Stock Code:4953

WISTRON INFORMATION TECHNOLOGY AND SERVICES CORPORATION AND SUBSIDIARIES

Consolidated Financial Statements

With Independent Auditors' Report
For the Years Ended December 31, 2022 and 2021

Address: 32F., No. 93, Sec. 1, Xintai 5th Rd., Xizhi Dist,
New Taipei City 22175, Taiwan, R.O.C
Telephone: (02)7745-8888

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

Table of contents

Representation Letter

The entities that are required to be included in the combined financial statements of Wistron Information Technology and Services Corporation as of and for the year ended December 31, 2022 under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with International Financial Reporting Standards No. 10 endorsed by the Financial Supervisory Commission, "Consolidated Financial Statements." In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, Wistron Information Technology and Services Corporation and Subsidiaries do not prepare a separate set of combined financial statements.

Wistron Information Technology and Services Corporation
Chairman: Ching Hsiao
Date: March 6, 2023

安侯建業聯合會計師事務所
KPMG
台北市110615信義路5段7號68樓(台北101大樓)
68F., TAIPEI 101 TOWER, No. 7, Sec. 5,
Xinyi Road, Taipei City 110615, Taiwan (R.O.C.)
電 話 Tel + 886 2 8101 6666
傳 真 Fax + 886 2 8101 6667
網 址 Web kpmg.com/tw

Independent Auditors' Report

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

Opinion

We have audited the consolidated financial statements of Wistron Information Technology and Services Corporation and its subsidiaries (“the Group”), which comprise the consolidated balance sheets as of December 31, 2022 and 2021, the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards (“IFRSs”), International Accounting Standards (“IASs”), Interpretations developed by the International Financial Reporting Interpretations Committee (“IFRIC”) or the former Standing Interpretations Committee (“SIC”) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

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

Key Audit Matters

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

Valuation of notes and accounts receivable

Please refer to Note 4(g) “Financial Instruments” for accounting policy, Note 5 for accounting assumptions, judgments and estimation uncertainty of notes and accounts receivable and Note 6(b) for the disclosure of the valuation of notes and accounts receivable to the consolidated financial statements.

Description of key audit matter

The Group engaged in the information technology service industry. Resulting in significant judgment being applied in the management's assessment of the recoverability of notes and accounts receivable. Consequently, the valuation of notes and accounts receivable is identified as the key matter in our audit.

How the matter was addressed in our audit

Our principal audit procedures included testing the adequacy of the formula of the calculation for expected loss rate; testing the adequacy of aging report by tracing to related vouchers; evaluating the appropriateness of loss allowance and expected credit loss by testing if the loss allowance was made by expected loss rate; assessing if the evaluation document of loss allowance for notes and accounts receivable was compliance with the Group's accounting policy; evaluating the adequacy of the disclosure of loss allowance for notes and accounts receivable prepared by management.

Other Matter

Wistron Information Technology and Services Corporation has prepared its parent-company-only financial statements as of and for the years ended December 31, 2022 and 2021, on which we have issued an unmodified opinion.

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

KPMG

Taipei, Taiwan (The Republic of China)
March 6, 2023

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 audit such consolidated financial statements are those generally accepted and applied in the Republic of China.

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

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

WISTRON INFORMATION TECHNOLOGY AND SERVICES CORPORATION AND SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

		December 31, 2022		December 31, 2021	
	Assets	**Amount**	**%**	**Amount**	**%**
	Current assets:				
1100	Cash and cash equivalents (note 6(a))	$ 1,184,815	26	877,245	22
1140	Current contract assets (note 6(m))	7,450	-	12,215	-
1170	Notes and accounts receivable, net (notes 6(b) and (m))	2,369,028	52	2,092,900	52
1180	Accounts receivable-related parties, net (notes 6(b), (m) and 7)	55,725	1	38,159	1
1200	Other receivables	602	-	2,186	-
1220	Current tax assets	1,703	-	12,811	-
1410	Prepayments	19,933	1	17,205	-
1470	Other current assets (note 6(f))	17,418	-	20,401	1
	Total current assets	3,656,674	80	3,073,122	76
	Non-current assets:				
1600	Property, plant and equipment (notes 6(c) and 8)	782,090	17	813,853	20
1755	Right-of-use assets (note 6(d))	37,155	1	57,740	2
1780	Intangible assets (notes 6(e) and 7)	32,774	1	38,915	1
1840	Deferred tax assets (note 6(j))	34,625	1	20,189	1
1900	Other non-current assets (notes 6(f) and 8)	18,440	-	13,648	-
	Total non-current assets	905,084	20	944,345	24
	Total assets	**$ 4,561,758**	**100**	**4,017,467**	**100**

		December 31, 2022		December 31, 2021	
	Liabilities and Equity	**Amount**	**%**	**Amount**	**%**
	Current liabilities:				
2100	Short-term borrowings (note 6(g))	$ 158,075	4	107,230	3
2130	Current contract liabilities (notes 6(m) and 7)	15,852	-	14,665	-
2170	Accounts payable	77,865	2	94,687	3
2219	Other payables (note 6(n))	1,221,262	27	1,047,978	26
2220	Other payables-related parties (note 7)	21	-	196	-
2230	Current tax liabilities	55,469	1	42,935	1
2399	Other current liabilities	48,962	1	29,487	1
2280	Current lease liabilities (note 6(h))	23,867	1	26,453	1
2322	Long-term borrowings, current portion (notes 6(c), (g) and 8)	8,814	-	8,274	-
	Total current liabilities	1,610,187	36	1,371,905	35
	Non-Current liabilities:				
2540	Long-term loans (notes 6(c), (g) and 8)	47,594	1	55,543	1
2570	Deferred tax liabilities (note 6(j))	81,325	2	87,247	2
2580	Non-current lease liabilities (note 6(h))	9,128	-	27,417	1
2640	Net defined benefit liability, non-current (note 6(i))	12,789	-	15,173	-
2670	Other non-current liabilities	2,355	-	2,460	-
	Total non-current liabilities	153,191	3	187,840	4
	Total liabilities	1,763,378	39	1,559,745	39
	Equity (notes 6(i) and (k)):				
3100	Capital stock	671,523	15	669,211	17
3200	Capital surplus	791,658	17	770,877	19
3300	Retained earnings	1,449,437	32	1,198,187	30
3400	Other equity	(77,104)	(2)	(107,053)	(3)
3500	Treasury shares	(37,134)	(1)	(73,500)	(2)
	Total equity	2,798,380	61	2,457,722	61
	Total liabilities and equity	**$ 4,561,758**	**100**	**4,017,467**	**100**

See accompanying notes to financial statements.

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

WISTRON INFORMATION TECHNOLOGY AND SERVICES CORPORATION AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2022 and 2021

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

		2022		2021	
		Amount	%	Amount	%
4000	**Net revenue (notes 6(m) and 7)**	$ 7,948,886	100	6,177,820	100
5000	**Cost of Sales (notes 6(c), (d), (e), (h), (i) and 12)**	(6,274,972)	(79)	(4,737,757)	(77)
	Gross profit	1,673,914	21	1,440,063	23
	Operating expenses (notes 6(b), (c), (d), (e), (h), (i), (k), (m), (n), 7 and 12)				
6100	Selling expenses	(210,293)	(3)	(168,779)	(3)
6200	Administrative expenses	(862,659)	(11)	(794,597)	(13)
6300	Research and development expenses	(40,234)	-	(19,731)	-
6450	Reversal of expected credit loss provion	2,089	-	2,861	-
	Total operating expenses	(1,111,097)	(14)	(980,246)	(16)
	Net operating income	562,817	7	459,817	7
	Non-operating income and expenses (notes 6(h) and (o)):				
7100	Interest income	5,235	-	8,293	-
7010	Other income	66,632	1	53,118	1
7020	Other gains and losses	5,238	-	(1,206)	-
7050	Finance costs	(6,789)	-	(4,890)	-
	Total non-operating income and expenses	70,316	1	55,315	1
	Profit before tax	633,133	8	515,132	8
7950	Income tax expenses (note 6(j))	(78,931)	(1)	(59,498)	(1)
	Net profit	554,202	7	455,634	7
8300	**Other comprehensive income (notes 6(i), (j) and (k)):**				
8310	**Items that will not be reclassified subsequently to profit or loss**				
8311	Gains (losses) on remeasurements of defined benefit plans	1,821	-	1,463	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	-	-	-	-
	Total items that will not be reclassified subsequently to profit or loss	1,821	-	1,463	-
8360	**Items that may be reclassified subsequently to profit or loss**				
8361	Exchange differences on translation of foreign financial statements	29,949	-	(25,841)	-
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	29,949	-	(25,841)	-
8300	**Other comprehensive income (loss)**	31,770	-	(24,378)	-
	Total comprehensive income	**$ 585,972**	**7**	**431,256**	**7**
	Earnings per share (in dollars) (note 6(l))				
9750	**Basic earnings per share**	**$ 8.33**		**6.91**	
9850	**Diluted earnings per share**	**$ 8.19**		**6.83**	

See accompanying notes to financial statements.

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

WISTRON INFORMATION TECHNOLOGY AND SERVICES CORPORATION AND SUBSIDIARIES

Consolidated Statements of Changes in Equity

For the years ended December 31, 2022 and 2021

(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	Treasury shares	Total equity
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	-	-	-	-	455,634	455,634	-	-	455,634
Other comprehensive income	-	-	-	-	1,463	1,463	(25,841)	-	(24,378)
Total comprehensive income	-	-	-	-	457,097	457,097	(25,841)	-	431,256
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 issued through employees' profit sharing bonus	2,128	17,872	-	-	-	-	-	-	20,000
Balance at December 31, 2021	669,211	770,877	176,669	81,212	940,306	1,198,187	(107,053)	(73,500)	2,457,722
Net profit	-	-	-	-	554,202	554,202	-	-	554,202
Other comprehensive income	-	-	-	-	1,821	1,821	29,949	-	31,770
Total comprehensive income	-	-	-	-	556,023	556,023	29,949	-	585,972
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 issued through employees' profit sharing bonus	2,312	17,688	-	-	-	-	-	-	20,000
Balance at December 31, 2022	**$ 671,523**	**791,658**	**222,379**	**107,053**	**1,120,005**	**1,449,437**	**(77,104)**	**(37,134)**	**2,798,380**

See accompanying notes to financial statements.

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

WISTRON INFORMATION TECHNOLOGY AND SERVICES CORPORATION AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the years ended December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

	2022	2021
Cash flows generated from (used in) operating activities:		
Profit before tax	$ 633,133	515,132
Adjustments:		
Adjustments to reconcile profit:		
Depreciation expense	83,582	80,173
Amortization expense	12,900	8,163
Reversal of expected credit loss provision	(2,089)	(2,861)
Interest expense	6,789	4,890
Interest income	(5,235)	(8,293)
Compensation cost arising from share－based payments	3,487	-
Loss on disposal of property, plant and equipment	878	1,672
Gain on disposal of investments	(2,959)	-
Loss on lease modification	-	244
Rent concession	(266)	-
Other	106	-
Total adjustments to reconcile profit	97,193	83,988
Changes in operating assets and liabilities:		
Changes in operating assets:		
Decrease in current contract assets	5,045	19,342
Increase in notes and accounts receivable, net	(243,693)	(662,059)
Increase in accounts receivable－related parties	(17,564)	(21,317)
Decrease (increase) in other receivables	1,662	(285)
Increase in prepayments	(2,478)	(1,596)
Decrease (increase) in other current assets	26	(723)
Total changes in operating assets	(257,002)	(666,638)
Changes in operating liabilities:		
Increase (decrease) in contract liabilities	1,209	(4,827)
Decrease in accounts payable	(16,621)	(8,242)
Increase in other payables	165,824	224,233
Decrease in other payables－related parties	(175)	(243)
Increase in other current liabilities	19,526	5,701
(Decrease) increase in net defined benefit liability	(563)	571
Total changes in operating liabilities	169,200	217,193
Net changes in operating assets and liabilities	(87,802)	(449,445)
Total changes in operating assets and liabilities	9,391	(365,457)
Cash generated from operations	642,524	149,675
Interest received	5,214	8,294
Interest paid	(6,736)	(4,853)
Income taxes paid	(75,189)	(100,437)
Net cash flows from operating activities	565,813	52,679
Cash flows generated from (used in) investing activities:		
Acquisition of property, plant and equipment	(18,885)	(59,796)
Proceeds from disposal of property, plant and equipment	515	299
Increase in refundable deposits	(1,506)	(5,024)
Acquisition of intangible assets	(7,323)	(14,835)
Net cash used in investing activities	(27,199)	(79,356)
Cash flows generated from (used in) financing activities:		
Increase in short-term loans	2,527,501	360,299
Repayments of short-term loans	(2,477,446)	(252,965)
Repayments of long-term loans	(8,486)	(7,932)
Repayments of the principal portion of lease liabilities	(29,292)	(26,791)
Cash dividends paid	(304,773)	(328,752)
Treasury shares transferred to employees	35,972	-
Net cash used in financing activities	(256,524)	(256,141)
Effect of exchange rate changes on cash and cash equivalents	25,480	(15,239)
Net increase (decrease) in cash and cash equivalents	307,570	(298,057)
Cash and cash equivalents at beginning of year	877,245	1,175,302
Cash and cash equivalents at end of year	$ **1,184,815**	**877,245**

See accompanying notes to financial statements.

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

WISTRON INFORMATION TECHNOLOGY AND SERVICES CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 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 years ended December 31, 2022 and 2021 were authorized for issue by the Board of Directors on March 6, 2023.

(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's adoption of the new amendments, effective for annual period beginning on January 1, 2023, are expected to have the following impacts:

(i) 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. The Group may need to recognize both equal amounts of its deferred income tax assets and deferred income tax liabilities. The Group estimated the application of the amendements, resulting in both its defferred tax assets and defferred tax liabilities to increase by $8,716 and $6,559 on January 1 and December 31, 2022, respectively.

(Continued)

Wistron Information Technology and Services Corporation and subsidiaries
Notes to the Consolidated Financial Statements

(ii) Other amendments

The following amendments are not expected to have a significant impact on the Group's consolidated financial statements.

- Amendments to IAS 1 “Disclosure of Accounting Policies”
- Amendments to IAS 8 “Definition of Accounting Estimates”

(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”	Under existing IAS 1 requirements, companies classify a liability as current when they do not have an unconditional right to defer settlement for at least 12 months after the reporting date. The amendments has removed the requirement for a right to be unconditional and instead now requires that a right to defer settlement must exist at the reporting date and have substance. The amendments clarify how a company classifies a liability that can be settled in its own shares – e.g. convertible debt.	January 1, 2024

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 “Non-current Liabilities with Covenants”
- Amendments to IFRS 17 “Initial Application of IFRS 17 and IFRS 9 – Comparative Information”
- Amendments to IFRS16 “Requirements for Sale and Leaseback Transactions”

(Continued)

Wistron Information Technology and Services Corporation and subsidiaries
Notes to the Consolidated Financial Statements

(4) Summary of significant accounting policies

The significant accounting policies presented in the consolidated financial statements are summarized as follows. And the accounting policies have been applied consistently to all periods presented in these consolidated financial statements.

(a) Statement of compliance

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

(b) Basis of preparation

(i) Basis of measurement

Except for the net defined benefit liabilities are measured at the present value of the defined benefit obligation less fair value of the plan assets, and the effect of the asset ceiling explained in Note 4(o), the consolidated financial statements have been prepared on the historical cost basis.

(ii) Functional and presentation currency

The functional currency of the Group is determined based on the primary economic environment in which the Group operates. The parent company only financial statements are presented in New Taiwan Dollars (NTD), which is the Company's functional currency. All financial information presented in NTD has been rounded to the nearest thousand.

(c) Basis of consolidation

(i) Principle of preparation of the consolidated financial statements

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

The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases. Intragroup balances and transactions, and any unrealized income and expenses arising from Intragroup transactions are eliminated in preparing the consolidated financial statements. The Group attributes the profit or loss and each component of other comprehensive income to the owners of the parent and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

(Continued)

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

(ii) List of subsidiaries in the consolidated financial statements

Name of investor	Name of subsidiary	Major operations	Location	Percentage of ownership 2022.12.31	Percentage of ownership 2021.12.31	Notes
The Company	Wistron Information Technology and Services Inc. (WIBI)	Professional investment enterprise	B.V.I	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 %	
	Wistron Information Technology and Services (Japan) Inc. (WIJP)	Research, develop, design of software, and IT consulting, service	Japan	100.00 %	100.00 %	
	WITS AMERICA, CORP. (WIUS)	Research, develop, design of software, and IT consulting, service	America	100.00 %	100.00 %	
	WITS Taiwan, Inc. (WISS)	Research, develop, design of software, and IT consulting, service	Taiwan	100.00 %	100.00 %	(Note 1)
WIBI	Shanghai Booster Technologies Company Limited (QT)	Research, develop, design of software, and IT consulting, service	China	-	100.00 %	(Note 2)
	Wistron ITS (Hong Kong) Limited (WIHH)	Professional investment enterprise	Hong Kong	100.00 %	100.00 %	
WIHH	Wistron Information Technolgy and Service (Beijing) Inc. (WIBJ)	Research, develop, design of software, and IT consulting, service	China	100.00 %	100.00 %	(Note 3)
WIBJ	Beijing Enovation Technology Co. Ltd. (WIYC)	Research, develop, design of software, and IT consulting, service	China	100.00 %	100.00 %	
	Wistron ITS (Wuhan) Co. (WIWZ)	Research, develop, design of software, and IT consulting, service	China	100.00 %	100.00 %	
WIWZ	Wistron ITS (Hangzhou) Ltd. (WIHZ)	Research, develop, design of software, and IT consulting, service	China	100.00 %	100.00 %	(Note 4)

(Note 1) The company was set up in the 4th quarter of 2021.

(Note 2) The company cancelled the registration in the 4th quarter of 2021, and completed the liquidation process in January 2022.

(Note 3) The Company increased investment in WIBJ, one of subsidiaries in Mainland China, by USD 11,000,000 through WIBI, a subsidiary established in a third region (WIBI), wherein the investment had been authorized by Investment Commission, MOEA. However, the Company restructured the investment through WIHH acquiring 100% shareholdings in WIBJ via stock exchange from WIBI in the 3rd quarter of 2021.

(Note 4) The capital has not been injected at December 31, 2021 until February, 2022.

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

(d) Foreign currencies

(i) Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currencies of the Group at the exchange rates at the dates of the transactions. At the end of each subsequent reporting period, monetary items denominated in foreign currencies are translated into the functional currencies using the exchange rate at that date.

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

Exchange differences are generally recognized in profit or loss, except for an investment in equity securities designated as at fair value through other comprehensive income which is recognized in other comprehensive income.

(ii) Foreign operations

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

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

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

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

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

(i) It is expected to be realized, or intended to be sold or consumed, in the normal operating cycle;

(ii) It is held primarily for the purpose of trading;

Wistron Information Technology and Services Corporation and subsidiaries
Notes to the Consolidated Financial Statements

(iii) It is expected to be realized within twelve months after the reporting period; or

(iv) The asset is cash or a cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

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

(i) It is expected to be settled in the normal operating cycle;

(ii) It is held primarily for the purpose of trading;

(iii) It is due to be settled within twelve months after the reporting period; or

(iv) The Group does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by issuing equity instruments do not affect its classification.

(f) Cash and cash equivalents

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

(g) Financial instruments

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

(i) Financial assets

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

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

1) Financial assets measured at amortized cost

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

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

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

2) Impairment of financial assets

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

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

- bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

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

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

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

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

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

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 180 days past due.

The Group considers a financial asset to be in default when the debtor is unlikely to pay its credit obligations to the Group in full.

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

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

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

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

3) Derecognition of financial assets

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

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

(ii) Financial liabilities and equity instruments

1) Treasury shares

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

(Continued)

2) Other financial liabilities

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

3) Derecognition of financial liabilities

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

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

4) Offsetting of financial assets and liabilities

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

(h) Property, plant and equipment

(i) Recognition and measurement

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

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

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

(ii) Subsequent expenditure

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

(iii) Depreciation

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

(Continued)

Land is not depreciated.

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

1) Buildings and structures： 5 to 50 years

2) Computers and other equipment： 1 to 6 years

3) Transportation equipment： 5 years

4) Office equipment： 5 to 6 years

5) Lease improvements： 1 to 10 years

6) Lease equipment： 3 years

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

(i) Leases

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

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

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

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

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

1) fixed payments, including in-substance fixed payments;

2) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;

3) amounts expected to be payable under a residual value guarantee; and

4) payments for purchase or termination options that are reasonably certain to be exercised.

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

1) there is a change in future lease payments arising from the change in an index or rate; or

2) there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee; or

3) there is a change in the assessment on whether it will exercise an option to purchase the underlying asset; or

4) there is a change in the assessment on lease term as to whether it will exercise an extension or terminated option; or

5) there are any lease modifications to the assets, scope and other terms of the lease.

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

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

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

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

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

1) the rent concessions occurring as a direct consequence of the COVID-19 pandemic;

2) the change in lease payments that resulted in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;

3) any reduction in lease payments that affects only those payments originally due on, or before, June 30, 2022; and

4) there is no substantive change in other terms and conditions of the lease.

In accordance with the practical expedient, the effect of the change in the lease liability is reflected in profit or loss in the period in which the event or condition that triggers the rent concession occurs.

(Continued)

(j) Intangible assets

(i) Recognition and measurement

Goodwill arising on the acquisition of subsidiaries is measured at cost less accumulated impairment losses.

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

(ii) Subsequent expenditure

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

(iii) Amortization

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

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

- Computer software 1~6 years

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

(k) Impairment of non-financial assets

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

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

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount.

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

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

(l) Provisions

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

(m) Revenue from contracts with customers

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

(i) IT Consulting and Outsourcing services

The Group provides IT consulting and outsourcing services. Revenue is recognized in the accounting period in which the services are rendered. For fixed-price contracts, revenue is recognized based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided. The proportion of services provided is determined based on the costs incurred to date as a proportion of the total estimated costs of the transaction.

Some contracts include multiple deliverables, such as system development and maintenance service. In most cases, an integration service is not included, and the transaction price will be allocated based on the stand-alone selling prices. Where these are not directly observable, they are estimated based on expected cost plus margin. If contracts include the installation of hardware, revenue for the hardware is recognized at a point in time when the hardware is delivered, the legal title has passed, and the customer has accepted the hardware.

Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by the management.

In case of fixed-price contracts, the customer pays the fixed amount based on a payment schedule. If the services rendered by the Group exceed the payment, a contract asset is recognized. If the payments exceed the services rendered, a contract liability is recognized.

(ii) Financing components

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

(n) Government grants

In accordance with IAS No. 20 “Accounting for Government Grants and Disclosure of Government Assistance”, the Group recognizes government grants when there is reasonable assurance that the Group will follow the conditions and the grant will be received. The Group recognizes government grants in profit or loss according to a reasonable and systematic method to match its related costs during the period.

(o) Employee benefits

(i) Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in future payments is available.

(ii) Defined benefit plans

The Group's net obligation in respect of defined benefit plans is calculated separately for each the plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Group, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income, and accumulated in retained earnings within equity. The Group determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset). Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Group recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

(Continued)

(iii) Short-term employee benefits

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

(p) Share-based payment

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

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

Grant date of the share-based payment award is the date the Group inform their employees about the exercise price and shares.

(q) Income taxes

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

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

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred taxes shall not be recognized for the below exceptions:

(i) temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profits (losses) at the time of the transaction;

(ii) temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and

(iii) taxable temporary differences arising on the initial recognition of goodwill.

(Continued)

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

Deferred taxes are measured at the tax rates that are expected to be applied to temporary differences when they reserve, using tax rates enacted or substantively enacted at the reporting date.

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

(i) the Group has a legally enforceable right to set off current tax assets against current tax liabilities; and

(ii) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:

1) the same taxable entity; or

2) different taxable entities which intend to settle current tax assets and liabilities on a net basis, or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

(r) Earnings per share

The Group discloses the Company's basic and diluted earnings per share attributable to ordinary shareholders of the Company. The calculation of basic earnings per share is based on the profit attributable to the ordinary shareholder of the Company divided by weighted-average number of ordinary shares outstanding. The calculation of diluted earnings per share is based on the profit attributable to ordinary shareholders of the Company, divided by weighted-average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares, such as employee stock option and employees' profit sharing bonus.

(s) Operating segment

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

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

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

(Continued)

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

Information about critical judgments in applying the accounting policies that do not have significant effects on the amounts recognized in the consolidated financial statements.

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

The Group has estimated the loss allowance of notes and accounts receivable based on the risk of a default occurring and the rate of expected credit loss. The Group has considered historical experience, current economic conditions and forward-looking information at the reporting date to determine the expected credit loss rate to be used in calculating the impairments.

However, in the face of future economic trends, the Group may cause changes in the expected credit loss rate, and may cause losses in the future or reverse the recognized credit losses.

The allowance loss for notes and accounts receivable please refer to Note 6(b).

(6) Explanation of significant accounts

(a) Cash and cash equivalents

		December 31, 2022	December 31, 2021
Cash on hand	$	349	403
Demand and checking deposits		1,021,014	876,842
Time deposits		163,452	-
Cash and cash equivalents in the consolidated statement of cash flows	$	**1,184,815**	**877,245**

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

(b) Notes and accounts receivable (including related parties)

		December 31, 2022	December 31, 2021
Notes receivable	$	54,501	55,723
Accounts receivable		2,340,184	2,064,319
Accounts receivable-related parties		55,725	38,159
Less: Loss allowance		(25,657)	(27,142)
	$	**2,424,753**	**2,131,059**

Wistron Information Technology and Services Corporation and subsidiaries
Notes to the Consolidated Financial Statements

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:

	December 31, 2022		
	Gross carrying amount	**Weighted-average expected credit loss rate**	**Lifetime expected credit loss allowance**
Not overdue	$ 1,968,229	0~2.619%	3,648
Overdue within 30 days	234,120	0~7.893%	3,059
Overdue 31~120 days	224,642	0~25.648%	7,894
Overdue 121~180 days	13,036	0~100%	1,652
Overdue 181~365 days	8,628	0~100%	7,649
Overdue more than 365 days	1,755	100%	1,755
	$ 2,450,410		**25,657**

	December 31, 2021		
	Gross carrying amount	**Weighted-average 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**

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

	2022	**2021**
Balance as of January 1	$ 27,142	30,093
Impairment losses reversed	(1,938)	(2,281)
Effect of changes in foreign exchange rate	453	(670)
Balance as of December 31	**$ 25,657**	**27,142**

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

Wistron Information Technology and Services Corporation and subsidiaries
Notes to the Consolidated Financial Statements

(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	-	-	18,220	-	665	-	-	-	18,885
Reclassification	-	-	-	-	795	-	-	(795)	-
Disposals	-	-	(5,793)	-	(713)	(3,015)	-	-	(9,521)
Effect of changes in foreign exchange rates	-	4,138	1,354	65	597	835	-	16	7,005
Balance as of December 31, 2022	**$ 190,856**	**574,936**	**134,357**	**4,012**	**50,503**	**37,036**	**-**	**-**	**991,700**
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	28,787	3,940	2,690	9,432	-	-	59,796
Reclassification (Note)	-	-	-	-	-	-	-	(73)	(73)
Disposals	-	-	(5,139)	-	(1,462)	(8,201)	(504)	-	(15,306)
Effect of changes in foreign exchange rates	-	(1,200)	(869)	7	(532)	(1,323)	-	(4)	(3,921)
Balance as of December 31, 2021	**$ 190,856**	**570,798**	**120,576**	**3,947**	**49,159**	**39,216**	**-**	**779**	**975,331**
Accumulated depreciation：									
Balance as of January 1, 2022	$ -	43,573	73,817	592	21,332	22,164	-	-	161,478
Depreciation	-	18,504	22,199	805	8,541	4,216	-	-	54,265
Disposals	-	-	(5,256)	-	(389)	(2,483)	-	-	(8,128)
Effect of changes in foreign exchange rates	-	310	758	7	214	706	-	-	1,995
Balance as of December 31, 2022	**$ -**	**62,387**	**91,518**	**1,404**	**29,698**	**24,603**	**-**	**-**	**209,610**
Balance as of January 1, 2021	$ -	25,367	58,877	-	13,998	25,588	504	-	124,334
Depreciation	-	18,248	20,201	591	8,509	4,602	-	-	52,151
Disposals	-	-	(4,703)	-	(941)	(7,187)	(504)	-	(13,335)
Effect of changes in foreign exchange rates	-	(42)	(558)	1	(234)	(839)	-	-	(1,672)
Balance as of December 31, 2021	**$ -**	**43,573**	**73,817**	**592**	**21,332**	**22,164**	**-**	**-**	**161,478**
Carrying value：									
Balance as of December 31, 2022	**$ 190,856**	**512,549**	**42,839**	**2,608**	**20,805**	**12,433**	**-**	**-**	**782,090**
Balance as of December 31, 2021	**$ 190,856**	**527,225**	**46,759**	**3,355**	**27,827**	**17,052**	**-**	**779**	**813,853**
Balance as of January 1, 2021	**$ 185,913**	**536,627**	**38,920**	**-**	**34,465**	**13,720**	**-**	**856**	**810,501**

Note: Reclassifications are mainly transferring to prepayments.

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

Wistron Information Technology and Services Corporation and subsidiaries
Notes to the Consolidated Financial Statements

(d) Right-of-use assets

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

		Buildings and structures	Transportation equipment	Total
Cost:				
Balance as of January 1, 2022	$	88,614	1,323	89,937
Additions		6,765	1,355	8,120
Disposals		(9,358)	(1,323)	(10,681)
Effect of changes in foreign exchange rates		629	-	629
Balance as of December 31, 2022	$	**86,650**	**1,355**	**88,005**
Balance as January 1, 2021	$	85,268	1,603	86,871
Depreciation		33,347	-	33,347
Disposals		(20,911)	(278)	(21,189)
Effect of changes in foreign exchange rates		(9,090)	(2)	(9,092)
Balance as of December 31, 2021	$	**88,614**	**1,323**	**89,937**
Accumulated depreciation:				
Balance as of January 1, 2022	$	31,168	1,029	32,197
Depreciation		28,872	445	29,317
Disposals		(9,282)	(1,323)	(10,605)
Effect of changes in foreign exchange rates		(59)	-	(59)
Balance as of December 31, 2022	$	**50,699**	**151**	**50,850**
Balance as of January 1, 2021	$	31,790	781	32,571
Depreciation		27,495	527	28,022
Disposals		(20,083)	(278)	(20,361)
Effect of changes in foreign exchange rates		(8,034)	(1)	(8,035)
Balance as of December 31, 2021	$	**31,168**	**1,029**	**32,197**
Carrying amount:				
Balance as of December 31, 2022	$	**35,951**	**1,204**	**37,155**
Balance as of December 31, 2021	$	**57,446**	**294**	**57,740**
Balance as of January 1, 2021	$	**53,478**	**822**	**54,300**

Wistron Information Technology and Services Corporation and subsidiaries
Notes to the Consolidated Financial Statements

(e) Intangible assets

(i) The movements in intangible assets were as follows:

		Software	Goodwill	Total
Cost:				
Balance as of January 1, 2022	$	72,387	16,889	89,276
Additions		7,323	-	7,323
Disposals		(18,943)	-	(18,943)
Effect of changes in foreign exchange rates		318	(721)	(403)
Balance as of December 31, 2022	**$**	**61,085**	**16,168**	**77,253**
Balance as of January 1, 2021	$	55,909	19,349	75,258
Additions		14,835	-	14,835
Reclassification (Note)		1,936	-	1,936
Effect of changes in foreign exchange rates		(293)	(2,460)	(2,753)
Balance as of December 31, 2021	**$**	**72,387**	**16,889**	**89,276**
Accumulated amortization:				
Balance as of January 1, 2022	$	50,361	-	50,361
Amortization		12,900	-	12,900
Disposals		(18,943)	-	(18,943)
Effect of changes in foreign exchange rates		161	-	161
Balance as of December 31, 2022	**$**	**44,479**	**-**	**44,479**
Balance as of January 1, 2021	$	42,388	-	42,388
Amortization		8,163	-	8,163
Effect of changes in foreign exchange rates		(190)	-	(190)
Balance as of December 31, 2021	**$**	**50,361**	**-**	**50,361**
Carrying value:				
Balance as of December 31, 2022	**$**	**16,606**	**16,168**	**32,774**
Balance as of December 31, 2021	**$**	**22,026**	**16,889**	**38,915**
Balance as of January 1, 2021	**$**	**13,521**	**19,349**	**32,870**

Note: Other non-current assets-prepayment for equipment were reclassified intangible assets.

(ii) For the years ended December 31, 2022 and 2021, the amortization of intangible assets is included in the cost of sales and operating expenses in the statement of comprehensive income.

(iii) Impairment testing for goodwill

Goodwill arising from the acquisition of Adcreation Co., Ltd on October 1, 2011, and merged into Osaka sector. The amount of goodwill was JPY 70,081 thousand, mainly comes from the existing customers of Adcreation Co., Ltd will bring the benefits from the growth of revenue in Japan. According to IAS 36, goodwill acquired in a business combination is tested for impairment at least annually. For the purposes of impairment testing, goodwill is allocated to each of the acquirer's cash-generating units, that are expected to benefit from the synergies of the combination. Osaka sector itself is a separate cash-generating unit that can generate independent cash inflows; therefore, goodwill is tested for impairment by comparing the recoverable amount of Osaka sector with its carrying amount to determine whether an impairment loss should be recognized.

The Equity Value Analysis Report issued by an expert engaged by the Group had been prepared based on Adcreation Co., Ltd's financial forecast covering 2012 to 2016. The projection of operating revenue over the forecast period was made based on the sales plan forecast. Therefore, the consolidated financial statements mainly evaluate and illustrate whether the actual operating revenue achieves the forecast operating revenue for the years ended December 31, 2022 and 2021.

According to the impairment test results of the Group, the recoverable amount determined based on a value in use for the cash-generating unit is greater than the carrying amount. Therefore, no impairment loss should be recognized.

The recoverable amount had been determined based on a value in use for the cash-generating unit. The key assumptions used in the estimation were as follows:

1) The future cash flow was based on the financial budget for the next 5 years which was approved by the management. For the future cash flow farther than 5 years in the future, the estimated growth rate is 0%.

2) For the estimate of profit before tax, interest and amortization during the financial budget period, was based on expectation of future operations, considering past experience, to adjusted for the anticipated revenue growth. Revenue growth was projected considering the average growth levels experienced over the past years, and the estimated project volume and price growth for the next five years. The sales price for the next five years is assumed to be slightly higher than the expected inflation rate increase.

3) The Group estimated the discount rate before tax based on the weighted average cost of capital. The discount rate before tax for the recoverable amount was as follows:

	December 31, 2022	December 31, 2021
Discount rate	26.47 %	25.36 %

Wistron Information Technology and Services Corporation and subsidiaries
Notes to the Consolidated Financial Statements

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

(i) Other current assets

	December 31, 2022	December 31, 2021
Refundable deposits	$ 15,810	18,783
Temporary payment	1,608	1,618
	$ 17,418	**20,401**

For the years ended December 31, 2022 and 2021, the other current assets were not pledged.

(ii) Other non-current assets

	December 31, 2022	December 31, 2021
Refundable deposits	$ 18,440	13,544
Prepayment for equipment	-	104
	$ 18,440	**13,648**

For the years ended December 31, 2022 and 2021, the other non-current assets were pledged, please refer to Note 8.

(g) Bank loans

(i) Short-term loans

	December 31, 2022			
	Currency	**Interest rate collar**	**Expiration year**	**Amount**
Unsecured bank loans	NTD	1.725%	2023	$ 150,000
Unsecured bank loans	JPY	0.80%	2023	8,075
Total				**$ 158,075**
Unused bank credit lines				**$ 1,796,727**

	December 31, 2021			
	Currency	**Interest rate collar**	**Expiration year**	**Amount**
Unsecured bank loans	NTD	0.51%	2022	$ 100,000
Unsecured bank loans	JPY	0.70%	2022	7,230
Total				**$ 107,230**
Unused bank credit lines				**$ 1,994,485**

(ii) Long-term loans

	December 31, 2022		
	CNY (thousand)	Expiration	Amount
Secured bank loans	$ 12,762	2023.1~2028.10	56,408
Less: current portion	(1,994)		(8,814)
	$ 10,768		**47,594**
Unused bank credit lines	**$ -**		**-**
Range of interest rates			**3.90%**

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

As December 31, 2022, the details of the future repayment period of the long-term loans were as follows:

Period	Amount
Within one year	$ 8,814
Between one and five years	38,946
Over five years	8,648
	$ 56,408

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

(h) Lease liabilities

The carrying amounts of lease liabilities were as follow:

	December 31, 2022	December 31, 2021
Current	**$ 23,867**	**26,453**
Non-current	**$ 9,128**	**27,417**

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

The amount recognized in profit or loss were as follows:

	2022	2021
Interest expenses on lease liabilities	$ 1,674	1,771
Expenses relating to short-term leases	$ 10,140	13,035
Expenses relating to leases of low-value assets (excluding short-term leases of low-value assets)	$ 11,655	10,954
COVID-19 related rent concessions (recognized as deduction of rent expense)	$ (266)	-

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

	2022	2021
Total cash outflow for leases	$ 52,495	52,551

(i) Leases of buildings and structures

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 space and 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

Reconciliations of defined benefit obligation at present value and plan asset at fair value were as follows:

	December 31, 2022	December 31, 2021
Present value of the defined benefit obligations	$ 41,788	42,487
Fair value of plan assets	(28,999)	(27,314)
Net defined benefit liabilities	$ 12,789	15,173

The Group makes defined benefit plan contributions to the pension fund account in the Bank of Taiwan that provides pensions for employees upon retirement. Plans (covered by the Labor Standards Law) entitle a retired employee to receive retirement benefits based on years of service and average salary prior to six months of retirement.

Wistron Information Technology and Services Corporation and subsidiaries
Notes to the Consolidated Financial Statements

1) Composition of plan assets

The Group allocates pension funds in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, and such funds are managed by the Bureau of Labor Funds, Ministry of Labor. With regard to the utilization of the funds, minimum earnings shall be no less than the earnings attainable from two-year time deposits with interest rates offered by local banks.

The Group's labor pension reserve account balance in the Bank of Taiwan amounted to 28,999 as of December 31, 2022. For information on the utilization of the labor pension fund assets, including the asset allocation and yield of the fund, please refer to the website of the Bureau of Labor Funds, Ministry of Labor.

2) Movements at present value of the defined benefit obligations

For the years ended December 31, 2022 and 2021, the movements at the present value of the defined benefit obligations for the Group were as follows:

		2022	2021
Defined benefit obligations at January 1	$	42,487	43,650
Current service costs and interest cost		1,466	1,183
Remeasurements of the net defined benefit liability:			
－Actuarial loss (gain) arising from experience adjustments		376	(1,129)
Benefits paid from plan assets		(1,129)	(1,217)
Benefits paid directly by the Group		(1,412)	-
Defined benefit obligations at December 31	**$**	**41,788**	**42,487**

3) Movements at fair value of the defined benefit plan assets

For the years ended December 31, 2022 and 2021, the movements at fair value of the defined benefit plan assets for the Group were as follows:

		2022	2021
Fair value of plan assets at January 1	$	27,314	27,585
Expected return on plan assets		159	162
Remeasurements of the net defined benefit liability:			
－Return on plan assets		2,197	334
Amounts contributed to plan		458	450
Benefits paid from plan assets		(1,129)	(1,217)
Fair value of plan assets at December 31	**$**	**28,999**	**27,314**

4) Expenses recognized in profit or loss

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

	2022	2021
Current service costs	$ 1,213	922
Interest cost	253	261
Expected return on plan assets	(159)	(162)
	$ 1,307	**1,021**

	2022	2021
Cost of sales	$ 670	227
Selling expenses	116	40
Administration expenses	521	754
	$ 1,307	**1,021**

5) Remeasurements of the net defined benefit liability recognized in other comprehensive income

For the years ended December 31, 2022 and 2021, the remeasurements of the net defined benefit liability recognized in other comprehensive income were as follows:

	2022	2021
Accumulated amount at January 1	$ 5,696	7,159
Recognized during the period	(1,821)	(1,463)
Accumulated amount at December 31	**$ 3,875**	**5,696**

6) Actuarial assumptions

The principal actuarial assumptions at the reporting date were as follows:

	December 31, 2022	December 31, 2021
Discount rate	1.750 %	0.625 %
Future salary increase rate	4.000 %	3.000 %

Expected contribution to the defined benefit pension plan of the Group for the one-year period after the reporting date is $463. The weighted average lifetime of the defined benefit plans is 15.64 years.

Wistron Information Technology and Services Corporation and subsidiaries
Notes to the Consolidated Financial Statements

7) Sensitivity analysis

As of December 31, 2022, and 2021, the changes in main actuarial assumptions might have an impact on the present value of the defined benefit obligation as follows:

	Influences of defined benefit obligations	
	Increase	**Decreas**
December 31, 2022		
Discount rate (0.25%)	$ (1,103)	1,148
Future salary increase rate (0.25%)	1,099	(1,066)
December 31, 2021		
Discount rate (0.25%)	(1,108)	1,148
Future salary increase rate (0.25%)	1,103	(1,069)

There is no change in other assumptions when performing the aforementioned sensitivity analysis. In practice, assumptions may be interactive with each other. The method used on sensitivity analysis is consistent with the calculation on the net pension liabilities.

There is no change in the method and assumptions used in the preparation of sensitivity analysis for 2022 and 2021.

(ii) Defined contribution plans

The Group set aside 6% of the contribution rate of the employee's monthly wages to the Labor Pension personal account of the Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. The Group set aside a fixed amount to the Bureau of Labor Insurance without the payment of additional legal or constructive obligations.

The foreign entities of the Group are in accordance with local regulations and are recognized as pension.

The Group set aside $352,644 and $261,905 of the pension under the pension plan costs to the Bureau of Labor Insurance for the years ended December 31, 2022 and 2021, respectively.

(j) Income tax

(i) Income tax expense

The components of income tax expense for the years ended December 31, 2022 and 2021 were as follows:

	2022	**2021**
Current tax expense	$ 99,289	69,843
Deferred tax benefit	(20,358)	(10,345)
Income tax expense	**$ 78,931**	**59,498**

(Continued)

There is no income tax recognized directly in equity or other comprehensive income for the years ended December 31, 2022 and 2021.

Reconciliations of income tax expenses and profit before tax for the years ended December 31, 2022 and 2021 were as follows:

	2022	2021
Profit before tax	$ 633,133	515,132
Estimated income tax calculated using the Company's domestic tax rate	126,627	103,026
Effect of tax rates in foreign jurisdiction	(2,415)	(47)
Prior-period tax adjustments	7,076	(5,062)
Additional tax on undistributed earnings	3,425	5,264
Change in unrecognized temporary differences	(21,089)	(13,597)
Deduction of research expenses	(39,595)	(36,190)
Others	4,902	6,104
	$ 78,931	**59,498**

(ii) Deferred tax assets and liabilities

1) Unrecognized deferred tax liabilities

The Group is able to control the timing of the reversal of the temporary differences associated with investments in subsidiaries as of December 31, 2022 and 2021. Also, management considers it probable that the temporary differences will not reverse in the foreseeable future. Hence, such temporary differences are not recognized under deferred tax liabilities. Details are as follows:

	December 31, 2022	December 31, 2021
Aggregate amount of temporary differences related to investments in subsidiaries	**$ 1,770,092**	**1,389,653**
Unrecognized deferred tax liabilities	**$ 354,019**	**277,931**

2) Unrecognized deferred tax assets

	December 31, 2022	December 31, 2021
The carryforward of unused tax losses	**$ 1,588**	**2,048**

According to the Income Tax Act, the operating loss as examined and assessed by the local tax authorities can be carried forward for use as a deduction from taxable income over a period of prior years. Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilize the benefits therefrom.

As of December 31, 2022 ,the information of the Group's unutilized business losses for which no deferred tax assets were recognized was as follows:

Years of loss	Unutilized business loss	Expiry year
2021	$ **1,588**	2026

3) Recognized deferred tax assets and liabilities

The movements in deferred tax assets and liabilities for 2022 and 2021 were as follows:

	Accrued expense	Loss allowance	Provisions	Others	Total
Deferred tax assets:					
Balance as of January 1, 2022	$ 8,423	7,290	-	4,476	20,189
Recognized in profit or loss	11,357	308	1,386	1,385	14,436
Balance as of December 31, 2022	$ **19,780**	**7,598**	**1,386**	**5,861**	**34,625**
Balance as of January 1, 2021	$ 5,686	10,310	-	6,479	22,475
Recognized in profit or loss	2,737	(3,020)	-	(2,003)	(2,286)
Balance as of December 31, 2021	$ **8,423**	**7,290**	**-**	**4,476**	**20,189**

	Recognized share of gain of subsidiaries accounted for equity method	Unearned revenue	Others	Total
Deferred tax liabilities:				
Balance as of January 1, 2022	$ 62,715	17,961	6,571	87,247
Recognized in profit or loss	673	(6,353)	(242)	(5,922)
Balance as of December 31, 2022	$ **63,388**	**11,608**	**6,329**	**81,325**
Balance as of January 1, 2021	$ 61,993	26,500	11,385	99,878
Recognized in profit or loss	722	(8,539)	(4,814)	(12,631)
Balance as of December 31, 2021	$ **62,715**	**17,961**	**6,571**	**87,247**

(iii) The Company's corporate income tax returns for all years through 2020 were assessed by the local tax authorities.

(k) Capital and other equity

As of December 31, 2022 and 2021, the Company's authorized common stock were 120,000 thousand shares with a par value of NT$10 per share, amounting to $1,200,000, of which 67,152 thousand shares and 66,921 thousand shares, respectively, were issued. And the actual share capital amount were $671,523 and $669,211. All proceeds from shares issued have been collected.

Reconciliations of shares issued for the years ended December 31, 2022 and 2021 were as follows:

	Common stock (in thousands)	
	2022	**2021**
Balance as of January 1	66,921	66,708
New share issued through employees' profit sharing bonus	231	213
Balance as of December 31	**67,152**	**66,921**

(i) Common stock

On March 8, 2022, the Company's Board of Directors meeting 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 base date of capital increase was resolved to be August 9, 2022, by the Board of Directors meeting. The relevant registration procedures had been completed.

On March 10, 2021, the Company's Board of Directors meeting 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 base date of capital increase was resolved to be May 24, 2021, by the Board of Directors meeting. The relevant registration procedures had been completed.

(ii) Capital surplus

The details of capital surplus at the reporting date were as follows:

	December 31, 2022	December 31, 2021
A premium issuance of common shares for cash	$ 765,335	747,647
Transaction of treasury shares	26,297	23,204
Earnings from donated assets received	26	26
	$ 791,658	**770,877**

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

Wistron Information Technology and Services Corporation and subsidiaries
Notes to the Consolidated Financial Statements

On March 8, 2022 and March 10, 2021, the Company's Board of Directors meeting approved a resolution to distribute employees' profit sharing bonus consisting of 231 thousand shares and 213 thousand shares. The amount of stock premium was $17,688 and $17,872, respectively.

(iii) Retained earning

The Company's Articles 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 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.

1) Legal reserve

When a company incurs no loss, the meeting of shareholders may decide on the distribution of the legal reserve either by new shares or by cash of up to 25% of the actual share capital.

2) Special reverse

In accordance with the FSC, a portion of current period earnings and undistributed prior period earnings shall be reclassified as a special reserve during earnings distribution. The amount to be reclassified should be equal to the total net reduction of current period of other shareholders' equity. Similarly, a portion of undistributed prior period earnings shall be reclassified as a special earnings reserve (and does not qualify for earnings distribution) to account for cumulative changes to other shareholders' equity pertaining to prior periods. Amounts of subsequent reversals pertaining to the net reduction of other shareholders' equity shall qualify for additional distributions.

3) Appropriations of earnings

The appropriations of earning for 2021 and 2020 had been approved by the shareholders' meeting held on May 26, 2022 and July 23, 2021, respectively. The appropriations and dividends were as follows:

	2021	2020
Common stock dividends		
Cash	$ 304,773	328,752

4) Treasury shares

a) The Company repurchased 958 thousand shares of its own common stock as treasury shares, at the amount of $73,500, 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 repurchased period was from March 30 to May 29, 2020. Out of the 958 thousand shares mentioned above, 474 thousand shares and 0 thousand shares were transferred to its employees, resulting in the Company to hold the remaining 484 thousand shares and 958 thousand shares as of December 31, 2022 and 2021, respectively. In addition, the employee remuneration expense of $3,487, including that of its subsidiaries amounting to $1,325, had been recognized in 2022.

b) In accordance with the requirements of Securities and Exchange Act, treasury shares held by the Company should not be pledged, and do not hold any shareholder rights before their transfer.

(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	29,949
Balance as of December 31, 2022	**$ (77,104)**
Balance as of January 1, 2021	$ (81,212)
Foreign currency transaction differences	(25,841)
Balance as of December 31, 2021	**$ (107,053)**

(l) Earnings per share ("EPS")

(i) Basic earnings per share

	2022	2021
Net profit belonging to common shareholders	**$ 554,202**	**455,634**
Weighted average common stock outstanding (in thousands shares)	**66,539**	**65,923**
Basic earnings per share (in dollars)	**$ 8.33**	**6.91**

(ii) Diluted earnings per share

	2022	2021
Net profit belonging to common shareholders	$ 554,202	455,634
Weighted average common stock outstanding (in thousands shares)	66,539	65,923
Effect of potentially dilutive common stock (in thousands shares)		
Employees' profit sharing bonus	915	551
Employees' profit sharing bonus of subsidiaries	213	210
Weighted average number of common stock (diluted) (in thousands shares)	**67,667**	**66,684**
Diluted earnings per share (in dollars)	**$ 8.19**	**6.83**

(m) Revenue from contracts with customers

(i) Disaggregation of revenue

	2022	2021
Primary geographical markets:		
China	$ 5,321,838	3,869,916
Taiwan	1,355,580	1,015,575
Japan	701,408	710,446
Others	570,060	581,883
	$ 7,948,886	**6,177,820**
Major products:		
IT service revenue	**$ 7,948,886**	**6,177,820**

(ii) Balance of contracts

	December 31, 2022	December 31, 2021	January 1, 2021
Notes and accounts receivable (including related parties)	$ 2,450,410	2,158,201	1,498,018
Less: loss allowance	(25,657)	(27,142)	(30,093)
	$ 2,424,753	**2,131,059**	**1,467,925**
Contract assets	$ 7,680	12,592	32,097
Less: loss allowance	(230)	(377)	(963)
	$ 7,450	**12,215**	**31,134**

(Continued)

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

		2022	2021
Balance as of January 1	$	377	963
Impairment losses reversed		(151)	(580)
Effect of changes in foreign exchange rate		4	(6)
Balance as of December 31	$	**230**	**377**

		December 31, 2022	December 31, 2021	January 1, 2021
Contract liabilities	$	**15,852**	**14,665**	**20,151**

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 years ended December 31, 2022 and 2021 that was included in the contract liabilities balance at the beginning of the year was $12,543 and $14,585, 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) Remunerations to employees and directors

According to the Company's Article of Incorporation, if the Company has profit (which means income before tax excluding the amounts of remunerations to employees and directors) 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) The Company shall allocate not less than 10% of annual profit as employee's remuneration.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) The Company shall allocate not more than 2% of annual profit as the remuneration to directors in cash.

The Company's estimated of employees' and directors' remuneration were as follows:

		2022	2021
Employee's remuneration	$	83,250	57,120
Directors' remuneration		9,250	11,100
	$	**92,500**	**68,220**

Wistron Information Technology and Services Corporation and subsidiaries
Notes to the Consolidated Financial Statements

The amounts are calculated by the net profit before tax excluding employees' and directors' remuneration, of each year multiplied by the percentage of employees' and directors' remuneration 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 remuneration 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 amounts, as stated in the financial statements, are identical to those of the actual distributions for 2022 and 2021.

(o) Non-operating income and expenses

(i) Interest income

	2022	2021
Interest income	$ 5,235	8,293

(ii) Other income

	2022	2021
Government grants	$ 66,632	53,118

(iii) Other gains and losses

	2022	2021
Foreign exchange gains (losses), net	$ 8,022	(4,289)
Losses on disposals of property, plant and equipment, net	(878)	(1,672)
Compensation losses	(6,929)	-
Reversal of bad debt loss	-	2,866
Gains on disposal of investment	2,959	-
Losses on lease modification	-	(244)
Others	2,064	2,133
	$ 5,238	(1,206)

(iv) Finance costs

	2022	2021
Interest expenses	$ (6,789)	(4,890)

Wistron Information Technology and Services Corporation and subsidiaries
Notes to the Consolidated Financial Statements

(p) Financial instruments

(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) Concentration of credit risk

Accounts receivable were incurred from several customers and regional distributions which were decentralized. Therefore, there was no concentration of credit risk. In order to reduce the credit risk of accounts receivable, the Group continually evaluates each customer's financial situation, normally without a request for collateral.

The Group regularly assesses the possibility of recovering accounts receivable and provides appropriate allowance for impairment losses within the management's expectations. The Group periodically evaluates its customers' financial position and the possibility of recovery of receivables. Therefore, the Group assesses that credit risk can be reduced.

3) Receivables and contract assets 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).

(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
As of December 31, 2022					
Non-derivative financial liabilities					
Short-term loans	$ 158,075	158,191	158,191	-	-
Accounts payable	77,865	77,865	77,865	-	-
Other payables (including related parties)	1,221,283	1,221,283	1,221,283	-	-
Lease liabilities (current and non-current)	32,995	34,013	24,564	6,654	2,795
Long-term loans (including current portion)	56,408	63,200	10,881	10,881	41,438
	$ 1,546,626	**1,554,552**	**1,492,784**	**17,535**	**44,233**
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
	$ 1,367,778	**1,379,601**	**1,288,922**	**31,792**	**58,887**

(Continued)

Wistron Information Technology and Services Corporation and subsidiaries
Notes to the Consolidated Financial Statements

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:

	December 31, 2022				December 31, 2021			
	Foreign currency (in thousands)	Exchange rate		NTD	Foreign currency (in thousands)	Exchange rate		NTD
Financial assets								
Monetary items								
USD	$ 450	USD/TWD	30.708	13,805	142	USD/TWD	27.690	3,922
CNY	5,019	CNY/HKD	1.1223	22,185	3,902	CNY/HKD	1.2246	16,966
JPY	36,160	JPY/HKD	0.0586	8,343	65,608	JPY/HKD	0.0679	15,811
JPY	9,060	JPY/CNY	0.0522	2,090	7,015	JPY/CNY	0.0554	1,690
USD	2,922	USD/HKD	7.7975	89,723	2,522	USD/HKD	7.7985	69,834
Financial Liabilities								
Monetary items								
USD	254	USD/HKD	7.7975	7,800	305	USD/HKD	7.7985	8,488
CNY	6,000	CNY/HKD	1.1223	26,520	8,602	CNY/HKD	1.2246	37,402
JPY	35,979	JPY/HKD	0.0586	8,301	31,205	JPY/HKD	0.0679	7,520

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 weakening or strengthening 5% of the NTD against the USD, CNY and JPY for the years ended December 31, 2022 and 2021 would have increased (decreased) the net profit after tax by $4,654 and $2,714, 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 years ended December 31, 2022 and 2021, foreign exchange gain (loss), including realized and unrealized portions, amounted to $8,022 and $(4,289), respectively.

Wistron Information Technology and Services Corporation and subsidiaries
Notes to the Consolidated Financial Statements

(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 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 decreased / increased by $2,064 and $638 for the years ended December 31, 2022 and 2021, respectively, with all other variable factors remaining constant. This is mainly due to the Group's borrowing at variable rates.

(v) Fair value information - Categories and fair values of financial instruments

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

(q) Management of financial risk

(i) Overview

The Group is exposed to the extent of the risks arising from financial instruments as below:

1) Credit risk

2) Liquidity risk

3) Market risk

Detailed information about the Group's objectives, policies and processes for measuring and managing the above mentioned risks was listed below. For more disclosures about the quantitative effects of these risk exposures, please refer to the respective notes in the accompanying consolidated financial statements.

(ii) Structure of risk management

Risk management policies are approved by the Board of Directors and is executed by the Group's financial department. For financial risks arising from operation management, the financial department is accountable for recognizing, evaluating and planning the hedge methods through cooperating with other operating units. The Board of Directors develops and documents risk policies which cover specific risk exposures such as currency risk and derivative financial instrument risk to ensure the hedge tools are performed properly and effectively.

(iii) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet it contractual obligations that arises principally from the Group's accounts receivable.

1) Accounts receivable

The Group's credit risk exposures are influenced mainly by each customer. According to the Group's credit policy, the credit rating of individual customers must be analyzed before the payment terms and credit limit are given. The Group continues to evaluate the customers' credit rating and credit limit via automatic finance system to manage the credit exposure.

The Group set up the allowance for doubtful accounts to reflect the expected credit loss of notes and accounts receivable.

2) Investments

The credit risk exposure in the bank deposits and other financial instruments is measured and monitored by the Group's finance department. Since the Group's transactions resulted from the external parties with good credit standing and investment grade above financial institutions and companies, there are no incompliance issues and therefore no significant credit risk.

3) Guarantees

The Group only provides endorsement or guarantee for the companies defined in its policy - “Procedures Governing Endorsements and Guarantees”. The Group did not provide guarantees as of December 31, 2022 and 2021.

(iv) Liquidity risk

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

In addition, As of December 31, 2022 and 2021, the Group has unused credit facilities for bank loans of $1,796,727 and $1,994,485, respectively.

(Continued)

(v) Market risk

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

1) Currency risk

The Group is exposed to currency risk on sales and purchases that are denominated in a currency other than the respective functional currencies of the Group's entities. The currencies used in these transactions are denominated in NTD, CNY, USD, EUR, JPY and HKD.

The Group collects information of currency to monitor the trend of currency rate and keeps connection with the foreign currency department of banks to collect the market information and determine the exchange rate appropriately for securing the currency risk.

2) Interest risk

The Group adopts a policy of ensuring that will not suffer from high risk and stable interest rate when the rate change significantly. The Group neither has fixed-interest financial liabilities at fair value through profit nor uses derivative financial instruments to hedge debt. Therefore, changes in interest rates on the reporting date do not have a significant impact on profit or loss.

To reduce the exposure to interest rate risk, the choice of a variable interest rate or a fixed interest rate was based on the Group's evaluation of the global economic environment and the trend in market interest rates. The Group maintains an appropriate proportion of the fixed and variable interest rate instruments to mitigate the interest rate risk.

3) Other market price risk

The Group monitor the risk arising from its security instruments, which are held for monitoring cash flow requirements and unused capital. The management of the Group monitor the combination of investment portfolio based on cash flow requirements. Material investments within the portfolio are managed on an individual basis, and all buy-and-sell decisions are approved by the Board of directors.

(r) Capital management

The Group's objectives for managing capital to safeguard the capacity to continue to operate, to continue to provide a return on shareholders, to maintain the interest of other related parties, and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the dividend payment to the shareholders, issue new shares, or sell assets to settle any liabilities. The Group uses the debt-to-equity ratio to manage capital. This ratio is the total net debt divided by the total capital.

(Continued)

Wistron Information Technology and Services Corporation and subsidiaries
Notes to the Consolidated Financial Statements

The Group's debt-to-equity ratio at the reporting date was as follows:

	December 31, 2022	December 31, 2021
Total liabilities	$ 1,763,378	1,559,745
Less: cash and cash equivalents	(1,184,815)	(877,245)
Net debt	**$ 578,563**	**682,500**
Total equity	$ 2,798,380	2,457,722
Adjustment	-	-
Total capital	**$ 2,798,380**	**2,457,722**
Debt-to-equity ratio	**20.67 %**	**27.77 %**

As of December 31, 2022, there were no changes in the Group's approach to capital management.

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

Reconciliations of liabilities arising from financing activities in the years ended December 31, 2022 and 2021 were as follows:

		Cash flows		Non-cash changes		
	January 1, 2022	**Cash flows**	**Repayments of long-term debt and lease liabilities**	**Others**	**Effect of changes in foreign exchange rate**	**December 31, 2022**
Short-term loans	$ 107,230	2,527,501	(2,477,446)	-	790	158,075
Long-term loans (including current portion)	63,817	-	(8,486)	-	1,077	56,408
Lease liabilities (current and non-current)	53,870	-	(29,292)	7,778	639	32,995
	$ 224,917	**2,527,501**	**(2,515,224)**	**7,778**	**2,506**	**247,478**

		Cash flows		Non-cash changes		
	January 1, 2021	**Cash flows**	**Repayments of long-term debt and lease liabilities**	**Others**	**Effect of changes in foreign exchange rate**	**December 31, 2021**
Short-term loans	$ -	360,299	(252,965)	-	(104)	107,230
Long-term loans (including current portion)	72,107	-	(7,932)	-	(358)	63,817
Lease liabilities (current and non-current)	48,871	-	(26,791)	32,763	(973)	53,870
	$ 120,978	**360,299**	**(287,688)**	**32,763**	**(1,435)**	**224,917**

Wistron Information Technology and Services Corporation and subsidiaries
Notes to the Consolidated Financial Statements

(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 party
Winynn Technology Service Kun Shan, Ltd. (WYKS)	Other related party
WiAdance Technology Corporation (AGI)	Other related party
Wistron NeWeb Corporation (WNC)	Other related party
Wiedu Corporation (WETW)	Other related party
Changing Information Technolgy Inc. (CGI)	Other related party
WiBASE Industrial Solutions Inc. (WIS)	Other related party

(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	
	2022	2021	December 31, 2022	December 31, 2021
Entities with significant influence over the Group	$ 297,722	171,475	52,690	36,393
Other related parties	12,624	6,226	3,035	1,766
	$ 310,346	**177,701**	**55,725**	**38,159**

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

(Continued)

(iii) Property transaction

In 2022 and 2021, the Group purchased intangible assets from other related parties amounting to $44 (with tax) and $548, respectively, resulting in having no other payables from the above transaction for both years.

(iv) Other transactions

1) In 2022 and 2021, the entity with significant influence over the Group provided management services to the Group at the amounts of $0 and $120, resulting in other payables from the above transactions to be $0 and $126, respectively at the end of December 31.

2) In 2022 and 2021, other related parties provided management, system and miscellaneous services to the Group amounting to $262 and $56, resulting in other payables from the above transaction to be $21 and $70, respectively at the end of December 31.

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

	December 31, 2022	December 31, 2021
Receivables—related parties:		
Accounts receivable	$ 55,725	38,159
Payables—related parties:		
Other payables	$ 21	196

(c) Key management personnel compensation

Key management personnel compensation comprised:

	2022	2021
Short-term employee benefits	$ 78,074	72,211
Post-employment benefits	1,322	1,258
	$ 79,396	73,469

(8) Pledged assets

The carrying amounts of pledged assets were as follows:

Pledged assets	Object	December 31, 2022	December 31, 2021
Refundable deposits—other non-current assets	Performance guarantee and warranty	$ 578	-
Property, plant and equipment	Long-term loans (including current portions)	226,068	230,767
		$ 226,646	230,767

Wistron Information Technology and Services Corporation and subsidiaries
Notes to the Consolidated Financial Statements

(9) Significant commitments and contingencies: None

(10) Losses due to major disasters: None.

(11) Subsequent events

(a) The appropriation of earnings of 2022 that was approved at the board of directors meeting on March 6, 2023, was as follows:

	2022
Common stock dividends	
Cash	$ 333,342

(12) Other

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

By function / By item	2022 Cost of sales	2022 Operating expenses	2022 Total	2021 Cost of sales	2021 Operating expenses	2021 Total
Employee benefits						
Salaries	4,903,496	767,668	5,671,164	3,559,069	646,877	4,205,946
Labor and health insurance	264,501	38,195	302,696	201,116	31,061	232,177
Pension	313,433	40,518	353,951	228,717	34,209	262,926
Others	54,778	13,158	67,936	47,591	18,639	66,230
Depreciation	10,604	72,978	83,582	10,920	69,253	80,173
Amortization	322	12,578	12,900	988	7,175	8,163

(13) Other disclosures

(a) Information on significant transactions

The following is the information on significant transactions required by the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" for the Group for the year ended December 31, 2022:

(i) Loans to other parties: None.

(ii) Guarantees and endorsements for other parties: Please refer to Table 1.

(iii) Securities held as of December 31, 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 toTable 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) Major shareholders: Please refer to Table 6.

(14) Segment information

(a) General information and segment information

The Group have one reportable segment. This segment is mainly involved in the development and maintenance of the IT system, IT consulting and outsourcing services. The performance of the operating segment is consistent with the consolidated financial report. Revenue from external customers and segment profit or loss, please refer to consolidated statements of comprehensive income. The segment assets, please refer to the consolidated balance sheets.

(b) Corporate Information

(i) Geographic information

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

Wistron Information Technology and Services Corporation and subsidiaries
Notes to the Consolidated Financial Statements

Geographical information		2022	2021
Revenue from external customers:			
China	$	5,321,838	3,869,916
Taiwan		1,355,580	1,015,575
Japan		701,408	710,446
Other countries		570,060	581,883
	$	**7,948,886**	**6,177,820**

		2022	2021
Non-current assets:			
China	$	314,453	359,657
Taiwan		510,585	521,086
Japan		25,685	27,276
Other countries		1,296	2,593
	$	**852,019**	**910,612**

Non-current assets include property, plant and equipment, right-of-use assets, intangible assets, and other non-current assets, excluding non-current financial instruments and deferred tax assets.

(c) Major customers

In 2022 and 2021, there is no amount of sales to customers representing greater than 10% of net revenue; therefore, information of major customers was not disclosured.

WISTRON INFORMATION TECHNOLOGY AND SERVICES CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Guarantees and endorsements for other parties

December 31, 2022

Table 1

No.	Endorsement/ guarantee provider	Counter-party of guarantee and endorsement: Name	Counter-party of guarantee and endorsement: Relationship with the Company (Note 2)	Limitation on amount of guarantees and endorsements for a specific enterprise (Note 1)	Maximum balance for the period	Ending balance	Amount actually drawn	Amount of endorsement/ guarantee collateralized by properties	Raito 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 povided to subsidiaries in Mainland China	Notes
0	The Company	WIWZ	2	1,399,190	705,980	692,548	-	-	24.75 %	2,798,380	Y	N	Y	-
0	The Company	WIBJ	2	1,399,190	90,240	88,400	-	-	3.16 %	2,798,380	Y	N	Y	-
0	The Company	WIUS	2	1,399,190	64,420	61,416	-	-	2.19 %	2,798,380	Y	N	N	-
0	The Company	WIHK	2	1,399,190	128,840	122,832	8,075	-	4.39 %	2,798,380	Y	N	N	-
0	The Company	WISS	2	1,399,190	145,000	145,000	12,472	-	5.18 %	2,798,380	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 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 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 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 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 by Certified Public Account. 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

December 31, 2022

Table 2

Name of company	Related party	Nature of relationship	Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		Notes
			Purchase/Sale	Amount	Percentage of total purchases/(sales)	Payment terms	Unit price	Payment terms	Balance	Percentage of total notes/accounts receivable (payable)	
WIHK	WIUS	The same parent company	Sales	(139,330)	(30.42)%	Not significantly different from the transactions of the third-parties	Not significantly different from the transactions of the third-parties	Not significantly different from the transactions of the third-parties	47,247	55.40 %	(Note)
WIWZ	WIBJ	Parent - subsidiary company	Sales	(562,378)	(9.92) %	〃	〃	〃	17,680	1.01 %	〃
WIWZ	WIHK	The same parent company	Sales	(299,561)	(5.29) %	〃	〃	〃	26,520	1.52 %	〃
WIHK	WIWZ	The same parent company	Purchases	299,561	78.73 %	〃	〃	〃	(26,520)	(86.17)%	〃
WIBJ	WIWZ	Parent - subsidiary company	Purchases	562,378	99.84 %	〃	〃	〃	(17,680)	(98.33)%	〃
WIUS	WIHK	The same parent company	Purchases	139,330	77.24 %	〃	〃	〃	(47,247)	(94.88)%	〃

(Note) The aforementioned intercompany 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

December 31, 2022

Table 3

No. (Note 1)	Company Name	Related party	Nature of relationship (Note 2)	Transaction			
				Financial statements item (Note 3)	Amount	Trading conditions	Percentage of the consolidated net revenue or total assets (Note 4)
0	The Company	WIHK	1	Service Revenue	69,125	Not significantly different from the transactions of the third-parties	0.87%
1	WIJP	WIHK	3	〃	1,817	〃	0.02%
2	WIHK	WIJP	3	〃	81,459	〃	1.02%
2	WIHK	WIUS	3	〃	139,330	〃	1.75%
3	WIBJ	WIWZ	3	〃	70,971	〃	0.89%
4	WIYC	WIWZ	3	〃	9,459	〃	0.12%
5	WIWZ	WIBJ	3	〃	562,378	〃	7.07%
5	WIWZ	WIHK	3	〃	299,561	〃	3.77%
6	WIHZ	WIWZ	3	〃	170	〃	-%
0	The Company	WIHK	1	Accounts receivable-related parties	2,617	Not significantly different from the transactions of the third-parties	0.06%
1	WIJP	WIHK	3	〃	226	〃	-%
2	WIHK	WIJP	3	〃	6,728	〃	0.15%
2	WIHK	WIUS	3	〃	47,247	〃	1.04%
3	WIBJ	WIWZ	3	〃	7,655	〃	0.17%
4	WIYC	WIWZ	3	〃	1,468	〃	0.03%
5	WIWZ	WIBJ	3	〃	17,680	〃	0.39%
5	WIWZ	WIHK	3	〃	26,520	〃	0.58%
6	WIHZ	WIWZ	3	〃	169	〃	-%

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 information on investees in mainland China)

December 31, 2022

Table 4

Name of investor	Name of investee	Location	Major operations	Initial investment amount		Ending balance			Highest percentage of shares during the period	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 %	2,233,144	100.00 %	341,119	341,119	(Note)
The Company	WIJP	Japan	Research, develop, design of software, and information consulting service	29,564	29,564	1,960	100.00 %	146,211	100.00 %	25,109	25,109	〃
The Company	WIHK	Hong Kong	Research, develop, design of software, and information consulting service	44	44	10,000	100.00 %	65,091	100.00 %	14,211	14,211	〃
The Company	WIUS	U.S.A	Research, develop, design of software, and information consulting service	7,586	7,586	250,000	100.00 %	31,558	100.00 %	3,504	3,504	〃
The Company	WISS	Taiwan	Research, develop, design of software, and information consulting service	5,000	5,000	500,000	100.00 %	5,912	100.00 %	929	929	〃
WIBI	WIHH	Hong Kong	Professional investment enterprise	3,012	3,012	62,773,559	100.00 %	2,232,934	100.00 %	338,032	338,032	〃

Note: The aforementioned intercompany 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

December 31, 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, 2022	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2022	Net income (losses) of the investee	Direct/indirect Shareholding (%) by the Company	Highest percentage of shares during the period	Investment income (losses) (Notes 2、10)	Carrying amount as of December 31, 2022 (Notes 2、10)	Accumulated inward remittance of earnings as of December 31, 2022	Notes
					Outflow	Inflow								
QT	Research, develop, design of software, and information consulting service	4,445	(Note 1)1.	2,304	-	-	2,304	-	- %	- %	-	-	-	(Note 8)
WIBJ	Research, develop, design of software, and information consulting service	1,723,429	(Note 1)1.	169,420	-	-	169,420	338,096 (Note 3)	100.00 %	100.00 %	338,096 (Note 3)	2,230,139	-	(Note 9)
WIWZ	Research, develop, design of software, and information consulting service	667,314	(Note 1)2.	-	-	-	-	337,014 (Note 3)	100.00 %	100.00 %	337,014 (Note 3)	1,021,975	-	-
WIYC	Research, develop, design of software, and information consulting service	24,449	(Note 1)2.	-	-	-	-	523 (Note 3)	100.00 %	100.00 %	523 (Note 3)	18,486	-	-
WIHZ	Research, develop, design of software, and information consulting service	218	(Note 1)2.	-	-	-	-	2 (Note 3)	100.00 %	100.00 %	2 (Note 3)	223	-	-

WISTRON INFORMATION TECHNOLOGY AND SERVICES CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Information on investment in Mainland China

December 31, 2022

2. Limitation on investment in Mainland China:

Accumulated Investment in Mainland China as of December 31, 2022 (Note 4)	Investment Amounts Authorized by Investment Commission, MOEA (Note 4)(Note 6)(Note 7)(Note 8)	Upper Limit on Investment (Note 5)
218,990 (USD 7,131,356)	1,782,010 (USD 58,461,356)	1,679,028

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.

Note 2：The amount of the net income (losses) and the investee company carrying value as of December 31, 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 audited by the Group's auditor.

Note 4：Translated using the ending rate on December 31, 2022, which was USD : NTD = 1 : 30.708.

Note 5：According to the "Principles for the Review of Investment or Technical Joint Venture in Mainland China", cumulative investments into the Mainland shall not exceed 60% of the investor's net worth or consolidated net worth, whichever the higher or NTD 80 million dollars. In addition, the amount of capital increase from earnings does not account for accumulated investment in Mainland China.

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 increased investment in WIBJ, one of the subsidiaries in Mainland China, by USD 11,000,000 through WIBI, a subsidiary established in a third region, wherein the investment had been authorized by Investment Commission, MOEA. However, 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：As of December 31, 2022 and 2021, WIBJ increased its capital of CNY 88,113 thousand and CNY 188,000 thousand from retained earnings based on the resolutions approved during its board meetings held on January 12, 2022 and October 4, 2022, resulting in its share capital to increased from CNY 111,887 thousand to CNY 200,000 thousand and CNY 200,000 thousand to CNY 388,000 thousand, respectively.

Note 10：The aforementioned intercompany transactions have been eliminated in the consolidated financial statements.

3. Significant transactions：

For the year ended December 31, 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

December 31, 2022

Table 6

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