	<b>194,292</b>	<b>15</b>	<b>\$ 305,424</b>	<b>7</b>	<b>366,308</b>	<b>10</b>
	<b>Earnings per share (in dollars) (note 6(m))</b>								
9750	Basic earnings per share	<b>\$ 1.86</b>		<b>2.42</b>		<b>5.18</b>		<b>5.59</b>	
9850	Diluted earnings per share	<b>\$ 1.85</b>		<b>2.40</b>		<b>5.13</b>		<b>5.53</b>	

See accompanying notes to financial statements.

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**WISTRON INFORMATION TECHNOLOGY AND SERVICES CORPORATION AND SUBSIDIARIES**

**Consolidated Statements of Changes in Equity**

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

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

	Equity attributable to owners of parent										
	Capital stock	Retained earnings					Other equity				
	Common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Total	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	Total	Treasury shares	Total equity
<b>Balance at January 1, 2020</b>	\$ 664,011	736,051	90,505	75,904	667,623	834,032	(102,909)	(22,188)	(125,097)	-	2,108,997
Net profit	-	-	-	-	369,708	369,708	-	-	-	-	369,708
Other comprehensive income	-	-	-	-	-	-	(8,134)	4,734	(3,400)	-	(3,400)
Total comprehensive income	-	-	-	-	369,708	369,708	(8,134)	4,734	(3,400)	-	366,308
Appropriation and distribution of retained earnings:											
Legal reserve	-	-	41,335	-	(41,335)	-	-	-	-	-	-
Special reserve	-	-	-	49,193	(49,193)	-	-	-	-	-	-
Cash dividends	-	-	-	-	(212,484)	(212,484)	-	-	-	-	(212,484)
Purchase of treasury shares	-	-	-	-	-	-	-	-	-	(73,500)	(73,500)
New share issues through employee's profit sharing bonus	3,072	16,928	-	-	-	-	-	-	-	-	20,000
Disposal of financial assets at fair value through other comprehensive income	-	-	-	-	(17,454)	(17,454)	-	17,454	17,454	-	-
<b>Balance at September 30, 2020</b>	<b>\$ 667,083</b>	<b>752,979</b>	<b>131,840</b>	<b>125,097</b>	<b>716,865</b>	<b>973,802</b>	<b>(111,043)</b>	<b>-</b>	<b>(111,043)</b>	<b>(73,500)</b>	<b>2,209,321</b>
<b>Balance at January 1, 2021</b>	<b>\$ 667,083</b>	<b>753,005</b>	<b>131,840</b>	<b>125,097</b>	<b>812,905</b>	<b>1,069,842</b>	<b>(81,212)</b>	<b>-</b>	<b>(81,212)</b>	<b>(73,500)</b>	<b>2,335,218</b>
Net profit	-	-	-	-	341,666	341,666	-	-	-	-	341,666
Other comprehensive income	-	-	-	-	-	-	(36,242)	-	(36,242)	-	(36,242)
Total comprehensive income	-	-	-	-	341,666	341,666	(36,242)	-	(36,242)	-	305,424
Appropriation and distribution of retained earnings:											
Legal reserve	-	-	44,829	-	(44,829)	-	-	-	-	-	-
Cash dividends	-	-	-	-	(328,752)	(328,752)	-	-	-	-	(328,752)
Reversal of special reserve	-	-	-	(43,885)	(43,885)	-	-	-	-	-	-
New share issues through employee's profit sharing bonus	2,128	17,872	-	-	-	-	-	-	-	-	20,000
<b>Balance at September 30, 2021</b>	<b>\$ 669,211</b>	<b>770,877</b>	<b>176,669</b>	<b>81,212</b>	<b>824,875</b>	<b>1,082,756</b>	<b>(117,454)</b>	<b>-</b>	<b>(117,454)</b>	<b>(73,500)</b>	<b>2,331,890</b>

See accompanying notes to financial statements.

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**WISTRON INFORMATION TECHNOLOGY AND SERVICES CORPORATION AND SUBSIDIARIES**

**Consolidated Statements of Cash Flows**

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

(Expressed in Thousands of New Taiwan Dollars)

	For the nine-month periods ended September 30	
	2021	2020
<b>Cash flows generated from (used in) operating activities:</b>		
Profit before tax	\$ 405,461	424,201
<b>Adjustments:</b>		
<b>Adjustments to reconcile profit:</b>		
Depreciation expense	59,166	73,255
Amortization expense	6,062	4,316
Expected credit losses (gains)	(3,664)	17,914
Interest expense	3,529	4,883
Interest income	(6,971)	(3,649)
Dividend income	-	(260)
Loss on disposal of property, plant and equipment	1,163	959
Loss on lease modification	244	267
Rent concession	-	(654)
<b>Total adjustments to reconcile profit</b>	<b>59,529</b>	<b>97,031</b>
<b>Changes in operating assets and liabilities:</b>		
<b>Changes in operating assets:</b>		
Decrease in current contract assets	9,754	13,510
Increase in notes and accounts receivable, net	(608,570)	(279,692)
(Increase) decrease in accounts receivable—related parties	(24,181)	725
(Increase) decrease in other receivables	(31)	48
Increase in prepayments	(10,888)	(3,017)
Increase in other current assets	(1,141)	(603)
<b>Total changes in operating assets</b>	<b>(635,057)</b>	<b>(269,029)</b>
<b>Changes in operating liabilities:</b>		
(Decrease) increase in contract liabilities	(2,024)	1,937
Decrease in accounts payable	(13,287)	(59,107)
Decrease in accounts payable—related parties	-	(6,026)
Decrease in other payables	(49,965)	(825)
Decrease in other payables—related parties	(440)	(126)
Decrease in other current liabilities	(1,211)	(1,741)
Increase in net defined benefit liability	427	421
<b>Total changes in operating liabilities</b>	<b>(66,500)</b>	<b>(65,467)</b>
<b>Net changes in operating assets and liabilities</b>	<b>(701,557)</b>	<b>(334,496)</b>
<b>Total changes in operating assets and liabilities</b>	<b>(642,028)</b>	<b>(237,465)</b>
Cash (used in) generate from operations	(236,567)	186,736
Interest received	6,972	3,719
Interest paid	(3,490)	(4,912)
Income taxes paid	(89,105)	(67,395)
<b>Net cash flows (used in) generate from operating activities</b>	<b>(322,190)</b>	<b>118,148</b>
<b>Cash flows generated from (used in) investing activities:</b>		
Disposal of financial assets at fair value through other comprehensive income	-	17,946
Acquisition of property, plant and equipment	(52,611)	(8,828)
Proceeds from disposal of property, plant and equipment	278	201
(Increase) decrease in refundable deposits	(4,487)	5,235
Acquisition of intangible assets	(5,636)	(2,646)
Increase in other non-current assets	(3,606)	(2,004)
Dividends received	-	260
<b>Net cash flows (used in) generate from investing activities</b>	<b>(66,062)</b>	<b>10,164</b>
<b>Cash flows generated from (used in) financing activities:</b>		
Increase in short-term loans	203,241	455,932
Repayments of short-term loans	(13,241)	(436,262)
Repayments of long-term loans	(5,911)	(43,693)
Repayments of the principal portion of lease liabilities	(19,134)	(29,080)
Payment of cash dividends	(328,752)	(212,484)
Payments to acquire treasury shares	-	(73,500)
<b>Net cash flows used in financing activities</b>	<b>(163,797)</b>	<b>(339,087)</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>(16,691)</b>	<b>(3,473)</b>
<b>Net Decrease in cash and cash equivalents</b>	<b>(568,740)</b>	<b>(214,248)</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>1,175,302</b>	<b>875,113</b>
<b>Cash and cash equivalents at end of period</b>	<b>\$ 606,562</b>	<b>660,865</b>

See accompanying notes to financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)  
REVIEWED ONLY, NOT AUDITED IN ACCORDANCE WITH THE GENERALLY ACCEPTED AUDITING STANDARDS

## WISTRON INFORMATION TECHNOLOGY AND SERVICES CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

September 30, 2021 and 2020

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

**(1) Company history**

Mirrors International, Inc. was incorporated on June 1, 1992 as a company limited by shares under the laws of the Republic of China (R.O.C); and in July 2004, it changed its name to Wistron Information Technology and Services Corporation (the “Company”). Wistron Information Technology and Services Corporation and subsidiaries (the “Group”) are primarily engaged in the development and maintenance of the IT system, IT consulting and outsourcing services.

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

The consolidated financial statements for the nine months ended September 30, 2021 and 2020 were authorized for issue by the Board of Directors on November 4, 2021.

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

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

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

- Amendments to IFRS 4 “Extension of the Temporary Exemption from Applying IFRS 9”
- Amendments to IFRS 9, IAS39, IFRS7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform – Phase 2”

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

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

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

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

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



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

The following new and amended standards, which may be relevant to the Group, have been issued by the International Accounting Standards Board (IASB), but have yet to be endorsed by the FSC:

<b>Standards or Interpretations</b>	<b>Content of amendment</b>	<b>Effective date per IASB</b>
Amendments to IAS 1 “Classification of Liabilities as Current or Non current”	The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of balance sheet, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. The amendments include clarifying the classification requirements for debt a company might settle by converting it into equity.	January 1, 2023
Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”	The amendments narrowed the scope of the recognition exemption so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.	January 1, 2023

The Group is evaluating the impact of its initial adoption of the abovementioned standards or interpretations on its consolidated financial position and consolidated financial performance. The results thereof will be disclosed when the Group completes its evaluation.

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

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”
- IFRS 17 “Insurance Contracts” and amendments to IFRS 17 “Insurance Contracts”
- Amendments to IAS 1 “Disclosure of Accounting Policies”
- Amendments to IAS 8 “Definition of Accounting Estimates”

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

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

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### Notes to the Consolidated Financial Statements

(a) Statement of compliance

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

(b) Basis of consolidation

(i) List of subsidiaries in the consolidated financial statements

Name of investor	Name of subsidiary	Major operations	Location	Percentage of ownership			Note
				2021.09.30	2020.12.31	2020.09.30	
The Company	Wistron Information Technology and Services Inc. (WIBI)	Professional investment enterprise	B.V.I	100.00%	100.00%	100.00%	
	Wistron Information Technology and Services Limited (WIHK)	Research, develop, design of software, and IT consulting service	Hong Kong	100.00%	100.00%	100.00%	
	Wistron Information Technology and Services (Japan) Inc. (WIJP)	"	Japan	100.00%	100.00%	100.00%	
	WITS AMERICA, CORP. (WIUS)	"	America	100.00%	100.00%	100.00%	
	WIBI	Wistron Information Technology and Services (Beijing) Inc. (WIBJ)	"	China	-	100.00%	100.00%
WIBI	Shanghai Booster Technologies Company Limited (QT)	"	China	100.00%	100.00%	100.00%	
	Wistron ITS (Hong Kong) Limited (WIHH)	Professional investment enterprise	Hong Kong	100.00%	100.00%	100.00%	(Note 1)
	Wistron Information Technology and Services (Beijing) Inc. (WIBJ)	Research, develop, design of software, and IT consulting service	China	100.00%	-	-	(Note 3)

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Name of investor	Name of subsidiary	Major operations	Location	Percentage of ownership			Note
				2021.06.30	2020.12.31	2020.06.30	
WIBJ	Beijing Enovation Technology Co. Ltd. (WIYC)	Research, develop, design of software, and IT consulting service	China	100.00%	100.00%	100.00%	
	Wistron ITS (Wuhan) Co. (WIWZ)	"	China	100.00%	100.00%	100.00%	
	Hubei Peiwen Construction Co., Ltd. (Hubei Peiwen)	Construction business	China	-	100.00%	-	(Note 2)
WIWZ	Wistron ITS (Hangzhou) Ltd. (WIHZ)	Research, develop, design of software, and IT consulting service	China	100.00%	-	-	(Note 4)

(Note1) The capital was invested in the second quarter of 2020.

(Note2) The registration of investment in Hubei Peiwen Construction Co., Ltd. was cancelled on March 2, 2021, and no capital was injected.

(Note3) WIBI transferred 100% shareholdings in WIBJ to WIHH in exchange for acquiring new shares issued by WIHH in 2021Q3.

(Note4) No capital was injected on September 30, 2021.

- (ii) Subsidiaries excluded from the consolidated financial statements: None.
- (c) Income taxes

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

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

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

- (d) Employee benefits

The pension cost for an interim period is calculated on a year-to-date basis by using the actuarially determined pension cost rate at the end of the prior fiscal year, adjusted for significant market fluctuations since that time and for significant curtailments, settlements, or other significant one-off events.

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

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

The preparation of the consolidated interim financial statements, estimates and underlying assumptions are reviewed on an ongoing basis which are in conformity with the consolidated financial statements for the year ended December 31, 2020. For the related information, please refer to note 5 of the consolidated financial statements for the year ended December 31, 2020.

**(6) Explanation of significant accounts**

Except for the following disclosures, there were no significant differences in the disclosures of significant accounts between the interim consolidated financial statements for the current period and the 2020 consolidated financial statements. Please refer to Note 6 of the 2020 annual consolidated financial statements.

(a) Cash and cash equivalents

	<u>September 30,</u> <u>2021</u>	<u>December 31,</u> <u>2020</u>	<u>September 30,</u> <u>2020</u>
Cash on hand	\$ 531	537	519
Demand and checking deposits	606,031	791,451	557,578
Time deposits	-	383,314	102,768
Cash and cash equivalents in the consolidated statement of cash flows	<u>\$ 606,562</u>	<u>1,175,302</u>	<u>660,865</u>

Please refer to Note 6(q) for the currency rate risk and sensitivity analysis of the financial assets of the Group.

(b) Non-current financial assets at fair value through other comprehensive income

The Group designated the investments as equity securities as at fair value through other comprehensive income because these equity securities represent those investments that the Group intends to hold for long-term for strategic purposes. The Company sold its shares, with a fair value of \$18,000 (including securities transaction tax) as of September 18, 2020, resulting in the Group to recognize the net loss of \$17,454, which was reclassified from other comprehensive income to retained earnings.

(c) Accounts receivable (including related parties)

	<u>September 30,</u> <u>2021</u>	<u>December 31,</u> <u>2020</u>	<u>September 30,</u> <u>2020</u>
Notes receivable	\$ 55,546	76,089	126,242
Accounts receivable	2,002,354	1,404,965	1,525,650
Accounts receivable-related parties	41,039	16,964	18,585
Less: Loss allowance	(25,885)	(30,093)	(22,787)
	<u>\$ 2,073,054</u>	<u>1,467,925</u>	<u>1,647,690</u>

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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, accounts receivable has been grouped based on shared credit risk characteristics and days past due, as well as the incorporated forward-looking information.

The loss allowance provision was determined as follows:

	<b>September 30, 2021</b>		
	<b>Gross carrying amount</b>	<b>Weighted-aver age expected credit loss rate</b>	<b>Lifetime expected credit loss allowance</b>
Not overdue	\$ 1,529,304	0~100%	3,281
Overdue within 30 days	166,700	0~0.46%	423
Overdue 31~120 days	260,396	0~100%	6,282
Overdue 121~180 days	123,323	0~100%	9,889
Overdue 181~365 days	17,773	0~100%	4,567
Overdue more than 365 days	1,443	100%	1,443
	<b><u>\$ 2,098,939</u></b>		<b><u>25,885</u></b>
	<b>December 31, 2020</b>		
	<b>Gross carrying amount</b>	<b>Weighted-aver age expected credit loss rate</b>	<b>Lifetime expected credit loss allowance</b>
Not overdue	\$ 1,222,659	0~100%	5,023
Overdue within 30 days	98,127	0~0.798%	412
Overdue 31~120 days	155,446	0~100%	15,074
Overdue 121~180 days	15,837	0~100%	4,486
Overdue 181~365 days	5,949	0~100%	5,098
	<b><u>\$ 1,498,018</u></b>		<b><u>30,093</u></b>
	<b>September 30, 2020</b>		
	<b>Gross carrying amount</b>	<b>Weighted-aver age expected credit loss rate</b>	<b>Lifetime expected credit loss allowance</b>
Not overdue	\$ 1,271,943	0~0.329%	1,423
Overdue within 30 days	143,199	0~0.826%	229
Overdue 31~120 days	175,138	0~6.669%	5,130
Overdue 121~180 days	75,231	0~11.401%	11,049
Overdue 181~365 days	1,741	0~100%	1,731
Overdue more than 365 days	3,225	100%	3,225
	<b><u>\$ 1,670,477</u></b>		<b><u>22,787</u></b>

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The movements in the allowance for accounts receivable were as follow:

	For the nine-month periods ended September 30	
	2021	2020
Balance as of January 1	\$ 30,093	14,606
Impairment losses (reversed) recognized	(3,371)	18,319
Amount written off	-	(10,083)
Effect of changes in foreign exchange rate	(837)	(55)
Balance as of September 30	<b>\$ 25,885</b>	<b>22,787</b>

As of September 30, 2021, December 31 and September 30, 2020, the notes and accounts receivable were not discounted and pledged.

(d) Property, plant and equipment

The movements in cost and accumulated depreciation of property, plant and equipment were as follows:

	Land	Buildings and structures	Computers and other equipment	Transportation equipment	Office equipment	Lease improvements	Lease equipment	Construction in progress and testing equipment	Total
<b>Cost :</b>									
Balance as of January 1, 2021	\$ 185,913	561,994	97,797	-	48,463	39,308	504	856	934,835
Additions	4,943	10,004	21,505	3,936	2,457	9,390	-	376	52,611
Reclassification (Note)	-	-	-	-	-	-	-	1,828	1,828
Disposals	-	-	(2,544)	-	(724)	(7,917)	(504)	-	(11,689)
Effect of changes in foreign exchange rates	-	(3,365)	(1,186)	(23)	(771)	(1,265)	-	(27)	(6,637)
Balance as of September 30, 2021	<b>\$ 190,856</b>	<b>568,633</b>	<b>115,572</b>	<b>3,913</b>	<b>49,425</b>	<b>39,516</b>	<b>-</b>	<b>3,033</b>	<b>970,948</b>
Balance as of January 1, 2020	\$ 185,913	558,525	99,488	-	46,998	51,502	504	6,019	948,949
Additions	-	-	6,777	-	828	1,223	-	-	8,828
Reclassification (Note)	-	-	-	-	931	3,839	-	(5,120)	(350)
Disposals	-	-	(8,030)	-	(747)	(686)	-	-	(9,463)
Effect of changes in foreign exchange rates	-	(1,559)	(414)	-	(258)	(433)	-	(60)	(2,724)
Balance as of September 30, 2020	<b>\$ 185,913</b>	<b>556,966</b>	<b>97,821</b>	<b>-</b>	<b>47,752</b>	<b>55,445</b>	<b>504</b>	<b>839</b>	<b>945,240</b>
<b>Accumulated depreciation :</b>									
Balance as of January 1, 2021	\$ -	25,367	58,877	-	13,998	25,588	504	-	124,334
Depreciation	-	13,661	14,621	394	6,330	3,489	-	-	38,495
Disposals	-	-	(2,378)	-	(277)	(7,089)	(504)	-	(10,248)
Effect of changes in foreign exchange rates	-	(197)	(700)	(2)	(303)	(744)	-	-	(1,946)
Balance as of September 30, 2021	<b>\$ -</b>	<b>38,831</b>	<b>70,420</b>	<b>392</b>	<b>19,748</b>	<b>21,244</b>	<b>-</b>	<b>-</b>	<b>150,635</b>
Balance as of January 1, 2020	\$ -	7,413	52,500	-	5,784	29,392	504	-	95,593
Depreciation	-	13,277	13,339	-	6,321	9,038	-	-	41,975
Disposals	-	-	(7,576)	-	(440)	(287)	-	-	(8,303)
Effect of changes in foreign exchange rates	-	5	(194)	-	(17)	(264)	-	-	(470)
Balance as of September 30, 2020	<b>\$ -</b>	<b>20,695</b>	<b>58,069</b>	<b>-</b>	<b>11,648</b>	<b>37,879</b>	<b>504</b>	<b>-</b>	<b>128,795</b>
<b>Carrying value :</b>									
Balance as of January 1, 2021	\$ 185,913	536,627	38,920	-	34,465	13,720	-	856	810,501
Balance as of September 30, 2021	\$ 190,856	529,802	45,152	3,521	29,677	18,272	-	3,033	820,313
Balance as of January 1, 2020	\$ 185,913	551,112	46,988	-	41,214	22,110	-	6,019	853,356
Balance as of September 30, 2020	\$ 185,913	536,271	39,752	-	36,104	17,566	-	839	816,445

Note: Reclassifications are mainly transferring from prepayment for land and building and structures.

As of September 30, 2021, December 31 and September 30, 2020, the property, plant and equipment were pledged, please refer to Note 8.

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(e) Right-of-use assets

The Group leases buildings and structures and transportation equipment. The movements in right-of-use assets were as follows:

	<u>Buildings and structures</u>	<u>Transportation equipment</u>	<u>Total</u>
<b>Cost:</b>			
Balance as of January 1, 2021	\$ 85,268	1,603	86,871
Additions	15,580	-	15,580
Disposals	(13,609)	(278)	(13,887)
Effect of changes in foreign exchange rates	(2,649)	(2)	(2,651)
Balance as of September 30, 2021	<u>\$ 84,590</u>	<u>1,323</u>	<u>85,913</u>
Balance as January 1, 2020	\$ 91,830	1,599	93,429
Additions	989	-	989
Disposals	(3,705)	-	(3,705)
Effect of changes in foreign exchange rates	(986)	(2)	(988)
Balance as of September 30, 2020	<u>\$ 88,128</u>	<u>1,597</u>	<u>89,725</u>
<b>Accumulated depreciation:</b>			
Balance as of January 1, 2021	\$ 31,790	781	32,571
Depreciation	20,254	417	20,671
Disposals	(12,781)	(278)	(13,059)
Effect of changes in foreign exchange rates	(1,550)	(1)	(1,551)
Balance as of September 30, 2021	<u>\$ 37,713</u>	<u>919</u>	<u>38,632</u>
Balance as of January 1, 2020	\$ 28,627	223	28,850
Depreciation	30,864	416	31,280
Disposals	(1,794)	-	(1,794)
Effect of changes in foreign exchange rates	(613)	-	(613)
Balance as of September 30, 2020	<u>\$ 57,084</u>	<u>639</u>	<u>57,723</u>
<b>Carrying amount:</b>			
Balance as of January 1, 2021	<u>\$ 53,478</u>	<u>822</u>	<u>54,300</u>
Balance as of September 30, 2021	<u>\$ 46,877</u>	<u>404</u>	<u>47,281</u>
Balance as of January 1, 2020	<u>\$ 63,203</u>	<u>1,376</u>	<u>64,579</u>
Balance as of September 30, 2020	<u>\$ 31,044</u>	<u>958</u>	<u>32,002</u>

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(f) Intangible assets

The movements in intangible assets were as follows:

	<u>Software</u>	<u>Goodwill</u>	<u>Total</u>
<b>Cost:</b>			
Balance as of January 1, 2021	\$ 55,909	19,349	75,258
Additions	5,636	-	5,636
Effect of changes in foreign exchange rates	<u>(386)</u>	<u>(1,878)</u>	<u>(2,264)</u>
Balance as of September 30, 2021	<u><b>\$ 61,159</b></u>	<u><b>17,471</b></u>	<u><b>78,630</b></u>
Balance as of January 1, 2020	\$ 49,062	19,377	68,439
Additions	2,646	-	2,646
Reclassification	1,105	-	1,105
Disposals	(6)	-	(6)
Effect of changes in foreign exchange rates	<u>(77)</u>	<u>(56)</u>	<u>(133)</u>
Balance as of September 30, 2020	<u><b>\$ 52,730</b></u>	<u><b>19,321</b></u>	<u><b>72,051</b></u>
<b>Accumulated amortization:</b>			
Balance as of January 1, 2021	\$ 42,388	-	42,388
Amortization	6,062	-	6,062
Effect of changes in foreign exchange rates	<u>(261)</u>	<u>-</u>	<u>(261)</u>
Balance as of September 30, 2021	<u><b>\$ 48,189</b></u>	<u><b>-</b></u>	<u><b>48,189</b></u>
Balance as of January 1, 2020	\$ 36,403	-	36,403
Amortization	4,316	-	4,316
Disposals	(6)	-	(6)
Effect of changes in foreign exchange rates	<u>(50)</u>	<u>-</u>	<u>(50)</u>
Balance as of September 30, 2020	<u><b>\$ 40,663</b></u>	<u><b>-</b></u>	<u><b>40,663</b></u>
<b>Carrying value:</b>			
Balance as of January 1, 2021	<u><b>\$ 13,521</b></u>	<u><b>19,349</b></u>	<u><b>32,870</b></u>
Balance as of September 30, 2021	<u><b>\$ 12,970</b></u>	<u><b>17,471</b></u>	<u><b>30,441</b></u>
Balance as of January 1, 2020	<u><b>\$ 12,659</b></u>	<u><b>19,377</b></u>	<u><b>32,036</b></u>
Balance as of September 30, 2020	<u><b>\$ 12,067</b></u>	<u><b>19,321</b></u>	<u><b>31,388</b></u>



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

(i) Other current assets

	September 30, 2021	December 31, 2020	September 30, 2020
Refundable deposits	\$ 20,018	16,536	16,421
Temporary payment	2,036	896	1,824
	<u>\$ 22,054</u>	<u>17,432</u>	<u>18,245</u>

(ii) Other non-current assets

	September 30, 2021	December 31, 2020	September 30, 2020
Refundable deposits	\$ 11,779	11,640	13,703
Prepayment for equipment	5,611	3,896	2,013
	<u>\$ 17,390</u>	<u>15,536</u>	<u>15,716</u>

(iii) As of September 30, 2021, December 31, and September 30, 2020, the other current assets and other non-current assets were not pledged.

(h) Loans

(i) Short-term loans

	September 30, 2021	December 31, 2020	September 30, 2020
Unsecured bank loans	\$ 190,000	-	15,000
Other short-term loans	-	-	4,562
	<u>\$ 190,000</u>	<u>-</u>	<u>19,562</u>
Unused bank credit lines	<u>\$ 1,574,047</u>	<u>1,830,056</u>	<u>1,812,547</u>
Range of interest rates	<u>0.48%</u>	<u>-</u>	<u>0.65%~1%</u>

Other short-term loans are bank loans from "Paycheck Protection Program, PPP" applied to the Federal Government of the United States.

(ii) Long-term loans

	September 30, 2021		
	CNY (thousand)	Expiration	Amount
Secured bank loans	\$ 15,141	2021.10~2028.10	65,268
Less: current portion	(1,884)		(8,120)
	<u>\$ 13,257</u>		<u>57,148</u>
Unused bank credit lines	<u>\$ -</u>		<u>-</u>
Range of interest rates			<u>4.00%</u>

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	<b>December 31, 2020</b>		
	<b>CNY (thousand)</b>	<b>Expiration</b>	<b>Amount</b>
Secured bank loans	16,504	2021.1~2028.10	72,107
Less: current portion	(1,827)		(7,984)
	<b>\$ 14,677</b>		<b>64,123</b>
Unused bank credit lines	<b>\$ -</b>		<b>-</b>
Range of interest rates			<b>4.00%</b>
	<b>September 30, 2020</b>		
	<b>CNY (thousand)</b>	<b>Expiration</b>	<b>Amount</b>
Secured bank loans	16,950	2020.10~2028.10	72,578
Less: current portion	(1,809)		(7,746)
	<b>\$ 15,141</b>		<b>64,832</b>
Unused bank credit lines	<b>\$ -</b>		<b>-</b>
Range of interest rates			<b>4.00%</b>

As of September 30, 2021, the details of the future repayment period of the long-term loans were as follows:

<b>Period</b>	<b>Amount</b>
Within one year	\$ 8,120
Between one and five years	35,972
Over five years	21,176
	<b>\$ 65,268</b>

(iii) For the collateral for bank loans, please refer to Note 8.

(i) Lease liabilities

The carrying amounts of lease liabilities were as follow:

	<b>September 30, 2021</b>	<b>December 31, 2020</b>	<b>September 30, 2020</b>
Current	<b>\$ 20,054</b>	<b>23,150</b>	<b>19,058</b>
Non-current	<b>\$ 23,676</b>	<b>25,721</b>	<b>9,117</b>

For the maturity analysis, please refer to Note 6(q).

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The amount recognized in profit or loss were as follows:

	<b>For the three-month periods ended September 30</b>		<b>For the nine-month periods ended September 30</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
Interest expenses on lease liabilities	<u>\$ 448</u>	<u>373</u>	<u>1,308</u>	<u>1,527</u>
Expenses relating to short-term leases	<u>\$ 3,658</u>	<u>861</u>	<u>9,444</u>	<u>2,658</u>
Expenses relating to leases of low-value assets (excluding short-term leases of low-value assets)	<u>\$ 2,568</u>	<u>2,310</u>	<u>8,158</u>	<u>6,389</u>
COVID 19 related rent concessions (recognized as deduction of rent expenses)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>(654)</u>

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

	<b>For the nine-month periods ended September 30</b>	
	<b>2021</b>	<b>2020</b>
Total cash outflow for leases	<u>\$ 38,044</u>	<u>39,000</u>

(i) Leases of buildings and structures

As of September 30, 2021, the Group leases buildings and structures for its office space. The leases of office space run for a period of 1 to 10 years.

(ii) Other leases

The Group lease some office equipment. These leases are short-term or leases of low-value items. The Group has selected not to recognize right-of use assets and lease liabilities for these leases.

(j) Employee benefits

(i) Defined benefit plans

Management believes that there was no material volatility of the market, no material reimbursement and settlement or other material one-time events since prior fiscal year. As a result, the pension cost in the accompanying interim period was measured and disclosed according to the actuarial report as of December 31, 2020 and 2019.

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

	<b>For the three-month periods ended September 30</b>		<b>For the nine-month periods ended September 30</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
Operating cost	\$ 57	55	170	160
Selling expenses	10	9	30	24
Administration expenses	189	183	566	558
	<b>\$ 256</b>	<b>247</b>	<b>766</b>	<b>742</b>

(ii) Defined contribution plans

The Group's expenses under the pension plan cost to the Bureau of Labor Insurance were as follows:

	<b>For the three-month periods ended September 30</b>		<b>For the nine-month periods ended September 30</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
Operating cost	\$ 61,289	20,452	160,310	56,042
Selling expenses	2,390	875	6,450	2,451
Administration expenses	6,419	2,282	16,102	6,074
Research and development expenses	279	152	776	218
	<b>\$ 70,377</b>	<b>23,761</b>	<b>183,638</b>	<b>64,785</b>

(k) Income tax

(i) Income tax expense

The components of income tax expense were as follows:

	<b>For the three-month periods ended September 30</b>		<b>For the nine-month periods ended September 30</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
Current tax expense	<b>\$ 26,715</b>	<b>20,603</b>	<b>63,795</b>	<b>54,493</b>

(ii) There is no income tax recognized directly in equity or other comprehensive income for the three-month periods and nine-month periods ended September 30, 2021 and 2020.

(iii) The Company's corporate income tax returns for the year through 2019 were assessed by the local tax authorities.

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(l) Capital and other equity

Except for the following disclosure, there was no significant change in capital and other equity for the periods from January 1 to September 30, 2021 and 2020. For the related information, please refer to note 6 (l) of the consolidated financial statements for the year ended December 31, 2020.

(i) Common stock

As of September 30, 2021, December 31 and September 30, 2020, the Group's authorized common stock were 120,000 thousand shares with a par value of \$10 dollars per share, amounting to \$1,200,000, of which 66,921 thousand shares, 66,708 thousand shares and 66,708 thousand shares, respectively, were issued. And the capital surplus were \$669,211, \$667,083 and \$667,083. All proceeds from shares issued have been collected.

On March 10, 2021, the Company's Board of Directors approved a resolution to distribute the employees' profit sharing bonus amounting to \$20,000, consisting of 213 thousand shares. The application of the capital increase was approved by the Financial Supervisory Commission. The date of capital increase was resolved to be May 24, 2021, by the Board of Directors. The relevant registration procedures had been completed.

On March 27, 2020, the Company's Board of Directors approved a resolution to distribute the employees' profit sharing bonus amounting to \$20,000, consisting of 307 thousand shares. The application of the capital increase was approved by the Financial Supervisory Commission. The date of capital increase was resolved to be May 20, 2020, by the Board of Directors. The relevant registration procedures had been completed.

(ii) Retained earning

The Company's Article of Incorporation stipulate that Company's net earnings should first be used to offset the prior years' deficits, if any, after paying any income taxes. Of the remaining balance, 10% is to be appropriated as legal reserve until the accumulated legal reserve equals the Company's capital; and also set aside special capital reserve in accordance with relevant regulations or as requested by the authorities. Any balance left over and the beginning balance of retaining earnings shall be distributed by way of cash or stock dividends; and the ratio for all dividends shall exceed 5% of the remaining earnings. The Company's appropriations of earnings are approved in the meeting of the Board of Directors and are presented for approval in the Company's shareholders' meeting.

The Company considers that the current industrial development of the Company is in a stage of stable growth. In order to cooperate with the Company's long-term capital planning for sustainable operation and stable growth, the Company adopts the residual dividend policy. The annual cash dividends paid shall not be less than 10% of the total cash dividends and stock dividends.

The appropriations of earning for 2020 and 2019 had been approved by the Company's shareholders' meetings held on July 23, 2021 and September 22, 2020, respectively. The appropriations and dividends were as follows:

	<b>2020</b>	<b>2019</b>
Cash dividends	<b>\$ 328,752</b>	<b>212,484</b>

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(iii) Treasury shares

- a) The Company repurchased its own common stock as treasury shares in order to motivate and improve the operating performance of its employees in accordance with the requirements under section 28(2) of the Securities and Exchange Act.

The repurchase period is from March 30 to May 29, 2020. As of September 30, 2021, the repurchased treasury shares were 958 thousand shares in total. Shares transferred to employees were 0 thousand shares. Therefore, the shares of treasury shares held were 958 shares.

- b) Treasury stock cannot be pledged for debts, and treasury shares do not carry any shareholder rights until it is transferred.

(iv) Other equity interest, net of tax

	<b>Exchange differences on translation of foreign financial statements</b>	<b>Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income</b>	<b>Total</b>
Balance as of January 1, 2021	\$ (81,212)	-	(81,212)
Foreign currency translation differences	(36,242)	-	(36,242)
Balance as of September 30, 2021	<u>\$ (117,454)</u>	<u>-</u>	<u>(117,454)</u>
Balance as of January 1, 2020	\$ (102,909)	(22,188)	(125,097)
Foreign currency transaction differences	(8,134)	-	(8,134)
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	-	4,734	4,734
Disposal of financial assets measured at fair value through other comprehensive income	-	17,454	17,454
Balance as of September 30, 2020	<u>\$ (111,043)</u>	<u>-</u>	<u>(111,043)</u>

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(m) Earnings per share (“EPS”)

(i) Basic earnings per share

	<b>For the three-month periods ended September 30</b>		<b>For the nine-month periods ended September 30</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
Net profit belonging to common shareholders	<u>\$ 122,826</u>	<u>158,998</u>	<u>341,666</u>	<u>369,708</u>
Weighted average common stock outstanding (in thousands shares)	<u>65,963</u>	<u>65,750</u>	<u>65,909</u>	<u>66,110</u>
Basic earnings per share	<u>\$ 1.86</u>	<u>2.42</u>	<u>5.18</u>	<u>5.59</u>

(ii) Diluted earnings per share

	<b>For the three-month periods ended September 30</b>		<b>For the nine-month periods ended September 30</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
Net profit belonging to common shareholders	<u>\$ 122,826</u>	<u>158,998</u>	<u>341,666</u>	<u>369,708</u>
Weighted average common stock outstanding (in thousands shares)	65,963	65,750	65,909	66,110
Effect of potentially dilutive common stock (in thousands shares)				
Employees’ profit sharing bonus	503	509	600	653
Employees’ profit sharing bonus of subsidiary company	-	-	54	98
Weighted average number of common stock (diluted) (in thousands shares)	<u>66,466</u>	<u>66,259</u>	<u>66,563</u>	<u>66,861</u>
Diluted earnings per share (in dollars)	<u>\$ 1.85</u>	<u>2.40</u>	<u>5.13</u>	<u>5.53</u>

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(n) Revenue from contracts with customers

(i) Disaggregation of revenue

	<b>For the three-month periods ended September 30</b>		<b>For the nine-month periods ended September 30</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
Primary geographical markets:				
China	\$ 1,010,838	736,555	2,701,672	2,007,269
Taiwan	268,136	210,372	735,556	590,728
Japan	168,229	212,786	541,158	646,018
Other	<u>151,016</u>	<u>181,493</u>	<u>453,644</u>	<u>524,490</u>
	<b><u>\$ 1,598,219</u></b>	<b><u>1,341,206</u></b>	<b><u>4,432,030</u></b>	<b><u>3,768,505</u></b>
Major products:				
IT service revenue	<b><u>\$ 1,598,219</u></b>	<b><u>1,341,206</u></b>	<b><u>4,432,030</u></b>	<b><u>3,768,505</u></b>

(ii) Balance of contracts

	<b>September 30, 2021</b>	<b>December 31, 2020</b>	<b>September 30, 2020</b>
Notes and accounts receivable (including related parties)	\$ 2,098,939	1,498,018	1,670,477
Less: loss allowance	<u>(25,885)</u>	<u>(30,093)</u>	<u>(22,787)</u>
	<b><u>\$ 2,073,054</u></b>	<b><u>1,467,925</u></b>	<b><u>1,647,690</u></b>
Contract assets	\$ 22,071	32,097	41,507
Less: loss allowance	<u>(661)</u>	<u>(963)</u>	<u>(1,245)</u>
	<b><u>\$ 21,410</u></b>	<b><u>31,134</u></b>	<b><u>40,262</u></b>

The movements in the allowance for contract assets were as follow:

	<b>For the nine-month periods ended September 30</b>		
	<b>2021</b>	<b>2020</b>	
Balance as of January 1	\$ 963	1,664	
Impairment losses reversed recognized	(293)	(405)	
Effect of changes in foreign exchange rate	<u>(9)</u>	<u>(14)</u>	
Balance as of September 30	<b><u>\$ 661</u></b>	<b><u>1,245</u></b>	
	<b>September 30, 2021</b>	<b>December 31, 2020</b>	<b>September 30, 2020</b>
Contract liabilities	<b><u>\$ 17,563</u></b>	<b><u>20,151</u></b>	<b><u>16,266</u></b>

For details of notes and accounts receivable and loss allowance, please refer to Note 6(c).



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The Group uses a simplified approach to contract assets to estimate expected credit losses based on the loss rate method.

The amount of revenue recognized for the nine months ended September 30, 2021 and 2020 that was included in the contract liabilities balance at the beginning of the year was \$13,286 and \$13,089, respectively.

The major change in the balance of contract assets and liabilities is the difference between the time frame in the performance obligation to be satisfied and the payment to be received. There were no significant changes during the period.

(o) Employees' and directors' profit sharing bonus

According to the Company's Article of Incorporation, if the Company has profit (which means income before tax excluding the amounts of employees' and directors' profit sharing bonus) it shall be contributed by the following rules. However, if the amount Company have accumulated deficit, it shall reserve the amount for offsetting deficit.

- (i) No less than 10% of profit as employees' profit sharing bonus. The Company may distribute in the form of shares or in cash, and the qualification requirements of employees, including the employees of subsidiaries of the Company, depends on certain specific requirement determined by the Board of Directors.
- (ii) No more than 2% of profit as the profit sharing bonus in cash to the Directors.

The Company's estimated of employees' and directors' profit sharing bonus were as follows:

	<b>For the three-month periods</b>		<b>For the nine-month periods</b>	
	<b>ended September 30</b>		<b>ended September 30</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
Employee's profit sharing bonus	\$ 15,960	18,840	42,700	43,545
Directors' profit sharing bonus	3,190	3,760	8,530	8,700
	<b><u>\$ 19,150</u></b>	<b><u>22,600</u></b>	<b><u>51,230</u></b>	<b><u>52,245</u></b>

The amounts are calculated by the net profit before tax excluding employees' and directors' profit sharing bonus, of each period multiplied by the percentage of employees' and directors' profit sharing bonus as specified in the Company's Article of Incorporation. The amounts excluding the part of subsidiaries are accounted for under operating expense in 2021 and 2020. The differences between the estimated amounts in the financial statements and the actual amounts approved by the Board of directors, if any, shall be accounted for as a change in accounting estimate and recognized in next year. If the Company's Board of Directors approved to distribute employee's profit sharing bonus by shares, the number of shares were calculated based on the closing price of the Company's common stock, one day before the date of the meeting of Board of Directors. Related information would be available at the Market Observation Post System website.

The Company accrued and recognized employees' profit sharing bonus of \$56,219 and \$49,582 and directors' profit sharing bonus of \$11,240 and \$9,800 for the years ended December 31, 2020 and 2019. The amounts resolved by the Board of Directors were in agreement with those amounts recognized. Related information would be available at the Market Observation Post System website.

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(p) Non-operating income and expenses

(i) Interest income

	<b>For the three-month periods ended September 30</b>		<b>For the nine-month periods ended September 30</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
Interest income	<u>\$ 1,845</u>	<u>1,636</u>	<u>6,971</u>	<u>3,649</u>

(ii) Other income

	<b>For the three-month periods ended September 30</b>		<b>For the nine-month periods ended September 30</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
Government grants	\$ 29,045	33,804	39,840	46,574
Dividends	-	-	-	260
	<u>\$ 29,045</u>	<u>33,804</u>	<u>39,840</u>	<u>46,834</u>

(iii) Other gains and losses

	<b>For the three-month periods ended September 30</b>		<b>For the nine-month periods ended September 30</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
Foreign exchange losses, net	\$ (200)	(3,927)	(3,173)	(2,473)
Losses on disposals of property, plant and equipment, net	(322)	(418)	(1,163)	(959)
Gains on reversal of expected credit losses	2,864	-	2,864	-
Losses on lease modification	-	-	(244)	(267)
Others	180	(831)	1,086	(97)
	<u>\$ 2,522</u>	<u>(5,176)</u>	<u>(630)</u>	<u>(3,796)</u>

(iv) Finance costs

	<b>For the three-month periods ended September 30</b>		<b>For the nine-month periods ended September 30</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
Interest expense	<u>\$ (1,240)</u>	<u>(1,280)</u>	<u>(3,529)</u>	<u>(4,883)</u>

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(q) Financial instruments

Except for the contention mentioned below, there was no significant change in the fair value of the Group's financial instruments and degree of exposure to credit risk, liquidity risk and market risk arising from financial instruments. For related information, please refer to Note 6(q) of the consolidated financial statements for the year ended December 31, 2020.

(i) Credit risk

1) Credit risk exposure

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

2) Receivables securities

For credit risk exposure of notes and accounts receivable, please refer to Note 6(c). For the detail and impairment of contract asset, please refer to Note 6(n).

All of these financial assets are considered to have low risk, and thus, the impairment provision recognized during the period was limited to 12 months expected losses. Regarding how the financial instruments are considered to have low credit risk, please refer to Note 4(g).

(ii) Liquidity risk

The following were the contractual maturities of financial liabilities, including estimated interest payments:

	Carrying amount	Contractual cash flows	Within 1 year	1-2 years	Over 2 years
<b>As of September 30, 2021</b>					
Non-derivative financial liabilities					
Short-term loans	\$ 190,000	190,210	190,210	-	-
Accounts payable	90,606	90,606	90,606	-	-
Other payables	770,825	770,825	770,825	-	-
Lease liabilities (current and non-current)	43,730	45,877	21,393	18,628	5,856
Long-term loans (including current portion)	65,268	75,166	10,612	10,612	53,942
	<b>\$ 1,160,429</b>	<b>1,172,684</b>	<b>1,083,646</b>	<b>29,240</b>	<b>59,798</b>
<b>As of December 31, 2020</b>					
Non-derivative financial liabilities					
Accounts payable	\$ 109,134	109,134	109,134	-	-
Other payables (including related parties)	851,391	851,391	851,391	-	-
Lease liabilities (current and non-current)	48,871	51,644	24,677	15,289	11,678
Long-term loans (including current portion)	72,107	84,242	10,755	10,755	62,732
	<b>\$ 1,081,503</b>	<b>1,096,411</b>	<b>995,957</b>	<b>26,044</b>	<b>74,410</b>

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	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>Within 1 year</u>	<u>1-2 years</u>	<u>Over 2 years</u>
<b>As of September 30, 2020</b>					
Non-derivative financial liabilities					
Short-term loans	\$ 19,652	19,566	19,566	-	-
Accounts payable	105,566	105,566	105,566	-	-
Other payables	670,388	670,388	670,388	-	-
Lease liabilities (current and non-current)	28,175	29,554	19,807	5,345	4,402
Long-term loans (including current portion)	<u>72,578</u>	<u>85,206</u>	<u>10,542</u>	<u>10,541</u>	<u>64,123</u>
	<b><u>\$ 896,269</u></b>	<b><u>910,280</u></b>	<b><u>825,869</u></b>	<b><u>15,886</u></b>	<b><u>68,525</u></b>

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

(iii) Currency risk

1) Exposure to currency risk

The Group's significant exposure to foreign currency risk were as follows:

	<u>September 30, 2021</u>			<u>December 31, 2020</u>		
	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>NTD</u>	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>NTD</u>
<u>Financial assets</u>						
<u>Monetary items</u>						
USD	\$ 815	USD/TWD	27.866	22,708	650	USD/TWD 28.508 18,543
CNY	653	CNY/HKD	1.2047	2,815		
JPY	65,800	JPY/HKD	0.0697	16,406		
USD				244	USD/CNY	6.5249 6,945
JPY	6,310	JPY/CNY	0.0578	1,573	60,416	JPY/CNY 0.0632 16,683
USD	3,344	USD /HKD	7.7877	93,172	2,751	USD /HKD 7.7522 78,414
<u>Financial Liabilities</u>						
<u>Monetary items</u>						
USD	716	USD/HKD	7.7877	19,940	463	USD /HKD 7.7522 13,205
CNY	4,047	CNY/HKD	1.2047	17,447	2,146	CNY/HKD 1.1881 9,375
<b><u>September 30, 2020</u></b>						
	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>NTD</u>			
<u>Financial assets</u>						
<u>Monetary items</u>						
USD	\$ 954	USD/TWD	29.126	27,796		
USD	478	USD/CNY	6.8019	13,932		
JPY	79,640	JPY/CNY	0.0644	21,955		
USD	2,395	USD/HKD	7.7504	69,750		
<u>Financial Liabilities</u>						
<u>Monetary items</u>						
USD	691	USD/HKD	7.7504	20,112		
CNY	4,383	CNY/ USD	1.1394	18,767		

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### 2) Sensitivity analysis

The Group's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, notes and accounts receivable (including related parties), other receivables, accounts payable (including related parties) and other payables that are denominated in foreign currency. A strengthening (weakening) 5% of appreciation (depreciation) of the NTD against the USD, CNY and JPY for the nine-month period ended September 30, 2021 and 2020 would have increased (decreased) the net profit after tax by \$4,892 and \$4,969, respectively. The analysis assumes that all other variables remain constant.

### 3) Foreign exchange gain and loss on 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 the three-month periods and nine-month periods ended September 30, 2021 and 2020, foreign exchange gain (loss), including realized and unrealized portions, amounted to \$200 · \$3,927 · \$3,173 and \$2,473, respectively.

### (iv) Interest rate analysis

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

The following sensitivity analysis is based on the exposure to the interest rate risk of derivative and three-month non-derivative financial instruments on the reporting date. Regarding assets with variable interest rates, the analysis is based on the assumption that the amount of assets outstanding at the reporting date was outstanding throughout the year. The rate of change is expressed as the interest rate increases or decreases by 1% when reporting to management internally, which also represents the Group management's assessment of the reasonably possible interest rate change.

If the interest rate had increased / decreased by 1%, the Group's net income would have increased / decreased by \$1,915 and \$691 for the nine-month period ended September 30, 2021 and 2020, respectively, with all other variable factors remaining constant. This is mainly due to the Group's borrowing at variable rates and investment in variable-rate bills.

### (v) Fair value information

Carrying amount of the financial assets and financial liabilities is a reasonable approximation of the fair value.

### (r) Management of financial risk

There were no significant changes in the Group's financial risk management and policies as disclosed in Note 6(r) of the consolidated financial statements for the year ended December 31, 2020.

### (s) Capital management

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

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refer to Note 6(s) of the consolidated financial statements for the year ended December 31, 2020 for further details.

(t) Investing and Financing activities not affecting current cash flow

Reconciliation of liabilities arising from financing activities for the nine-month period ended September 30, 2021 and 2020, were as follows:

	January 1, 2021	Cash flows		Non-cash changes		September 30, 2021
		Proceeds from loans	Repayments of loans and lease liabilities	Others	Effect of changes in foreign exchange rate	
Short-term loans	\$ -	203,241	(13,241)	-	-	190,000
Long-term loans (including current portion)	72,107	-	(5,911)	-	(928)	65,268
Lease liabilities (current and non-current)	48,871	-	(19,134)	14,996	(1,003)	43,730
	<u>\$ 120,978</u>	<u>203,241</u>	<u>(38,286)</u>	<u>14,996</u>	<u>(1,931)</u>	<u>298,998</u>
	January 1, 2020	Cash flows		Cash flows		September 30, 2020
		Proceeds from loans	Repayments of loans and lease liabilities	Others	Effect of changes in foreign exchange rate	
Short-term loans	\$ -	455,932	(436,262)	-	(108)	19,562
Long-term loans (including current portion)	117,193	-	(43,693)	-	(922)	72,578
Long-term loans (including current portion)	59,222	-	(29,080)	(1,607)	(360)	28,175
	<u>\$ 176,415</u>	<u>455,932</u>	<u>(509,035)</u>	<u>(1,607)</u>	<u>(1,390)</u>	<u>120,315</u>

**(7) Related party transactions**

(a) Names and relationship with related parties

The following are entities that have transactions with the Group during the periods covered in the financial statements.

<u>Name of related party</u>	<u>Relationship with the Group</u>
Wistron Corporation (Wistron)	The entity with significant influence over the Group
Wiwynn Corporation (Wiwynn)	Other related parties
All Holding Corporation (AIHH)	Other related parties
Winynn Technology Service Kun Shan, Ltd. (WYKS)	Other related parties
ICT Service Management Solutions (India) Private Limited (WIN)	Other related parties
WiAdance Technology Corporation (AGI)	Other related parties
Wistron NeWeb Corporation (WNC)	Other related parties
Changing Information Technology Inc. (CGI)	Other related parties
Wibase Industrial Solutions Inc. (WIS)	Other related parties

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**Notes to the Consolidated Financial Statements**

(b) Significant transactions with related parties

(i) Provide service to related parties

The amounts of significant sales transactions and outstanding balances between the Group and related parties were as follows:

	Revenue				Accounts receivable -related parties		
	For the three-month periods ended September 30		For the nine-month periods ended September 30		September 30, 2021	December 31, 2020	September 30, 2020
	2021	2020	2021	2020			
Entities with significant influence over the Group	\$ 47,272	9,576	118,003	28,961	39,843	10,177	11,770
Other related parties	1,630	19,032	4,206	54,798	1,196	6,787	6,815
<b>Total</b>	<b>\$ 48,902</b>	<b>28,608</b>	<b>122,209</b>	<b>83,759</b>	<b>41,039</b>	<b>16,964</b>	<b>18,585</b>

The selling price for related parties approximated the market price. The credit terms ranged from one to three months. Accounts receivable from related parties were uncollateralized, and no expected credit loss was required after the assessment by the management.

(ii) Service expense and payable to related parties

Other related parties provide IT services to the Group's business and the outstanding balances were as follows:

	Cost of sales				Accounts payable -related parties		
	For the three-month periods ended September 30		For the nine-month periods ended September 30		September 30, 2021	December 31, 2020	September 30, 2020
	2021	2020	2021	2020			
Entities with significant influence over the Group	\$ -	-	-	166	-	-	-
Other related parties	-	-	-	139	-	-	-
<b>Total</b>	<b>\$ -</b>	<b>-</b>	<b>-</b>	<b>305</b>	<b>-</b>	<b>-</b>	<b>-</b>

The terms and pricing of the transactions with related parties were not significantly different from those offered by other vendors. The payment terms ranged from one to three months, which were no different from the payment terms given by other vendors.

(iii) Contract liabilities

As of September 30, 2021, December 31 and September 30, 2020, the Group received \$241, \$653 and \$0 advance payment from the entity with significant influence over the Group which was recognized as current contract liabilities.

(iv) Other transactions

For the nine-month period ended September 30, 2021, the Group purchased intangible assets from other related parties amounting to \$548. The balance of other accounts payable from the above transaction was paid in full as of September 30, 2021.

**WISTRON INFORMATION TECHNOLOGY AND SERVICES CORPORATION AND  
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**Notes to the Consolidated Financial Statements**

(v) Receivables and payables to related parties were as follows:

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Accounts receivable—related parties:			
Accounts receivable	<u>\$ 41,039</u>	<u>16,964</u>	<u>18,585</u>
Accounts payable—related parties:			
Other payables	<u>\$ -</u>	<u>440</u>	<u>-</u>

(c) Key management personnel compensation

Key management personnel compensation comprised:

	<u>For the three-month periods ended September 30</u>		<u>For the nine-month periods ended September 30</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Short-term employee benefits	\$ 17,545	19,615	53,293	48,464
Post-employment benefits	274	169	942	385
	<u>\$ 17,819</u>	<u>19,784</u>	<u>54,235</u>	<u>48,849</u>

**(8) Pledged assets**

The carrying amounts of pledged assets were as follows:

<u>Pledged assets</u>	<u>Object</u>	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Property, plant and equipment	Long-term loans (including current portions)	<u>\$ 230,850</u>	<u>240,277</u>	<u>237,547</u>

**(9) Significant commitments and contingencies: None**

**(10) Losses due to major disasters: None.**

**(11) Subsequent events: None.**



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**(12) Other**

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

By function	For the three-month periods ended, September 30, 2021			For the three-month periods ended, September 30, 2020		
	Cost of sales	Operating expenses	Total	Cost of sales	Operating expenses	Total
<b>By item</b>						
Employee benefits						
Salaries	912,650	170,357	1,083,007	702,378	136,823	839,201
Labor and health insurance	52,180	7,643	59,823	38,849	5,635	44,484
Pension	61,346	9,287	70,633	20,507	3,501	24,008
Others	11,390	4,816	16,206	15,365	3,562	18,927
Depreciation	2,692	17,514	20,206	5,608	20,342	25,950
Amortization	260	1,852	2,112	114	1,304	1,418
By function	For the nine-month periods ended, September 30, 2021			For the nine-month periods ended, September 30, 2020		
By item	Cost of sales	Operating expenses	Total	Cost of sales	Operating expenses	Total
Employee benefits						
Salaries	2,506,920	461,624	2,968,544	2,008,312	384,469	2,392,781
Labor and health insurance	143,942	22,273	166,215	99,043	15,020	114,063
Pension	160,480	23,924	184,404	56,202	9,325	65,527
Others	35,215	14,840	50,055	38,721	9,141	47,862
Depreciation	8,065	51,101	59,166	11,679	61,576	73,255
Amortization	798	5,264	6,062	378	3,938	4,316

(b) Seasonality of operations

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

**(13) Other disclosures**

(a) General information and segment information

The following is the information on significant transactions required by the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" for the Group for the nine-month period ended September 30, 2021:

- (i) Loans to other parties: None.
- (ii) Guarantees and endorsements for other parties: Please refer to Table 1.
- (iii) Securities held as of September 30, 2021 (excluding investment in subsidiaries, associates and joint ventures): None.

**WISTRON INFORMATION TECHNOLOGY AND SERVICES CORPORATION AND  
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**Notes to the Consolidated Financial Statements**

- (iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20% of the capital stock: None.
- (v) Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None.
- (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: Please refer to Table 2.
- (viii) Accounts receivable from related parties with amounts exceeding the lower of NT\$100 million or 20% of the capital stock: None.
- (ix) Trading in derivative instruments: None.
- (x) Business relationships and significant intercompany transactions: Please refer to Table 3.
- (b) Information on investees (excluding information on investees in mainland China): Please refer to Table 4.
- (c) Information on investment in mainland China: Please refer to Table 5.
- (d) Information on major shareholders: Please refer to Table 6.

**(14) Segment information**

The Group's chief operating decision maker determined its operating segment as the single reportable segment since the segment is mainly involved in IT Services. The performance of the operating segment is consistent with the consolidated financial report. Please refer to consolidated balance sheet and consolidated statement of comprehensive income.

**WISTRON INFORMATION TECHNOLOGY AND SERVICES CORPORATION AND SUBSIDIARIES**

**Notes to the Consolidated Financial Statements**

**Guarantees and endorsements for other parties**

**September 30, 2021**

Table 1

No.	Endorsement/ Guarantee Provider	Counter-party of guarantee and endorsement		Limits on Endorsement/ Guarantee Amount Provided to Each Guaranteed Party (Note 1)	Maximum Balance for the Period	Ending Balance	Amount Actually Drawn	Amount of Endorsement / Guarantee Collateralized by Properties	Ratio of Accumulated Endorsement/ Guarantee to Net Equity per Latest Financial Statements	Maximum amount for guarantees and endorsements (Note 1)	Guarantee Provided by Parent Company	Guarantee Provided by A Subsidiary	Guarantee Provided to Subsidiaries in Mainland China	Notes
		Name	Relationship with the company (Note 2)											
0	The Company	WIUS	2	1,165,945	57,062	55,732	-	-	2.39%	2,331,890	Y	N	N	-
0	The Company	WIHK	2	1,165,945	114,124	111,464	-	-	4.78%	2,331,890	Y	N	N	-
0	The Company	WIBJ	2	1,165,945	87,874	86,216	-	-	3.70%	2,331,890	Y	N	Y	-
0	The Company	WIWZ	2	1,165,945	763,622	749,154	-	-	32.13%	2,331,890	Y	N	Y	-

(Note 1) The total amount for guarantees and endorsements provided by the Company shall not exceed the Company's net worth, which was audited or reviewed by Certified Public Accountant.

Except for the subsidiary which was owned more than 90% by the guarantor which the total amount for guarantees and endorsements provided by the Company shall not exceed 50% of the Company's net worth, which was audited or reviewed by Certified Public Accountant. The total amount for guarantees and endorsements provided by the Company to any individual entity shall not exceed 30% of the Company's net worth, which was audited or reviewed by Certified Public Accountant.

The amount for guarantees and endorsements provided by the Company and its subsidiaries to other entities shall not exceed the Company's net worth, which was audited or reviewed by Certified Public Accountant.

Except for the subsidiary which was owned more than 90% by the guarantor which the total amount for guarantees and endorsements provided by the Company shall not exceed 50% of the Company's net worth, which was audited or reviewed by Certified Public Accountant. The amount for guarantees and endorsements provided by the Company and its subsidiaries to any individual entity shall not exceed 30% of the Company's net worth, was audited or reviewed by Certified Public Accountant.

(Note 2) Relationship with the Company:

1. Ordinary business relationship.
2. Subsidiary which was owned more than 50% by the guarantor.
3. An investee which was owned more than 50% in total by both the guarantor and its subsidiary.
4. An entity that is guaranteed and endorsed by all capital contributing shareholders in proportion to their shareholding percentages.

**WISTRON INFORMATION TECHNOLOGY AND SERVICES CORPORATION AND SUBSIDIARIES**

**Notes to the Consolidated Financial Statements**

**Related party transactions for purchases and sales with amounts exceeding the lower of NT\$100 million or 20% of the capital stock**

**September 30, 2021**

Table 2

Name of company	Related party	Nature of relationship	Transaction details				Transactions with terms different from others		Account/note receivable (payable)		Notes
			Purchase/Sale	Amount	Percentage of total purchases/sales	Payment terms	Unit price	Payment terms	Balance	Percentage of total accounts/note receivable (payable)	
The Company	WIHK	Parent - subsidiary company	Sales	(153,402)	17.19%	Not significant different from the third-parties sales. (generally Transaction)	Not significant different from the third-parties sales. (generally Transaction)	Not significant different from the third-parties sales. (generally Transaction)	16,190	4.79%	(Note)
WIWZ	WIBJ	Parent - subsidiary company	Sales	(474,684)	16.80%	"	"	"	60,063	4.54%	"
WIWZ	WIHK	Associate	Sales	(168,889)	5.98%	"	"	"	17,447	1.32%	"
WIHK	The Company	Parent - subsidiary company	Purchases	153,402	45.07%	"	"	"	(16,190)	47.53%	"
WIBJ	WIWZ	Parent - subsidiary company	Purchases	474,684	100.00%	"	"	"	(60,063)	100.00%	"
WIHK	WIWZ	Associate	Purchases	168,889	49.44%	"	"	"	(17,447)	51.22%	"

(Note)The aforementioned inter - company transactions have been eliminated in the consolidated financial statements.

**WISTRON INFORMATION TECHNOLOGY AND SERVICES CORPORATION AND SUBSIDIARIES**

**Notes to the Consolidated Financial Statements**

**Business relationships and significant intercompany transactions**

**September 30, 2021**

Table 3

No. (Note 1)	Company Name	Related Party	Nature of relationship (Note 2)	Transaction			
				Financial Statements Item (Note 3)	Amount	Trading Terms	Percentage of the consolidated sales revenue or total assets (Note 4)
0	The Company	WIHK	1	Service Revenue	153,402	Not significant different from the third parties sales.(generally transaction)	3.46%
1	WIJP	WIHK	3	"	15,884	"	0.36%
2	WIHK	WIJP	3	"	58,777	"	1.33%
2	WIHK	WIUS	3	"	84,026	"	1.90%
3	WIBJ	WIWZ	3	"	35,544	"	0.80%
4	WIYC	WIWZ	3	"	1,798	"	0.04%
5	WIWZ	WIBJ	3	"	474,684	"	10.71%
5	WIWZ	WIHK	3	"	168,889	"	3.81%
0	The Company	WIHK	1	Accounts receivables-related parties	16,190	"	0.44%
2	WIHK	WIJP	3	"	12,916	"	0.35%
2	WIHK	WIUS	3	"	9,589	"	0.26%
3	WIBJ	WIWZ	3	"	4,345	"	0.12%
4	WIYC	WIWZ	3	"	623	"	0.02%
5	WIWZ	WIBJ	3	"	60,063	"	1.63%
5	WIWZ	WIHK	3	"	17,447	"	0.47%

**WISTRON INFORMATION TECHNOLOGY AND SERVICES CORPORATION AND SUBSIDIARIES****Notes to the Consolidated Financial Statements****Business relationships and significant intercompany transactions****September 30, 2021**

Note 1: Company numbering as follows:

1. Parent company - 0
2. Subsidiaries starts from 1

Note 2: Relationship:

1. Transactions between parent company and subsidiary
2. Transactions between subsidiary and parent company
3. Transactions between subsidiary and subsidiary

Note 3: The section only discloses the information of sales and accounts receivable of inter-company transactions, as well as the purchase and accounts payable of counter - party.

Note 4: Calculated by using the transaction amount, divided by the consolidated net revenues and total assets.

**WISTRON INFORMATION TECHNOLOGY AND SERVICES CORPORATION AND SUBSIDIARIES**

**Notes to the Consolidated Financial Statements**

**Information on investees (excluding investees in mainland China)**

**September 30, 2021**

Table 4

Name of investor	Name of investee	Location	Major operations	Initial investment amount		Ending balance			Net income (losses) of the investee	Investment income (losses)	Notes
				Ending balance	Beginning balance	Shares	Ratio of shares	Book value			
The Company	WIBI	B.V.I	Professional investment enterprise	294,184	294,184	180,000,000	100.00%	1,752,036	194,781	194,781	(Note)
The Company	WIIP	Japan	Research, develop, design of software, and IT consulting service	29,564	29,564	1,960	100.00%	121,073	12,282	12,282	"
The Company	WIHK	Hong Kong	Research, develop, design of software, and IT consulting service	44	44	10,000	100.00%	56,870	19,250	19,250	"
The Company	WIUS	U.S.A	Research, develop, design of software, and IT consulting service	7,586	7,586	250,000	100.00%	24,938	3,187	3,187	"
WIBI	WIHH	Hong Kong	Professional investment enterprise	3,012	3,012	49,008,308	100.00%	1,753,137	68,640	68,640	"

Note: The aforementioned inter-company transactions have been eliminated in the consolidated financial statements.

**WISTRON INFORMATION TECHNOLOGY AND SERVICES CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**  
**Information on investment in Mainland China**  
**September 30, 2021**

Table 5

## 1. Information on Investment in Mainland China:

Name of investee	Main businesses and products	Total amount of paid-in capital	Method of investment	Accumulated outflow of investment from Taiwan as of January 1, 2021	Investment flows		Accumulated outflow of investment from Taiwan as of September 30, 2021	Net income (losses) of the investee	Direct/ indirect shareholding (%) by the Company	Share of Profits/Losses (Notes 2 · 8)	Carrying Amount as of September 30, 2021 (Note 2 · 8)	Accumulated Inward Remittance of Earnings as of September 30, 2021
					Outflow	Inflow						
QT	Research, develop, design of software, and IT consulting service	4,445	(Note 1)1.	2,304	-	-	2,304	(24) (Note 3)	100.00%	(24) (Note 3)	(1,274)	-
WIBJ	Research, develop, design of software, and IT consulting service	502,865	(Note 1)1.	169,420	-	-	169,420	194,977 (Note 3)	100.00%	194,977 (Note 3)	1,750,529	-
WIWZ	Research, develop, design of software, and IT consulting service	667,314	(Note 1)2.	-	-	-	-	165,164 (Note 3)	100.00%	165,164 (Note 3)	1,360,318	-
WIYC	Research, develop, design of software, and IT consulting service	24,449	(Note 1)2.	-	-	-	-	205 (Note 3)	100.00%	205 (Note 3)	18,001	-

## 2. Limitation on investment in Mainland China:

Accumulated Investment in Mainland China as of September 30, 2021 (Note 4)	Investment Amounts Authorized by Investment Commission, MOEA (Note 4) (Note 6) (Note 7)	Upper Limit on Investment (Note 5)
198,722 (USD 7,131,356 )	505,248 (USD 18,131,356 )	1,399,134

(Note 1) : Ways to invest in Mainland hina :

1. Indirect investment in Mainland China company through the company established in a third region.
2. Indirect investment in Mainland China company through Mainland China company.

(Note 2) : The amount of the net income (losses) and the investee company carrying value as of September 30, 2021 were recognized by the investment through subsidiaries established in a third region or Mainland China.

(Note 3) : The financial statements of the investee company were reviewed by the company's auditor.

(Note 4) : Translated using the ending rate on September 30, 2021, which was USD : NTD = 1 : 27.866 .

(Note 5) : The limit was the higher of 60% of the Company's net worth or NTD 80 million dollars.



**WISTRON INFORMATION TECHNOLOGY AND SERVICES CORPORATION AND SUBSIDIARIES****Notes to the Consolidated Financial Statements****Information on investment in Mainland China****September 30, 2021**

(Note 6) : Of which USD 1,000,000 was the investment in the dissolved subsidiary at Hangzhou. Due to operating losses, the investment has been completely lost and cannot be remitted; Of which USD 757,756 was the investment in the dissolved subsidiary at Zhejiang.

(Note 7) : The subsidiary, Wistron Information Technology & Service Inc.(WIBI) in which the Company owns 100% shareholdings, transfer 100% shareholdings in Wistron Information Technology and Services (Beijing) Inc.(WIBJ) to Wistron ITS (Hong Kong) Limited(WIHH) in exchange for acquiring new shares issued by WIHH in 2021Q3.

(Note 8) : The aforementioned inter - company transactions have been eliminated in the consolidated financial statements.

**3. Significant transactions :**

For the nine-month period ended September 30, 2021, the significant transactions of the entities in China, which were eliminated in the preparation of consolidated financial statements, are disclosed in “Information on significant transactions”.

**WISTRON INFORMATION TECHNOLOGY AND SERVICES CORPORATION AND SUBSIDIARIES****Information on major shareholders****September 30, 2021**

Table 6

<b>Shareholder's Name</b>	<b>Shareholding</b>	
	<b>Shares</b>	<b>Percentage</b>
Wistron Digital Technology Holding Company	15,718,837	23.48%