

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

Consolidated Financial Statements

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

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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, 2022 and 2021, and the related consolidated statements of comprehensive income for the three-months and nine-months ended September 30, 2022 and 2021, as well as the related consolidated statements of changes in equity and cash flows for the nine months ended September 30, 2022 and 2021, and notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

Scope of Review

We conducted our reviews in accordance with Statement of Auditing 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, 2022 and 2021, and of its consolidated financial performance for the three months and nine months ended September 30, 2022 and 2021 and its consolidated cash flows for the nine months ended September 30, 2022 and 2021 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

The engagement partners on the review resulting in this independent auditors' review report are Ming-Hung Huang and Chia-Chien Tang.

KPMG

Taipei, Taiwan (The Republic of China)
November 3, 2022

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, 2022 and 2021
WISTRON INFORMATION TECHNOLOGY AND SERVICES CORPORATION AND SUBSIDIARIES

Consolidated Balance Sheets

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

(Expressed in Thousands of New Taiwan Dollars)

Assets		September 30, 2022		December 31, 2021		September 30, 2021		Liabilities and Equity		September 30, 2022		December 31, 2021		September 30, 2021	
		Amount	%	Amount	%	Amount	%			Amount	%	Amount	%	Amount	%
Current assets:								Current liabilities:							
1100	Cash and cash equivalents (note 6(a))	\$ 699,573	16	877,245	22	606,562	16	2100	Short-term borrowings (note 6(g))	\$ 364,484	8	107,230	3	190,000	5
1140	Current contract assets (note 6(m))	14,529	-	12,215	-	21,410	1	2130	Current contract liabilities (notes 6(m) and 7)	19,965	-	14,665	-	17,563	-
1170	Notes and accounts receivable, net (notes 6(b)(m))	2,600,858	60	2,092,900	52	2,032,015	55	2170	Accounts payable	77,399	2	94,687	3	90,606	2
1180	Accounts receivable-related parties, net (notes 6(b)(m) and 7)	53,652	1	38,159	1	41,039	1	2219	Other payables (note 6(n))	927,286	22	1,047,978	26	770,825	21
1200	Other receivables	76	-	2,186	-	99	-	2220	Other payables-related parties (note 7)	28	-	196	-	-	-
1220	Current tax assets	6,895	-	12,811	-	1,935	-	2230	Current tax liabilities	25,604	1	42,935	1	37,862	1
1410	Prepayments	20,374	1	17,205	-	26,266	1	2399	Other current liabilities	42,771	1	29,487	1	22,967	1
1470	Other current assets (notes 6(f))	12,368	-	20,401	1	22,054	1	2280	Current lease liabilities (note 6(h))	28,366	1	26,453	1	20,054	1
Total current assets		3,408,325	78	3,073,122	76	2,751,380	75	2322	Long-term borrowings, current portion (notes 6(c)(g) and 8)	8,852	-	8,274	-	8,120	-
Non-current assets:								Total current liabilities							
1600	Property, plant and equipment (notes 6(c) and 8)	795,993	19	813,853	20	820,313	22	Non-Current liabilities:							
1755	Right-of-use assets (note 6(d))	43,261	1	57,740	2	47,281	1	2540	Long-term loans (notes 6(c)(g) and 8)	50,539	1	55,543	1	57,148	2
1780	Intangible assets (note 6(e) and 7)	33,940	1	38,915	1	30,441	1	2570	Deferred tax liabilities	87,079	2	87,247	2	98,889	3
1840	Deferred tax assets	20,546	1	20,189	1	21,832	1	2580	Non-current lease liabilities (note 6(h))	10,999	-	27,417	1	23,676	1
1900	Other non-current assets (notes 6(f) and 8)	18,767	-	13,648	-	17,390	-	2640	Net defined benefit liability, non-current	15,809	-	15,173	-	16,492	-
Total non-current assets		912,507	22	944,345	24	937,257	25	2670	Other non-current liabilities	2,245	-	2,460	-	2,545	-
								Total non-current liabilities							
								Total liabilities							
								Equity (notes 6(k)):							
								3100	Capital stock	671,523	16	669,211	17	669,211	18
								3200	Capital surplus	791,658	18	770,877	19	770,877	21
								3300	Retained earnings	1,283,966	30	1,198,187	30	1,082,756	29
								3400	Other equity	(50,607)	(1)	(107,053)	(3)	(117,454)	(3)
								3500	Treasury shares	(37,134)	(1)	(73,500)	(2)	(73,500)	(2)
								Total equity							
Total assets		\$ 4,320,832	100	4,017,467	100	3,688,637	100	Total liabilities and equity		\$ 4,320,832	100	4,017,467	100	3,688,637	100

See accompanying notes to financial statements.

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

Consolidated Statements of Comprehensive Income

For the three months and nine months ended September 30, 2022 and 2021

(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				
	2022		2021		2022		2021		
	Amount	%	Amount	%	Amount	%	Amount	%	
4000	Net revenue (notes 6(m) and 7)	\$ 2,078,248	100	1,598,219	100	\$ 5,856,798	100	4,432,030	100
5000	Cost of Sales (notes 6(c)(d)(e)(h)(i) and 12)	(1,629,157)	(78)	(1,212,389)	(76)	(4,597,507)	(78)	(3,365,822)	(76)
	Gross profit	<u>449,091</u>	<u>22</u>	<u>385,830</u>	<u>24</u>	<u>1,259,291</u>	<u>22</u>	<u>1,066,208</u>	<u>24</u>
	Operating expenses (notes 6(b)(c)(d)(e)(h)(i)(k)(m)(n), 7 and 12)								
6100	Selling expenses	(55,219)	(3)	(42,842)	(3)	(156,416)	(3)	(120,894)	(3)
6200	Administrative expenses	(216,712)	(11)	(214,139)	(13)	(617,733)	(11)	(571,741)	(13)
6300	Research and development expenses	(13,092)	-	(4,912)	-	(28,798)	-	(14,428)	-
6450	Expected credit (losses) gains	(5,726)	-	(6,568)	(1)	(20,385)	-	3,664	-
	Total operating expenses	<u>(290,749)</u>	<u>(14)</u>	<u>(268,461)</u>	<u>(17)</u>	<u>(823,332)</u>	<u>(14)</u>	<u>(703,399)</u>	<u>(16)</u>
	Net operating income	<u>158,342</u>	<u>8</u>	<u>117,369</u>	<u>7</u>	<u>435,959</u>	<u>8</u>	<u>362,809</u>	<u>8</u>
	Non-operating income and expenses (notes 6(h)(o)):								
7100	Interest income	1,440	-	1,845	-	3,706	-	6,971	-
7010	Other income	2,283	-	29,045	2	9,535	-	39,840	1
7020	Other gains and losses	4,106	-	2,522	-	11,518	-	(630)	-
7050	Finance costs	(1,573)	-	(1,240)	-	(4,814)	-	(3,529)	-
	Total non-operating income and expenses	<u>6,256</u>	<u>-</u>	<u>32,172</u>	<u>2</u>	<u>19,945</u>	<u>-</u>	<u>42,652</u>	<u>1</u>
	Profit before tax	<u>164,598</u>	<u>8</u>	<u>149,541</u>	<u>9</u>	<u>455,904</u>	<u>8</u>	<u>405,461</u>	<u>9</u>
7950	Income tax expenses (note 6(j))	(19,854)	(1)	(26,715)	(1)	(65,352)	(1)	(63,795)	(1)
	Net profit	<u>144,744</u>	<u>7</u>	<u>122,826</u>	<u>8</u>	<u>390,552</u>	<u>7</u>	<u>341,666</u>	<u>8</u>
8300	Other comprehensive income (note 6(k)):								
8360	Items that may be reclassified subsequently to profit or loss								
8361	Exchange differences on translation of foreign financial statements	29,928	1	(5,871)	(1)	56,446	1	(36,242)	(1)
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss	-	-	-	-	-	-	-	-
	Total items that may be reclassified subsequently to profit or loss	<u>29,928</u>	<u>1</u>	<u>(5,871)</u>	<u>(1)</u>	<u>56,446</u>	<u>1</u>	<u>(36,242)</u>	<u>(1)</u>
8300	Other comprehensive income (loss)	<u>29,928</u>	<u>1</u>	<u>(5,871)</u>	<u>(1)</u>	<u>56,446</u>	<u>1</u>	<u>(36,242)</u>	<u>(1)</u>
	Total comprehensive income	<u>\$ 174,672</u>	<u>8</u>	<u>116,955</u>	<u>7</u>	<u>446,998</u>	<u>8</u>	<u>305,424</u>	<u>7</u>
	Earnings per share (in dollars) (note 6(l))								
9750	Basic earnings per share	<u>\$ 2.17</u>		<u>1.86</u>		<u>5.87</u>		<u>5.18</u>	
9850	Diluted earnings per share	<u>\$ 2.15</u>		<u>1.85</u>		<u>5.81</u>		<u>5.13</u>	

See accompanying notes to financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
Reviewed only, not audited in accordance with generally accepted auditing standards
WISTRON INFORMATION TECHNOLOGY AND SERVICES CORPORATION AND SUBSIDIARIES

Consolidated Statements of Changes in Equity

For the nine months ended September 30, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

	Equity attributable to owners of parent								Total equity
	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	Treasury shares	
Balance at January 1, 2021	\$ 667,083	753,005	131,840	125,097	812,905	1,069,842	(81,212)	(73,500)	2,335,218
Net profit	-	-	-	-	341,666	341,666	-	-	341,666
Other comprehensive loss	-	-	-	-	-	-	(36,242)	-	(36,242)
Total comprehensive income	-	-	-	-	341,666	341,666	(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
Balance at September 30, 2021	\$ 669,211	770,877	176,669	81,812	824,875	1,082,756	(117,454)	(73,500)	2,331,890
Balance at January 1, 2022	\$ 669,211	770,877	176,669	81,212	940,306	1,198,187	(107,053)	(73,500)	2,457,722
Net profit	-	-	-	-	390,552	390,552	-	-	390,552
Other comprehensive income	-	-	-	-	-	-	56,446	-	56,446
Total comprehensive income	-	-	-	-	390,552	390,552	56,446	-	446,998
Appropriation and distribution of retained earnings:									
Legal reserve	-	-	45,710	-	(45,710)	-	-	-	-
Special reserve	-	-	-	25,841	(25,841)	-	-	-	-
Cash dividends	-	-	-	-	(304,773)	(304,773)	-	-	(304,773)
Compensation cost of treasury shares transferred to employees	-	3,487	-	-	-	-	-	-	3,487
Treasury shares transferred to employees	-	(394)	-	-	-	-	-	36,366	35,972
New share issues through employee's profit sharing bonus	2,312	17,688	-	-	-	-	-	-	20,000
Balance at September 30, 2022	\$ 671,523	791,658	222,379	107,053	954,534	1,283,966	(50,607)	(37,134)	2,659,406

See accompanying notes to financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
Reviewed only, not audited in accordance with generally accepted auditing standards
WISTRON INFORMATION TECHNOLOGY AND SERVICES CORPORATION AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the nine months ended September 30, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

	For the nine-month periods ended September 30	
	2022	2021
Cash flows generated from (used in) operating activities:		
Profit before tax	\$ 455,904	405,461
Adjustments:		
Adjustments to reconcile profit:		
Depreciation expense	62,976	59,166
Amortization expense	9,920	6,062
Expected credit losses (gains)	20,385	(3,664)
Interest expense	4,814	3,529
Interest income	(3,706)	(6,971)
Cost of share-based payment awards	3,487	-
Loss on disposal of property, plant and equipment	835	1,163
Gain on disposal of investment	(2,959)	-
Loss on lease modification	-	244
Concession on lease liabilities	(266)	-
Total adjustments to reconcile profit	95,486	59,529
Changes in operating assets and liabilities:		
Changes in operating assets:		
(Increase) decrease in current contract assets	(2,164)	9,754
Increase in notes and accounts receivable, net	(469,786)	(608,570)
Increase in accounts receivable-related parties	(15,492)	(24,181)
Decrease (increase) in other receivables	2,151	(31)
Increase in prepayments	(2,655)	(10,888)
Decrease (increase) in other current assets	302	(1,141)
Total changes in operating assets	(487,644)	(635,057)
Changes in operating liabilities:		
Increase (decrease) in contract liabilities	5,382	(2,024)
Decrease in accounts payable	(16,353)	(13,287)
Decrease in other payables	(120,327)	(49,965)
Decrease in other payables-related parties	(168)	(440)
Increase (decrease) in other current liabilities	13,149	(1,211)
Increase in net defined benefit liability	636	427
Total changes in operating liabilities	(117,681)	(66,500)
Net changes in operating assets and liabilities	(605,325)	(701,557)
Total changes in operating assets and liabilities	(509,839)	(642,028)
Cash used in operations	(53,935)	(236,567)
Interest received	3,706	6,972
Interest paid	(4,812)	(3,490)
Income taxes paid	(76,493)	(89,105)
Net cash flows used in operating activities	(131,534)	(322,190)
Cash flows generated from (used in) investing activities:		
Acquisition of property, plant and equipment	(15,487)	(52,611)
Proceeds from disposal of property, plant and equipment	491	278
Decrease (increase) in refundable deposits	3,704	(4,487)
Acquisition of intangible assets	(6,157)	(5,636)
Increase in other non-current assets	(468)	(3,606)
Net cash flows used in investing activities	(17,917)	(66,062)
Cash flows generated from (used in) financing activities:		
Increase in short-term loans	1,770,620	203,241
Repayments of short-term loans	(1,515,078)	(13,241)
Repayments of long-term loans	(6,338)	(5,911)
Repayments of the principal portion of lease liabilities	(21,746)	(19,134)
Payment of cash dividends	(304,773)	(328,752)
Treasury shares transferred to employees	35,972	-
Net cash flows used in financing activities	(41,343)	(163,797)
Effect of exchange rate changes on cash and cash equivalents	13,122	(16,691)
Net Decrease in cash and cash equivalents	(177,672)	(568,740)
Cash and cash equivalents at beginning of period	877,245	1,175,302
Cash and cash equivalents at end of period	\$ 699,573	606,562

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, 2022 and 2021

(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, 2022 and 2021 were authorized for issue by the Board of Directors on November 3, 2022.

(3) New standards, amendments and interpretations adopted:

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

The Group has initially adopted the following new amendments, which do not have a significant impact on its consolidated financial statements, from January 1, 2022:

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

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

The Group assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2023, would not have a significant impact on its consolidated financial statements:

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

WISTRON INFORMATION TECHNOLOGY AND SERVICES CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

- (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:

Standards or Interpretations	Content of amendment	Effective date per IASB
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

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”
- Amendment to IFRS 17 “Initial application of IFRS 17 and IFRS 9 – comparative information”
- Amendment to IFRS 16 “Regulation of Lease Liability in a Sale and Leaseback”

(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, 2021. For the related information, please refer to note 4 of the consolidated financial statements for the year ended December 31, 2021.

- (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.

WISTRON INFORMATION TECHNOLOGY AND SERVICES CORPORATION AND SUBSIDIARIES

Notes to the 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
				2022.09.30	2021.12.31	2021.09.30	
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%	
	WITS Taiwan, Inc. (WISS)	"	Taiwan	100.00%	100.00%	-	(Note 1)
WIBI	Shanghai Booster Technologies Company Limited (QT)	"	China	-	100.00%	100.00%	(Note 3)
	Wistron ITS (Hong Kong) Limited (WIHH)	Professional investment enterprise	Hong Kong	100.00%	100.00%	100.00%	
WIHH	Wistron Information Technology and Services (Beijing) Inc. (WIBJ)	Research, develop, design of software, and IT consulting service	China	100.00%	100.00%	100.00%	(Note 2)
WIBJ	Beijing Enovation Technology Co. Ltd. (WIYC)	"	China	100.00%	100.00%	100.00%	
	Wistron ITS (Wuhan) Co. (WIWZ)	"	China	100.00%	100.00%	100.00%	
WIWZ	Wistron ITS (Hangzhou) Ltd.(WIHZ)	"	China	100.00%	100.00%	100.00%	(Note 4)

(Note1) The company was set up in the 4th quarter of 2021.

(Note2) The Company restructured the investment through WIHH acquiring 100% shareholdings in WIBJ via stock exchange from WIBI in the 3rd quarter of 2021.

(Note3) The company cancelled the registration in the 4th quarter of 2021, and completed the liquidation process in January 2022.

(Note4) The capital has not been injected at December 31, 2021 until February 2022.

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

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(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.

(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, 2021. For the related information, please refer to note 5 of the consolidated financial statements for the year ended December 31, 2021.

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(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 2021 consolidated financial statements. Please refer to Note 6 of the 2021 annual consolidated financial statements.

(a) Cash and cash equivalents

	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
Cash on hand	\$ 455	403	531
Demand and checking deposits	699,118	876,842	606,031
Cash and cash equivalents in the consolidated statement of cash flows	<u>\$ 699,573</u>	<u>877,245</u>	<u>606,562</u>

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

(b) Accounts receivable (including related parties)

	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
Notes receivable	\$ 59,704	55,723	55,546
Accounts receivable	2,589,657	2,064,319	2,002,354
Accounts receivable-related parties	53,652	38,159	41,039
Less: Loss allowance	(48,503)	(27,142)	(25,885)
	<u>\$ 2,654,510</u>	<u>2,131,059</u>	<u>2,073,054</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, 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:

	<u>September 30, 2022</u>		
	<u>Gross carrying amount</u>	<u>Weighted-aver age expected credit loss rate</u>	<u>Lifetime expected credit loss allowance</u>
Not overdue	\$ 2,095,308	0~2.715%	4,818
Overdue within 30 days	291,550	0~100.00%	15,845
Overdue 31~120 days	244,730	0~26.583%	9,959
Overdue 121~180 days	26,844	0~40.953%	5,688
Overdue 181~365 days	42,801	0~85.481%	10,413
Overdue more than 365 days	1,780	100%	1,780
	<u>\$ 2,703,013</u>		<u>48,503</u>

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	December 31, 2021		
	Gross carrying amount	Weighted-aver age expected credit loss rate	Lifetime expected credit loss allowance
Not overdue	\$ 1,659,674	0~100%	3,992
Overdue within 30 days	197,963	0~0.757%	2,844
Overdue 31~120 days	248,723	0~100%	6,807
Overdue 121~180 days	31,976	0~100%	5,010
Overdue 181~365 days	19,286	0~100%	7,910
Overdue more than 365 days	579	100%	579
	\$ 2,158,201		27,142

	September 30, 2021		
	Gross carrying amount	Weighted-aver age expected credit loss rate	Lifetime expected credit loss allowance
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
	\$ 2,098,939		25,885

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

	For the nine-month periods ended September 30	
	2022	2021
Balance as of January 1	\$ 27,142	30,093
Impairment losses (reversed) recognized	20,320	(3,371)
Effect of changes in foreign exchange rate	1,041	(837)
Balance as of September 30	\$ 48,503	25,885

As of September 30, 2022, December 31 and September 30, 2021, the notes and accounts receivable were not discounted and pledged.

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(c) 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
Cost :									
Balance as of January 1, 2022	\$ 190,856	570,798	120,576	3,947	49,159	39,216	-	779	975,331
Additions	-	-	15,078	-	409	-	-	-	15,487
Reclassification	-	-	-	-	795	-	-	(795)	-
Disposals	-	-	(5,696)	-	(667)	(2,983)	-	-	(9,346)
Effect of changes in foreign exchange rates	-	7,763	2,128	122	1,064	1,015	-	16	12,108
Balance as of September 30, 2022	<u>\$ 190,856</u>	<u>578,561</u>	<u>132,086</u>	<u>4,069</u>	<u>50,760</u>	<u>37,248</u>	<u>-</u>	<u>-</u>	<u>993,580</u>
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	<u>\$ 190,856</u>	<u>568,633</u>	<u>115,572</u>	<u>3,913</u>	<u>49,425</u>	<u>39,516</u>	<u>-</u>	<u>3,033</u>	<u>970,948</u>
Accumulated depreciation :									
Balance as of January 1, 2022	\$ -	43,573	73,817	592	21,332	22,164	-	-	161,478
Depreciation	-	13,887	16,850	604	6,398	3,175	-	-	40,914
Disposals	-	-	(5,203)	-	(367)	(2,450)	-	-	(8,020)
Effect of changes in foreign exchange rates	-	689	1,271	25	437	793	-	-	3,215
Balance as of September 30, 2022	<u>\$ -</u>	<u>58,149</u>	<u>86,735</u>	<u>1,221</u>	<u>27,800</u>	<u>23,682</u>	<u>-</u>	<u>-</u>	<u>197,587</u>
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	<u>\$ -</u>	<u>38,831</u>	<u>70,420</u>	<u>392</u>	<u>19,748</u>	<u>21,244</u>	<u>-</u>	<u>-</u>	<u>150,635</u>
Carrying value :									
Balance as of January 1, 2022	<u>\$ 190,856</u>	<u>527,225</u>	<u>46,759</u>	<u>3,355</u>	<u>27,827</u>	<u>17,052</u>	<u>-</u>	<u>779</u>	<u>813,853</u>
Balance as of September 30, 2022	<u>\$ 190,856</u>	<u>520,412</u>	<u>45,351</u>	<u>2,848</u>	<u>22,960</u>	<u>13,566</u>	<u>-</u>	<u>-</u>	<u>795,993</u>
Balance as of January 1, 2021	<u>\$ 185,913</u>	<u>536,627</u>	<u>38,920</u>	<u>-</u>	<u>34,465</u>	<u>13,720</u>	<u>-</u>	<u>856</u>	<u>810,501</u>
Balance as of September 30, 2021	<u>\$ 190,856</u>	<u>529,802</u>	<u>45,152</u>	<u>3,521</u>	<u>29,677</u>	<u>18,272</u>	<u>-</u>	<u>3,033</u>	<u>820,313</u>

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

As of September 30, 2022, December 31 and September 30, 2021, the property, plant and equipment were pledged, please refer to Note 8.

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(d) 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>
Cost:			
Balance as of January 1, 2022	\$ 88,614	1,323	89,937
Additions	5,429	1,355	6,784
Disposals	(9,393)	(1,323)	(10,716)
Effect of changes in foreign exchange rates	1,144	-	1,144
Balance as of September 30, 2022	<u>\$ 85,794</u>	<u>1,355</u>	<u>87,149</u>
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>
Accumulated depreciation:			
Balance as of January 1, 2022	\$ 31,168	1,029	32,197
Depreciation	21,730	332	22,062
Disposals	(9,317)	(1,323)	(10,640)
Effect of changes in foreign exchange rates	269	-	269
Balance as of September 30, 2022	<u>\$ 43,850</u>	<u>38</u>	<u>43,888</u>
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>
Carrying amount:			
Balance as of January 1, 2022	<u>\$ 57,446</u>	<u>294</u>	<u>57,740</u>
Balance as of September 30, 2022	<u>\$ 41,944</u>	<u>1,317</u>	<u>43,261</u>
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>

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(e) Intangible assets

The movements in intangible assets were as follows:

	<u>Software</u>	<u>Goodwill</u>	<u>Total</u>
Cost:			
Balance as of January 1, 2022	\$ 72,387	16,889	89,276
Additions	6,157	-	6,157
Disposals	(18,943)	-	(18,943)
Effect of changes in foreign exchange rates	606	(1,478)	(872)
Balance as of September 30, 2022	<u>\$ 60,207</u>	<u>15,411</u>	<u>75,618</u>
Balance as of January 1, 2021	\$ 55,909	19,349	75,258
Additions	5,636	-	5,636
Effect of changes in foreign exchange rates	(386)	(1,878)	(2,264)
Balance as of September 30, 2021	<u>\$ 61,159</u>	<u>17,471</u>	<u>78,630</u>
Accumulated amortization:			
Balance as of January 1, 2022	\$ 50,361	-	50,361
Amortization	9,920	-	9,920
Disposals	(18,943)	-	(18,943)
Effect of changes in foreign exchange rates	340	-	340
Balance as of September 30, 2022	<u>\$ 41,678</u>	<u>-</u>	<u>41,678</u>
Balance as of January 1, 2021	\$ 42,388	-	42,388
Amortization	6,062	-	6,062
Effect of changes in foreign exchange rates	(261)	-	(261)
Balance as of September 30, 2021	<u>\$ 48,189</u>	<u>-</u>	<u>48,189</u>
Carrying value:			
Balance as of January 1, 2022	<u>\$ 22,026</u>	<u>16,889</u>	<u>38,915</u>
Balance as of September 30, 2022	<u>\$ 18,529</u>	<u>15,411</u>	<u>33,940</u>
Balance as of January 1, 2021	<u>\$ 13,521</u>	<u>19,349</u>	<u>32,870</u>
Balance as of September 30, 2021	<u>\$ 12,970</u>	<u>17,471</u>	<u>30,441</u>

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

(i) Other current assets

	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
Refundable deposits	\$ 11,006	18,783	20,018
Temporary payment	1,362	1,618	2,036
	<u>\$ 12,368</u>	<u>20,401</u>	<u>22,054</u>

As of September 30, 2022, December 31, and September 30, 2021, the other current assets were not pledged.

(ii) Other non-current assets

	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
Refundable deposits	\$ 18,187	13,544	11,779
Prepayment for equipment	580	104	5,611
	<u>\$ 18,767</u>	<u>13,648</u>	<u>17,390</u>

As of September 30, 2022, December 31, and September 30, 2021, the other non-current assets were pledged, please refer to Note 8.

(g) Loans

(i) Short-term loans

	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
Unsecured bank loans	<u>\$ 364,484</u>	<u>107,230</u>	<u>190,000</u>
Unused bank credit lines	<u>\$ 1,338,661</u>	<u>1,994,485</u>	<u>1,574,047</u>
Range of interest rates	<u>1.46%~3.00%</u>	<u>0.51%~0.7%</u>	<u>0.48%</u>

(ii) Long-term loans

	<u>September 30, 2022</u>		
	<u>CNY (thousand)</u>	<u>Expiration</u>	<u>Amount</u>
Secured bank loans	\$ 13,249	2022.10~2028.10	59,391
Less: current portion	<u>(1,975)</u>		<u>(8,852)</u>
	<u>\$ 11,274</u>		<u>50,539</u>
Unused bank credit lines	<u>\$ -</u>		<u>-</u>
Range of interest rates			<u>3.90%</u>

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	December 31, 2021		
	CNY (thousand)	Expiration	Amount
Secured bank loans	\$ 14,676	2022.1~2028.10	63,817
Less: current portion	<u>(1,903)</u>		<u>(8,274)</u>
	<u>\$ 12,773</u>		<u>55,543</u>
Unused bank credit lines	<u>\$ -</u>		<u>-</u>
Range of interest rates			<u>4.00%</u>

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

As of September 30, 2022, the details of the future repayment period of the long-term loans were as follows:

Period	Amount
Within one year	\$ 8,852
Between one and five years	39,112
Over five years	<u>11,427</u>
	<u>\$ 59,391</u>

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

(h) Lease liabilities

The carrying amounts of lease liabilities were as follow:

	September 30, 2022	December 31, 2021	September 30, 2021
Current	<u>\$ 28,366</u>	<u>26,453</u>	<u>20,054</u>
Non-current	<u>\$ 10,999</u>	<u>27,417</u>	<u>23,676</u>

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

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The amount recognized in profit or loss were as follows:

	For the three-month periods ended September 30		For the nine-month periods ended September 30	
	2022	2021	2022	2021
	Interest expenses on lease liabilities	\$ 389	448	1,345
Expenses relating to short-term leases	\$ 2,436	3,658	7,657	9,444
Expenses relating to leases of low-value assets (excluding short-term leases of low-value assets)	\$ 2,712	2,568	8,867	8,158
COVID-19 related rental concessions (recognized as deduction of rent expense)	\$ (266)	-	(266)	-

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

	For the nine-month periods ended September 30	
	2022	2020
Total cash outflow for leases	\$ 39,615	38,044

(i) Leases of buildings and structures

As of September 30, 2022, 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 buildings and 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.

(i) 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, 2021 and 2020.

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

	For the three-month periods ended September 30		For the nine-month periods ended September 30	
	2022	2021	2022	2021
Operating cost	\$ 166	57	501	170
Selling expenses	30	10	85	30
Administration expenses	130	189	394	566
	\$ 326	256	980	766

(ii) Defined contribution plans

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

	For the three-month periods ended September 30		For the nine-month periods ended September 30	
	2022	2021	2022	2021
Operating cost	\$ 81,094	61,289	228,962	160,310
Selling expenses	3,249	2,390	9,180	6,450
Administration expenses	6,061	6,419	19,068	16,102
Research and development expenses	600	279	1,370	776
	\$ 91,004	70,377	258,580	183,638

(j) Income tax

(i) Income tax expense

The components of income tax expense were as follows:

	For the three-month periods ended September 30		For the nine-month periods ended September 30	
	2022	2021	2022	2021
Current tax expense	\$ 19,854	26,715	65,352	63,795

(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, 2022 and 2021.

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

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(k) 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, 2022 and 2021. For the related information, please refer to note 6 (l) of the consolidated financial statements for the year ended December 31, 2021.

(i) Common stock

On March 8, 2022, the Company's Board of Directors approved a resolution to distribute the employees' profit sharing bonus amounting to \$20,000, consisting of 231 thousand shares. The application of the capital increase was approved by the Financial Supervisory Commission. The application of the capital increase was resolved to be August 9, 2022, by the Board of Directors. The relevant registration procedures had been completed.

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.

(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 2021 and 2020 had been approved by the Company's shareholders' meetings held on May 26, 2022 and July 23, 2021, respectively. The appropriations and dividends were as follows:

	2021	2020
Cash dividends	<u>\$ 304,773</u>	<u>328,752</u>

(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.

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The repurchase period is from March 30 to May 29, 2020. The repurchased treasury shares were 958 thousand shares, which is amounting to \$73,500 in total. The cost \$3,487 was recognized for the nine-month period ended September 30, 2022. As of September 30, 2022, December 31, 2021, and September 30, 2021, the repurchased treasury shares were 958 thousand shares, shares transferred to employees were 474 thousand shares, 0 thousand shares and 0 thousand shares. Therefore, as of September 30, 2022, December 31, 2021, and September 30, 2021, the shares of treasury shares held were 484 thousand shares, 958 thousand shares and 958 thousand 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

	Exchange differences on translation of foreign financial statements
Balance as of January 1, 2022	\$ (107,053)
Foreign currency translation differences	56,446
Balance as of September 30, 2022	\$ (50,607)
Balance as of January 1, 2021	\$ (81,212)
Foreign currency translation differences	(36,242)
Balance as of September 30, 2021	\$ (117,454)

(l) Earnings per share (“EPS”)

(i) Basic earnings per share

	For the three-month periods ended September 30		For the nine-month periods ended September 30	
	2022	2021	2022	2021
Net profit belonging to common shareholders	\$ 144,744	122,826	390,552	341,666
Weighted average common stock outstanding (in thousands shares)	66,668	65,963	66,495	65,909
Basic earnings per share	\$ 2.17	1.86	5.87	5.18

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(ii) Diluted earnings per share

	For the three-month periods ended September 30		For the nine-month periods ended September 30	
	2022	2021	2022	2021
Net profit belonging to common shareholders	<u>\$ 144,744</u>	<u>122,826</u>	<u>390,552</u>	<u>341,666</u>
Weighted average common stock outstanding (in thousands shares)	66,668	65,963	66,495	65,909
Effect of potentially dilutive common stock (in thousands shares)				
Employees' profit sharing bonus	613	503	733	600
Employees' profit sharing bonus of subsidiary company	<u>-</u>	<u>-</u>	<u>43</u>	<u>54</u>
Weighted average number of common stock (diluted) (in thousands shares)	<u>67,281</u>	<u>66,466</u>	<u>67,271</u>	<u>66,563</u>
Diluted earnings per share (in dollars)	<u>\$ 2.15</u>	<u>1.85</u>	<u>\$ 5.81</u>	<u>5.13</u>

(m) Revenue from contracts with customers

(i) Disaggregation of revenue

	For the three-month periods ended September 30		For the nine-month periods ended September 30	
	2022	2021	2022	2021
Primary geographical markets:				
China	\$ 1,386,094	1,010,838	3,927,770	2,701,672
Taiwan	354,661	268,136	987,429	735,556
Japan	175,630	168,229	518,034	541,158
Other	<u>161,863</u>	<u>151,016</u>	<u>423,565</u>	<u>453,644</u>
	<u>\$ 2,078,248</u>	<u>1,598,219</u>	<u>5,856,798</u>	<u>4,432,030</u>
Major products:				
IT service revenue	<u>\$ 2,078,248</u>	<u>1,598,219</u>	<u>5,856,798</u>	<u>4,432,030</u>

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(ii) Balance of contracts

	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
Notes and accounts receivable (including related parties)	\$ 2,703,013	2,158,201	2,098,939
Less: loss allowance	<u>(48,503)</u>	<u>(27,142)</u>	<u>(25,885)</u>
Total	<u>\$ 2,654,510</u>	<u>2,131,059</u>	<u>2,073,054</u>
Contract assets	\$ 14,978	12,592	22,071
Less: loss allowance	<u>(449)</u>	<u>(377)</u>	<u>(661)</u>
Total	<u>\$ 14,529</u>	<u>12,215</u>	<u>21,410</u>

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

	<u>For the nine-month periods ended September 30</u>	
	<u>2022</u>	<u>2021</u>
Balance as of January 1	\$ 377	963
Impairment losses (reversed) recognized	65	(293)
Effect of changes in foreign exchange rate	<u>7</u>	<u>(9)</u>
Balance as of September 30	<u>\$ 449</u>	<u>661</u>

	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
Contract liabilities	<u>\$ 19,965</u>	<u>14,665</u>	<u>17,563</u>

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

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, 2022 and 2021 that was included in the contract liabilities balance at the beginning of the year was \$12,454 and \$13,286, 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.

(n) 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.

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- (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:

	For the three-month periods ended September 30		For the nine-month periods ended September 30	
	2022	2021	2022	2021
Employee's profit sharing bonus	\$ 17,730	15,960	49,010	42,700
Directors' profit sharing bonus	3,540	3,190	9,790	8,530
	<u>\$ 21,270</u>	<u>19,150</u>	<u>58,800</u>	<u>51,230</u>

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 2022 and 2021. 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 \$57,120 and \$56,219 and directors' profit sharing bonus of \$11,100 and \$11,240 for the years ended December 31, 2021 and 2020. 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.

- (o) Non-operating income and expenses

- (i) Interest income

	For the three-month periods ended September 30		For the nine-month periods ended September 30	
	2022	2021	2022	2021
Interest income	\$ 1,440	1,845	3,706	6,971

- (ii) Other income

	For the three-month periods ended September 30		For the nine-month periods ended September 30	
	2022	2021	2022	2021
Government grants	\$ 2,283	29,045	9,535	39,840

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(iii) Other gains and losses

	For the three-month periods ended September 30		For the nine-month periods ended September 30	
	2022	2021	2022	2021
Foreign exchange gains (losses), net	\$ 4,270	(200)	7,500	(3,173)
Losses on disposals of property, plant and equipment, net	(100)	(322)	(835)	(1,163)
Gains on reversal of bad debts	-	2,864	-	2,864
Gains on disposal of investment	-	-	2,959	-
Losses on lease modification	-	-	-	(244)
Others	<u>(64)</u>	<u>180</u>	<u>1,894</u>	<u>1,086</u>
	<u>\$ 4,106</u>	<u>2,522</u>	<u>11,518</u>	<u>(630)</u>

(iv) Finance costs

	For the three-month periods ended September 30		For the nine-month periods ended September 30	
	2022	2021	2022	2021
Interest expense	<u>\$ (1,573)</u>	<u>(1,240)</u>	<u>(4,814)</u>	<u>(3,529)</u>

(p) 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, 2021.

(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(b). For the detail and impairment of contract asset, please refer to Note 6(m).

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) of the consolidated financial statements for the year ended December 31, 2021.

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(ii) Liquidity risk

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

	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>Within 1 year</u>	<u>1-2 years</u>	<u>Over 2 years</u>
As of September 30, 2022					
Non-derivative financial liabilities					
Short-term loans	\$ 364,484	365,393	365,393	-	-
Accounts payable	77,399	77,399	77,399	-	-
Other payables (including related parties)	927,314	927,314	927,314	-	-
Lease liabilities (current and non-current)	39,365	41,832	30,202	9,640	1,990
Long-term loans (including current portion)	59,391	66,857	11,036	11,035	44,786
	<u>\$ 1,467,953</u>	<u>1,478,795</u>	<u>1,411,344</u>	<u>20,675</u>	<u>46,776</u>

As of December 31, 2021

Non-derivative financial liabilities					
Short-term loans	\$ 107,230	107,345	107,345	-	-
Accounts payable	94,687	94,687	94,687	-	-
Other payables (including related parties)	1,048,174	1,048,174	1,048,174	-	-
Lease liabilities (current and non-current)	53,870	56,258	28,012	21,089	7,157
Long-term loans (including current portion)	63,817	73,137	10,704	10,703	51,730
	<u>\$ 1,367,778</u>	<u>1,379,601</u>	<u>1,288,922</u>	<u>31,792</u>	<u>58,887</u>

	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>Within 1 year</u>	<u>1-2 years</u>	<u>Over 2 years</u>
As of September 30, 2021					
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
	<u>\$ 1,160,429</u>	<u>1,172,684</u>	<u>1,083,646</u>	<u>29,240</u>	<u>59,798</u>

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:

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	September 30, 2022			December 31, 2021		
	Foreign currency	Exchange rate	NTD	Foreign currency	Exchange rate	NTD
<u>Financial assets</u>						
<u>Monetary items</u>						
USD	\$ 208	USD/TWD	31.743	6,602	142	USD/TWD 27.690 3,922
CNY	2,263	CNY/HKD	1.1086	10,143	3,902	CNY/HKD 1.2246 16,966
JPY	37,632	JPY/HKD	0.0544	8,277	65,608	JPY/HKD 0.0679 15,811
JPY	9,530	JPY/CNY	0.0491	2,096	7,015	JPY/CNY 0.0554 1,690
USD	2,525	USD /HKD	7.8498	80,152	2,522	USD /HKD 7.7985 69,834
<u>Financial Liabilities</u>						
<u>Monetary items</u>						
USD	30	USD/HKD	7.8498	966	305	USD /HKD 7.7985 8,488
CNY	6,858	CNY/HKD	1.1086	30,742	8,602	CNY/HKD 1.2246 37,402
JPY					31,205	JPY/HKD 0.0679 7,520
September 30, 2021						
	Foreign currency	Exchange rate	NTD			
<u>Financial assets</u>						
<u>Monetary items</u>						
USD	\$ 815	USD/TWD	27.866	22,708		
CNY	653	CNY/HKD	1.2047	2,815		
JPY	65,800	JPY/HKD	0.0697	16,406		
JPY	6,310	JPY/CNY	0.0578	1,573		
USD	3,344	USD /HKD	7.7877	93,172		
<u>Financial Liabilities</u>						
<u>Monetary items</u>						
USD	716	USD/HKD	7.7877	19,940		
CNY	4,047	CNY/HKD	1.2047	17,447		

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 and other payables (including related parties) 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, 2022 and 2021 would have increased (decreased) the net profit after tax by \$3,720 and \$4,892, 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, 2022 and 2021, foreign exchange gain (loss), including realized and unrealized portions, amounted to \$4,270 、\$(200) 、\$7,500 and \$(3,173), respectively.

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(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 \$445 and \$1,915 for the nine-month period ended September 30, 2022 and 2021, 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

The carrying amount of the financial assets and liabilities is reasonably close to the fair value, disclosure of fair value information is not required.

(q) 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, 2021.

(r) Capital management

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

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

Reconciliation of liabilities arising from financing activities for the nine-month period ended September 30, 2022 and 2021, were as follows:

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	Cash flows			Non-cash changes		September 30, 2022
	January 1, 2022	Proceeds from loans	Repayments of long-term debt and lease liabilities	Others	Effect of changes in foreign exchange rate	
Short-term loans	\$ 107,230	1,770,620	(1,515,078)	-	1,712	364,484
Long-term loans (including current portion)	63,817	-	(6,338)	-	1,912	59,391
Lease liabilities (current and non-current)	53,870	-	(21,746)	6,442	799	39,365
	<u>\$ 224,917</u>	<u>1,770,620</u>	<u>(1,543,162)</u>	<u>6,442</u>	<u>4,423</u>	<u>463,240</u>

	Cash flows			Non-cash changes		September 30, 2021
	January 1, 2021	Proceeds from loans	Repayments of long-term debt 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>

(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.

Name of related party	Relationship with the Group
Wistron Corporation (Wistron)	The entity with significant influence over the Group
Wiwynn Corporation (Wiwynn)	Other related parties
Winynn Technology Service Kun Shan, Ltd. (WYKS)	Other related parties
WiAdance Technology Corporation (AGI)	Other related parties
Wistron NeWeb Corporation (WNC)	Other related parties
Weidu Corporation (WETW)	Other related parties
Changing Information Technology Inc. (CGI)	Other related parties
WiBASE Industrial Solutions Inc.(WIS)	Other related parties

(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:

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	Revenue				Accounts receivable -related parties		
	For the three-month periods ended September 30		For the nine-month periods ended September 30		September 30, 2022	December 31, 2021	September 30, 2021
	2022	2021	2022	2021			
Entities with significant influence over the Group	\$ 81,954	47,272	213,251	118,003	50,912	36,393	39,843
Other related parties	3,109	1,630	8,659	4,206	2,740	1,766	1,196
Total	\$ 85,063	48,902	221,910	122,209	53,652	38,159	41,039

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) Contract liabilities

As of September 30, 2022, December 31 and September 30, 2021, the Group received \$0, \$241 and \$241 advance payment from the entity with significant influence over the Group, which recognized as current contract liabilities.

(iii) Other transactions

For the nine-month period ended September 30, 2022 and 2021, other related parties provided management services to the Group amounted to \$126 and \$0. As of September 30, 2022, December 31, 2021 and September 30, 2021, the balance of other accounts payable from the above transaction was \$0, \$196 and \$0.

For the nine-month period ended September 30, 2022 and 2021, the Group purchased intangible assets from other related parties amounting to \$44 and \$548. As of September 30, 2022, December 31, 2021 and September 30, 2021, the balance of other accounts payable from the above transaction was \$28, \$0 and \$0.

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

	September 30, 2022	December 31, 2021	September 30, 2021
Accounts receivable – related parties:			
Accounts receivable	<u>\$ 53,652</u>	<u>38,159</u>	<u>41,039</u>
Accounts payable – related parties:			
Other payables	<u>\$ 28</u>	<u>196</u>	<u>-</u>

(c) Key management personnel compensation

Key management personnel compensation comprised:

	For the three-month periods ended September 30		For the nine-month periods ended September 30	
	2022	2021	2022	2021
Short-term employee benefits	\$ 22,511	17,545	57,426	53,293
Post-employment benefits	341	274	980	942
Total	\$ 22,852	17,819	58,406	54,235

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(8) Pledged assets

The carrying amounts of pledged assets were as follows:

<u>Pledged assets</u>	<u>Object</u>	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
Refundable deposits — other non-current assets	Performance guarantee and warranty	\$ 578	-	-
Property, plant and equipment	Long-term loans (including current portions)	231,436	230,767	230,850
		<u>\$ 232,014</u>	<u>230,767</u>	<u>230,850</u>

(9) Significant commitments and contingencies: None

(10) Losses due to major disasters: None.

(11) Subsequent events:

The Company's Board of Directors approved that WIBJ increased the capital from retained earnings, amounting to CNY 188,000 thousand, to strengthen its finance performance and capital structure in its meeting on October 4, 2022. Afterwards, the share capital increased from CNY 200,000 thousand to CNY 388,000 thousand.

(12) Other

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

By item	By function			For the three-month periods ended,		
	For the three-month periods ended, 2022			For the three-month periods ended, 2021		
	Cost of sales	Operating expenses	Total	Cost of sales	Operating expenses	Total
Employee benefits						
Salaries	1,267,188	193,066	1,460,254	912,650	170,357	1,083,007
Labor and health insurance	68,302	10,022	78,324	52,180	7,643	59,823
Pension	81,260	10,070	91,330	61,346	9,287	70,633
Others	16,686	2,993	19,679	11,390	4,816	16,206
Depreciation	2,625	18,449	21,074	2,692	17,514	20,206
Amortization	81	3,432	3,513	260	1,852	2,112

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By function	For the nine-month periods ended, 2022			For the nine-month periods ended, 2021		
	Cost of sales	Operating expenses	Total	Cost of sales	Operating expenses	Total
Employee benefits						
Salaries	3,596,666	547,834	4,144,500	2,506,920	461,624	2,968,544
Labor and health insurance	192,709	29,418	222,127	143,942	22,273	166,215
Pension	229,463	30,097	259,560	160,480	23,924	184,404
Others	37,493	10,002	47,495	35,215	14,840	50,055
Depreciation	7,966	55,010	62,976	8,065	51,101	59,166
Amortization	164	9,756	9,920	798	5,264	6,062

(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, 2022:

- (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, 2022 (excluding investment in subsidiaries, associates and joint ventures): None.
- (iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20% of the capital stock: None.
- (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.

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- (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.

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Guarantees and endorsements for other parties

September 30, 2022

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/ 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	WIWZ	2	1,329,703	705,980	705,980	134,484	-	26.55%	2,659,406	Y	N	Y	-
0	The Company	WIBJ	2	1,329,703	90,240	89,656	-	-	3.37%	2,659,406	Y	N	Y	-
0	The Company	WIUS	2	1,329,703	63,486	63,486	-	-	2.39%	2,659,406	Y	N	N	-
0	The Company	WIHK	2	1,329,703	126,972	126,972	-	-	4.77%	2,659,406	Y	N	N	-
0	The Company	WISS	2	1,329,703	145,000	145,000	29,825	-	5.45%	2,659,406	Y	N	N	-

(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, 2022

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)	
WIWZ	WIBJ	Parent - subsidiary company	Sales	(427,995)	(10.28)%	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)	-	-%	(Note)
WIWZ	WIHK	Associate	Sales	(210,179)	(5.05)%	"	"	"	30,742	1.70%	"
WIHK	WIWZ	Associate	Purchases	210,179	74.14%	"	"	"	(30,742)	95.84%	"
WIBJ	WIWZ	Parent - subsidiary company	Purchases	427,995	99.85%	"	"	"	-	-%	"

(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, 2022

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	66,490	Not significant different from the third parties sales.(generally transaction)	1.14%
1	WIJP	WIHK	3	"	1,039	"	0.02%
2	WIHK	WIJP	3	"	61,253	"	1.05%
2	WIHK	WIUS	3	"	94,186	"	1.61%
3	WIBJ	WIWZ	3	"	54,125	"	0.92%
4	WIYC	WIWZ	3	"	6,534	"	0.11%
5	WIWZ	WIBJ	3	"	427,995	"	7.31%
5	WIWZ	WIYC	3	"	1,212	"	0.02%
5	WIWZ	WIHK	3	"	210,179	"	3.59%
1	WIJP	WIHK	3	Accounts receivables-related parties	547	"	0.01%
2	WIHK	WIJP	3	"	6,737	"	0.16%
2	WIHK	WIUS	3	"	24,230	"	0.56%
3	WIBJ	WIWZ	3	"	4,620	"	0.11%
4	WIYC	WIWZ	3	"	2,814	"	0.07%
5	WIWZ	WIHK	3	"	30,742	"	0.71%

WISTRON INFORMATION TECHNOLOGY AND SERVICES CORPORATION AND SUBSIDIARIES**Notes to the Consolidated Financial Statements****Business relationships and significant intercompany transactions****September 30, 2022**

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, 2022

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%	2,115,814	208,931	208,931	(Note)
The Company	WIJP	Japan	Research, develop, design of software, and IT consulting service	29,564	29,564	1,960	100.00%	131,019	16,624	16,624	"
The Company	WIHK	Hong Kong	Research, develop, design of software, and IT consulting service	44	44	10,000	100.00%	64,590	11,880	11,880	"
The Company	WIUS	U.S.A	Research, develop, design of software, and IT consulting service	7,586	7,586	250,000	100.00%	37,741	8,172	8,172	"
The Company	WISS	Taiwan	Research, develop, design of software, and IT consulting service	5,000	5,000	500,000	100.00%	7,286	2,303	2,303	"
WIBI	WIHH	Hong Kong	Professional investment enterprise	3,012	3,012	49,008,308	100.00%	211,017	205,898	205,898	"

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, 2022

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 - 10)	Carrying Amount as of September 30, 2022 (Note 2 - 10)	Accumulated Inward Remittance of Earnings as of September 30, 2022	Notes
					Outflow	Inflow							
QT	Research, develop, design of software, and IT consulting service	4,445	(Note 1)1.	2,304	-	-	2,304	-	-	-	-	-	(Note 8)
WIBJ	Research, develop, design of software, and IT consulting service	887,355	(Note 1)1.	169,420	-	-	169,420	205,913 (Note 3)	100.00%	205,913 (Note 3)	2,112,676	-	(Note 9)
WIWZ	Research, develop, design of software, and IT consulting service	667,314	(Note 1)2.	-	-	-	-	216,865 (Note 3)	100.00%	216,865 (Note 3)	902,676	-	-
WIYC	Research, develop, design of software, and IT consulting service	24,449	(Note 1)2.	-	-	-	-	224 (Note 3)	100.00%	224 (Note 3)	18,446	-	-
WIHZ	Research, develop, design of software, and IT consulting service	218	(Note 1)2.	-	-	-	-	- (Note 3)	100.00%	- (Note 3)	225	-	-

2. Limitation on investment in Mainland China:

Accumulated Investment in Mainland China as of September 30, 2022 (Note 4)	Investment Amounts Authorized by Investment Commission, MOEA (Note 4) (Note 6) (Note 7) (Note 8)	Upper Limit on Investment (Note 5)
226,371 (USD 7,131,356)	1,015,184 (USD 31,981,356)	1,595,643

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

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.

WISTRON INFORMATION TECHNOLOGY AND SERVICES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
Information on investment in Mainland China

September 30, 2022

(Note 2) : The amount of the net income (losses) and the investee company carrying value as of September 30, 2022 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, 2022, which was USD : NTD = 1 : 31.743 .

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

(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 Company increases investment in Mainland China (WIBJ) by USD 11,000,000 through the Company established in a third region(WIBI), and the investment has been authorized by Investment Commission, MOEA.The Company restructured the investment through WIHH acquiring 100% shareholdings in WIBJ via stock exchange from WIBI in the 3rd quarter of 2021.

(Note 8): QT, in which the Company indirectly invested, had completed the cancellation of its business registration and liquidation in the 4th quarter of 2021. The said investment capital amounting to USD 2,778.40, which entitled the Company to a full ownership of the entity, had been remitted to WIBI in January 2022.

(Note 9) : The Company's Board of Directors approved that WIBJ increased the capital from retained earnings, amounting to CNY 88,113 thousand, to strengthen its finance performance and capital structure in its meeting on January 12, 2022. Afterwards, the share capital increased from CNY 111,887 thousand to CNY 200,000 thousand.

(Note 10) : The aforementioned inter-company transactions have been eliminated in the consolidated financial statements.

3. Significant transactions :

For the nine-month period ended September 30, 2022, 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, 2022**

Table 7

Shareholder's Name	Shareholding	
	Shares	Percentage
Wistron Digital Technology Holding Company	15,718,837	23.40%