

Ways Technical Corp., Ltd. and its Subsidiaries

Consolidated Financial Statements and Independent Auditor's Report

For the Years 2022 and 2021

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. NOT AUDITED OR REVIEWED BY AUDITORS. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' report and the consolidated financial statements, the Chinese version shall prevail.

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Statement

The associates that are required to be included in the Company's consolidated financial statements as of and for the years ended December 31, 2022, under the "Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of associated Enterprises" are the same as those included in the consolidated financial statements prepared in conformity with the International Financial Reporting Standards (IFRS) 10. In addition, the information required to be disclosed in the combined financial statements of associates is included in said consolidated financial statements. Consequently, a separate set of combined financial statements of associates will not be prepared.

Declared by

Company name: Ways Technical Corp., Ltd.

Chairman: Liao, Shi-Wen

Date: March 22, 2023

Independent Auditor's Report

To the Board of directors of Ways Technical Corp., Ltd.

Auditor's Opinion

We have audited the consolidated statement of balance sheet as of December 31, 2022 and 2021, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, and the consolidated statement of cash flows from January 1 to December 31, 2022 and 2021, and the notes (including the summary of significant accounting policies) to the consolidated financial statements of Ways Technical Corp., Ltd. ("the Company") and its subsidiaries (collectively, "the Group").

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 International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's 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 Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for 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 for the year ended December 31, 2022. These matters were addressed in the process of our audit of the consolidated financial statements as a whole and, in forming our opinion thereon. We do not provide a separate opinion on these matters. We determined that the following key audit matters should be communicated regarding this auditor's report:

I. Operating revenue - recognition of revenue from delivery of goods to external warehouse customers

Regarding the accounting policy for the recognition of operating revenue - revenue from delivery of goods to external warehouse customers, please refer to Note 4(16) Recognition of revenue to the consolidated financial statements; for the description of revenue recognition, please refer to Note 6(18) income.

Explanations of key audit matters

Ways Technical Corp., Ltd. has overseas logistics warehouses that are not owned or managed by Ways Technical Corp., Ltd. and its subsidiaries. Some of the terms and conditions of sale have to be recognized based on the delivery of goods to the external warehouse customer. Both parties conduct regular account reconciliation for confirmation. There is a risk that the timing of revenue recognition may be inappropriate if the amount and timing of recognized purchases and sales are consistent. Therefore, the timing and amount of revenue from deliveries to customers from external warehouse are important for our accountant to audit the consolidated financial statements of the Group. one of the above matters.

Corresponding audit procedures

Our main audit procedures for the above key audit matters include understanding and testing the design and implementation of internal control related to the sales and collection cycle of the Ways Technical Corp., Ltd., executing a detailed test of sales revenue, and executing confirmation on accounts receivable and assess whether the revenue recognition time point is processed in accordance with the relevant accounting standards.

Other Matters

We have issued an auditor's report with an unqualified opinion on the 2022 and 2021 parent company only financial statements prepared by Ways Technical Corp., Ltd.

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 the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations endorsed issued into effect by the Financial Supervisory Commission, and for the internal control necessary to the preparation of consolidated financial statements in order to ensure that consolidated financial statements are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the management is responsible for assessing the ability of Ways Technical Corp., Ltd. in continuing as a going concern, disclosing relevant matters, and adopting the going concern basis of accounting unless the management intends to liquidate Ways Technical Corp., Ltd. or cease the operations without other viable alternatives.

The governing body of Ways Technical Corp., Ltd. (including the Audit Committee) is responsible for supervising the financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives in auditing the consolidated financial statements 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 auditor's report accordingly. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error. If the misstated individual amount or the aggregate sum can be reasonably expected to influence the economic decision of the users of consolidated financial statements, it is deemed material.

As part of an audit in accordance with the generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also perform the following:

1. Identify and assess the risks of material misstatement of the consolidated financial statements due to fraud or error; design and perform the 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. Understand the internal control related to the audit in order to design appropriate audit procedures under the circumstances, while not for the purpose of expressing an opinion on the effectiveness of Ways Technical Corp., Ltd.'s internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management level.
4. Conclude on the appropriateness of the management's adoption of the going concern basis of accounting based on the audit evidence obtained and whether a material uncertainty exists for events or conditions that may cast significant doubt on Ways Technical Corp., Ltd.'s ability to continue as a going concern. If we think that a material uncertainty exists related to such events or conditions, we are required in our auditor's report to draw attention of the users of the consolidated financial statements to the related disclosures in the consolidated financial statements or, if such disclosures are inappropriate, to modify our audit opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause Ways Technical Corp., Ltd. to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of consolidated financial statements (including the relevant notes) 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 within the group and express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit and the forming of the audit opinion on the group.

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 the personnel from our accounting firm who are subject to the Professional Ethics for Certified Public Accountant for independence have complied with relevant ethical requirements regarding independence, and we communicate with those charged with governance all relationships and other matters (including relevant safeguards) that may reasonably be thought to bear on our independence.

From the matters communicated with those charged with governance, we determine those matters that were of most significant in the audit of the 2022 consolidated financial statements of Ways Technical Corp., Ltd. and its subsidiaries and are therefore the key audit matters. We describe these matters in our auditor's 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.

KPMG Taiwan

Certified Public Accountants

| | |
|----------------------------|--------------------------|
| Certification document | FSC Securities-Audit No. |
| number from the securities | : 1010004977 |
| regulator | FSC Securities-Audit No. |
| | 0990013761 |
| March 22, 2023 | |

Ways Technical Corp., Ltd. and its Subsidiaries
Consolidated Statement of Balance Sheet
For the Year Ended December 31, 2022 and 2021

Unit: NT\$ thousand

| Assets | | 2022.12.31 | | 2021.12.31 | | |
|---------------------|---|------------|-----------|------------|-----------|-----|
| | | Amount | % | Amount | % | |
| Current assets: | | | | | | |
| 1100 | Cash and cash equivalents (Note 6(1)) | \$ | 574,537 | 20 | 517,462 | 16 |
| 1170 | Notes receivable and accounts receivable - net (Notes 6(4), 6(18) and 7) | | 244,834 | 9 | 486,303 | 15 |
| 1310 | Inventory (Note 6 (5)) | | 123,881 | 4 | 178,577 | 6 |
| 1476 | Other financial assets - current (Notes 6(9), 7 and 8) | | 138,988 | 5 | 101,961 | 3 |
| 1479 | Other current assets | | 57,145 | 2 | 67,110 | 2 |
| | | | 1,139,385 | 40 | 1,351,413 | 42 |
| Non-current assets: | | | | | | |
| 1510 | Financial assets at fair value through profit or loss - non-current (Note 6(2)) | | 84,458 | 3 | 131,380 | 4 |
| 1517 | Financial assets at fair value through other comprehensive income - non-current (Note 6(3)) | | 4,408 | - | 4,342 | - |
| 1550 | Investment using the equity method (Note 6(6)) | | 83,516 | 3 | 82,103 | 3 |
| 1600 | Property, plant and equipment (Notes 6(7) and 8) | | 1,025,340 | 36 | 1,109,547 | 35 |
| 1755 | Right-of-use assets (Note 6 (8)) | | 33,176 | 1 | 65,085 | 2 |
| 1780 | Intangible assets | | 267 | - | 237 | - |
| 1990 | Other non-current assets (Note 6(9), 6(13), 6(14), 9(1), and 9(2)) | | 495,583 | 17 | 444,251 | 14 |
| | | | 1,726,748 | 60 | 1,836,945 | 58 |
| Total assets | | \$ | 2,866,133 | 100 | 3,188,358 | 100 |

| Liabilities and equity | | 2022.12.31 | | 2021.12.31 | | |
|--------------------------------|--|------------|-------------|------------|-------------|------|
| | | Amount | % | Amount | % | |
| Current liabilities: | | | | | | |
| 2130 | Contract liabilities - current (Note 6(18) and 9(1)) | \$ | 881,878 | 31 | 866,151 | 27 |
| 2170 | Note payable and accounts payable | | 253,181 | 9 | 377,685 | 12 |
| 2180 | Notes and accounts payable – related parties (Note 7) | | 372 | - | 367 | - |
| 2200 | Other payables (Note 7) | | 263,877 | 9 | 236,409 | 7 |
| 2280 | Lease liabilities - current (Note 6 (12)) | | 25,637 | 1 | 30,580 | 1 |
| 2300 | Other current liabilities | | 10,180 | - | 8,281 | - |
| 2320 | Long-term liabilities due within one year (Note 6(11) and 8) | | 44,833 | 2 | 20,208 | 1 |
| | | | 1,479,958 | 52 | 1,539,681 | 48 |
| Non-current liabilities: | | | | | | |
| 2540 | Long-term borrowings (Notes 6 (11) and 8) | | 549,958 | 19 | 594,792 | 19 |
| 2580 | Lease liabilities – non-current (Note 6(12)) | | 8,489 | - | 35,729 | 1 |
| 2670 | Other non-current liabilities (Note 6(14)) | | 2,519 | - | 6,068 | - |
| | | | 560,966 | 19 | 636,589 | 20 |
| | | | 2,040,924 | 71 | 2,176,270 | 68 |
| Total Liabilities | | | | | | |
| Equity (Note 6(15) and 6(16)): | | | | | | |
| 3100 | Share capital | | 1,021,417 | 36 | 1,021,417 | 32 |
| 3200 | Capital reserve | | 2,048,074 | 71 | 2,048,074 | 64 |
| 3300 | Retained earnings (accumulated losses) | | (2,058,447) | (72) | (1,857,915) | (58) |
| 3400 | Other equity | | (21,809) | (1) | (42,351) | (1) |
| 3500 | Treasury stocks | | (87,396) | (3) | (87,396) | (3) |
| | Equity attributable to shareholders of the parent | | 901,839 | 31 | 1,081,829 | 34 |
| 36XX | Non-controlling interests | | (76,630) | (2) | (69,741) | (2) |
| | Total equity | | 825,209 | 29 | 1,012,088 | 32 |
| Total liabilities and equities | | \$ | 2,866,133 | 100 | 3,188,358 | 100 |

(Please refer to the Notes to the Consolidated Financial Statements)

Chairperson: Shih-Wen Liao

Managerial Officer: Shih-Wen Liao

Accounting Officer: Shih-Yi Kuo

Ways Technical Corp., Ltd. and its Subsidiaries
Consolidated Statement of Comprehensive Income
For the Years Ended December 31, 2022 and 2021

Unit: NT\$ thousand

| | | 2022 | | 2021 | |
|------|--|---------------------|-------------|------------------|------------|
| | | Amount | % | Amount | % |
| 4000 | Operating revenue (Notes 6 (18) and 7) | \$ 1,207,072 | 100 | 1,334,461 | 100 |
| 5000 | Operating costs (Note 6(5), 6(13), 6(16), 7 and 12(1)) | | | | |
| | | <u>1,150,990</u> | <u>95</u> | <u>1,204,579</u> | <u>90</u> |
| 5950 | Operating gross profit | 56,082 | 5 | 129,882 | 10 |
| | Operating expenses (Note 6(4), 6(12), , 6(13), 6(16), 7 and 12(1)): | | | | |
| 6100 | Selling expenses | 20,778 | 2 | 16,580 | 1 |
| 6200 | Administrative expenses | 126,561 | 10 | 131,055 | 10 |
| 6300 | Research and development expenses | 121,194 | 10 | 134,748 | 10 |
| 6450 | Expected credit impairment losses (gain on reversal) | (6,311) | (1) | 5,637 | - |
| | Total operating expenses | <u>262,222</u> | <u>21</u> | <u>288,020</u> | <u>21</u> |
| 6900 | Operating net loss | (206,140) | (16) | (158,138) | (11) |
| | Non-operating income and expense (Note 6(2), 6(6), 6(7), 6(12), 6(20), 6(21), 7 and 12(1)): | | | | |
| 7010 | Other income | 67,572 | 5 | 35,500 | 3 |
| 7020 | Other gains or losses | (15,227) | (1) | 52,132 | 4 |
| 7100 | Interest revenue | 6,129 | - | 3,149 | - |
| 7510 | Interest expenses | (12,656) | (1) | (10,280) | (1) |
| 7235 | Losses on financial assets at FVTPL | (46,922) | (4) | (23,302) | (2) |
| 7770 | Share of gains of associates and joint ventures accounted for using equity method | 751 | - | 252 | - |
| | | <u>(353)</u> | <u>(1)</u> | <u>57,451</u> | <u>4</u> |
| 7900 | Net loss before income tax | (206,493) | (17) | (100,687) | (7) |
| 7950 | Less: income tax expenses (Note 6 (14)) | 3,278 | - | (1,727) | - |
| | Net loss for this period | <u>(209,771)</u> | <u>(17)</u> | <u>(98,960)</u> | <u>(7)</u> |
| 8300 | Other comprehensive income (Note 6(3), 6(6), and 6(14)): | | | | |
| 8310 | Items not reclassified to profit or loss | | | | |
| 8311 | Remeasurement of defined benefit programs | 2,350 | - | (1,390) | - |
| 8320 | Share of the other comprehensive income of associates and joint ventures recognized by using the equity method | (85) | - | 107 | - |
| 8349 | Less: Income tax related to items not reclassified | - | - | - | - |
| | Total items that will not be reclassified to profit or loss | <u>2,265</u> | <u>-</u> | <u>(1,283)</u> | <u>-</u> |
| 8360 | Items that may subsequently be reclassified to profit or loss | | | | |
| 8361 | Exchange differences on translation of the financial statements of foreign operations | 20,627 | 2 | (5,903) | (1) |
| 8399 | Less: Income tax related to items that may be reclassified to profit or loss | - | - | - | - |
| | Total items that may subsequently be reclassified to profit or loss | <u>20,627</u> | <u>2</u> | <u>(5,903)</u> | <u>(1)</u> |
| 8300 | Other comprehensive income for the period | 22,892 | 2 | (7,186) | (1) |
| | Total comprehensive income for the period | <u>\$ (186,879)</u> | <u>(15)</u> | <u>(106,146)</u> | <u>(8)</u> |
| | Net loss attributable to: | | | | |
| 8610 | Owners of the parent | \$ (202,882) | (16) | (90,983) | (6) |
| 8620 | Non-controlling interests | (6,889) | (1) | (7,977) | (1) |
| | | <u>\$ (209,771)</u> | <u>(17)</u> | <u>(98,960)</u> | <u>(7)</u> |
| | Total comprehensive income attributable to: | | | | |
| 8710 | Owners of the parent | \$ (179,990) | (14) | (98,169) | (7) |
| 8720 | Non-controlling interests | (6,889) | (1) | (7,977) | (1) |
| | | <u>\$ (186,879)</u> | <u>(15)</u> | <u>(106,146)</u> | <u>(8)</u> |
| | Basic earnings per share (Note 6(17)) | | | | |
| 9750 | Basic earnings (loss) per share (NT\$) | <u>\$ (2.04)</u> | | <u>(0.92)</u> | |

(Please refer to the Notes to the Consolidated Financial Statements)

Chairperson: Shih-Wen Liao

Managerial Officer: Shih-Wen Liao Accounting Officer: Shih-Yi Kuo

Ways Technical Corp., Ltd. and its Subsidiaries
Consolidated Statement of Changes in Equity
For the Years Ended December 31, 2022 and 2021

Unit: NT\$ thousand

| | Equity attributable to owners of the parent company | | | | | | | | | | | | | |
|--|---|-----------------|----------------|-----------------|-----------------------|-------------|--|--|--|----------|--------------------|--|------------------------------|--------------|
| | Retained earnings | | | | | | Other equity items | | | | | | | |
| | | | | | | | Exchange difference on translation of financial statements of foreign operations | Unrealized gains or losses on financial assets at fair value through other comprehensive income | Unearned employees' remuneration | Total | Treasury stocks | Equity attributable to owners of the parent | Non-controllin g interest | Total equity |
| | | | | | | | | | | | | | | |
| | Common stock | Capital reserve | Legal reserves | Special reserve | Accumulated losses | Total | | | | | | | | |
| Balance on January 1, 2021 | \$ 1,022,277 | 2,051,183 | 184,057 | 42,083 | (1,991,682) | (1,765,542) | (31,933) | (4,622) | (3,392) | (39,947) | (87,396) | 1,180,575 | (61,764) | 1,118,811 |
| Net loss for this period | - | - | - | - | (90,983) | (90,983) | - | - | - | - | - | (90,983) | (7,977) | (98,960) |
| Other comprehensive income for the period | - | - | - | - | (1,390) | (1,390) | (5,903) | 107 | - | (5,796) | - | (7,186) | - | (7,186) |
| Total comprehensive income for the period | - | - | - | - | (92,373) | (92,373) | (5,903) | 107 | - | (5,796) | - | (98,169) | (7,977) | (106,146) |
| Changes in associates and joint ventures accounted for using the equity method | - | 49 | - | - | - | - | - | - | - | - | - | 49 | - | 49 |
| Share-based payment transaction | (860) | (3,158) | - | - | - | - | - | - | 3,392 | 3,392 | - | (626) | - | (626) |
| Balance on December 31, 2021 | 1,021,417 | 2,048,074 | 184,057 | 42,083 | (2,084,055) | (1,857,915) | (37,836) | (4,515) | - | (42,351) | (87,396) | 1,081,829 | (69,741) | 1,012,088 |
| Net loss for this period | - | - | - | - | (202,882) | (202,882) | - | - | - | - | - | (202,882) | (6,889) | (209,771) |
| Other comprehensive income for the period | - | - | - | - | 2,350 | 2,350 | 20,627 | (85) | - | 20,542 | - | 22,892 | - | 22,892 |
| Total comprehensive income for the period | - | - | - | - | (200,532) | (200,532) | 20,627 | (85) | - | 20,542 | - | (179,990) | (6,889) | (186,879) |
| Balance on December 31, 2022 | \$ 1,021,417 | 2,048,074 | 184,057 | 42,083 | (2,284,587) | (2,058,447) | (17,209) | (4,600) | - | (21,809) | (87,396) | 901,839 | (76,630) | 825,209 |

(Please refer to the Notes to the Consolidated Financial Statements)

Chairperson: Shih-Wen Liao

Managerial Officer: Shih-Wen Liao

Accounting Officer: Shih-Yi Kuo

Ways Technical Corp., Ltd. and its Subsidiaries
Consolidated Statement of Cash Flows
For the Years Ended December 31, 2022 and 2021

| | Unit: NT\$ thousand | |
|---|----------------------------|----------------|
| | 2022 | 2021 |
| Cash flows from operating activities | | |
| Net loss before tax of the period | \$ (206,493) | (100,687) |
| Adjustments: | | |
| Income and expenses | | |
| Depreciation and amortization expenses | 107,935 | 130,172 |
| Expected credit impairment losses (gain on reversal) | (6,311) | 5,637 |
| Losses on financial assets at FVTPL | 46,922 | 23,302 |
| Interest expenses | 12,656 | 10,280 |
| Interest revenue | (6,129) | (3,149) |
| Dividend income | (5,904) | (7,428) |
| Share-based payment for remuneration cost | - | (626) |
| Share of gains of associates and joint ventures accounted for using equity method | (751) | (252) |
| Gain from disposal and scrapping of property, plant and equipment | 7,788 | (73,993) |
| Impairment loss of non-financial assets | 12,425 | 14,375 |
| Others | 606 | - |
| Total adjustments for income and expenses | 169,237 | 98,318 |
| Change in assets and liabilities related to operating activities | | |
| Net change in assets related to operating activities: | | |
| Decrease (increase) in notes and accounts receivable (related parties included) | 243,726 | (210,379) |
| Decrease (increase) in inventories | 54,696 | (29,868) |
| Decrease (increase) in other financial assets | (32,553) | 56,886 |
| Decrease (increase) in other current assets | 9,452 | (34,434) |
| Total net change in assets related to operating activities | 275,321 | (217,795) |
| Net change in liabilities related to operating activities: | | |
| Increase (decrease) in contract liabilities | 15,727 | (14,552) |
| Decrease (increase) in notes and accounts payable (related parties included) | (124,499) | 80,765 |
| Increase in other payables | 21,710 | 20,843 |
| Increase in other current liabilities | 1,899 | 2,051 |
| Total net change in liabilities related to operating activities | (85,163) | 89,107 |
| Total net change in assets and liabilities related to operating activities | 190,158 | (128,688) |
| Total adjustments | 359,395 | (30,370) |
| Cash inflows (outflows) from operating activities | 152,902 | (131,057) |
| Interest received | 6,133 | 3,232 |
| Dividends received | 6,257 | 7,428 |
| Interest paid | (12,536) | (10,303) |
| Income tax paid | (44) | (5,059) |
| Net cash inflows (outflows) from operating activities | 152,712 | (135,759) |
| Cash flows from investing activities: | | |
| Disposal of financial assets at fair value through profit or loss | - | 1,175 |
| Acquisition of investment using the equity method | - | (25,065) |
| Disposal of investments accounted for using equity method | - | 51 |
| Acquisition of property, plant and equipment and intangible assets | (13,812) | (34,320) |
| Disposal of property, plant and equipment | 1,361 | 142,537 |
| Decrease (increase) in refundable deposits | 3,818 | (6,612) |
| Decrease (increase) in other receivables - related parties | (831) | 1,401 |
| Increase in restricted assets | (59) | (12,024) |
| Increase of pre-payments for equipment | (9,663) | (9,501) |
| Others | - | (100) |
| Net cash inflow (outflow) from investing activities | (19,186) | 57,542 |
| Cash flows from financing activities: | | |
| Borrowing of long-term loans | - | 32,000 |
| Repayment of long-term loans | (20,209) | (43,000) |
| Increase in other payables - related parties | 3,933 | 4,254 |
| Repayment of principal of lease liability | (30,333) | (29,757) |
| Others | (3,490) | 4,762 |
| Net cash outflows from financing activities | (50,099) | (31,741) |
| Effect of exchange rate changes on cash and cash equivalents | (26,352) | 6,621 |
| Increase (decrease) in cash and cash equivalents during the period | 57,075 | (103,337) |
| Cash and cash equivalents at the beginning of the year | 517,462 | 620,799 |
| Cash and cash equivalents at the end of the year | \$ 574,537 | 517,462 |

(Please refer to the Notes to the Consolidated Financial Statements)

Chairperson: Shih-Wen Liao

Managerial Officer: Shih-Wen Liao Accounting Officer: Shih-Yi Kuo

Ways Technical Corp., Ltd. and its Subsidiaries
Notes to the Consolidated Financial Statements
For the Years 2022 and 2021
(NTD thousands unless otherwise specified)

I. Company history

Ways Technical Corp., Ltd. ("the Company") was incorporated on September 4, 2001, and the shares were listed in Taipei Exchange for trading. The composition of the Company's consolidated financial report on December 31, 2022 includes the Company and its subsidiaries (hereinafter collectively referred to as the "Group"). The main businesses of the Group are manufacture of plastic daily necessities, surface treatment, and manufacturing and processing of electronic parts and components. Please refer to Note 4(2) for details.

II. Date and procedure for approval of the financial statements

These consolidated financial statements were approved and published by the Board of Directors on March 22, 2023.

III. Adoption of new and amended standards and interpretations

(I) Impact of adoption of new and amended standards and interpretations endorsed by the Financial Supervisory Commission

The Group has adopted the following new and amended IFRS since January 1, 2022, which has not caused a material impact on the consolidated financial statements.

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

(II) Impact of the IFRSs endorsed by the Financial Supervisory Commission yet to be adopted

The Group assesses that its adoption of the following amended International Financial Reporting Standards (IFRSs), effective on January 1, 2023 will not have material influence on the consolidated financial statements.

- Amendments to IAS 1 (Disclosure of Accounting Policies)
- Amendments to IAS 8 (Accounting Policies, Changes in Accounting Estimates and Errors)
- Amendments to IAS 12 (Deferred Tax related to Assets and Liabilities arising from a Single Transaction)

Notes to the consolidated financial statements of Ways Technical Corp. Ltd. and its subsidiaries (continued)

(III) New and amended standards and interpretations not yet endorsed by the Financial Supervisory Commission

The Group does not expect the following new and amended standards not yet endorsed to have material influence 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
- Amendments to IAS 1 (Classification of Liabilities as Current or Non-current)
- Amendments to IAS 1 (Non-current Liabilities with Covenants)
- Amendment to IFRS 17 "Initial Application of IFRS 17 and IFRS 9 - Comparative Information
- Amendments to IFRS 16 (Lease Liability in a Sale and Leaseback)

IV. Summary of Significant Accounting Policies

The significant accounting policies adopted for these consolidated financial statements are as follows. The accounting policies below have been applied consistently throughout the reporting period presented in the consolidated financial statements.

(I) Statement of compliance

These consolidated financial statements are prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers ("Regulations Governing the Preparation of Financial Reports) and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission ("international financial reporting standards endorsed by the Financial Supervisory Commission").

(II) Basis of preparation

1. Basis for measurement

Except for the significant balance sheet items below, these consolidated financial statements are based on historical costs.

- (1) Financial assets at fair value through profit or loss;
- (2) Financial assets measured at fair value through other comprehensive income;
- (3) Net defined benefit liability is measured at the present values of defined benefit obligations and the effect of the upper limit mentioned in Note 4, less the fair value of pension fund assets.

2. Functional currency and presentation currency

Each entity within the Group uses the currency of the primary economic environment where operations are located as the functional currency. These consolidated financial statements are expressed in the New Taiwan dollars (NT\$), the functional currency of the Company. All financial information presented in NT\$ is in the unit of thousands of NT\$.

(III) Basis of consolidation

1. Principles of consolidated financial statements preparation

These consolidated financial reports cover the Company and the entities controlled by the Company (i.e., the subsidiaries). When the Company is exposed to the variable returns due to participation in an investee or has a claim to such variable returns and the Company can influence such returns by exercising power over the investee, the Company controls the entity.

The financials of a subsidiary are included in the consolidated financial statements from the day the control is obtained until the day the control is lost. The transactions, outstanding balances and any unrealized Income and expenses between and among consolidated companies are completely canceled out in the preparation of consolidated financial statements. The profits and losses of subsidiaries are accounted for the equity attributable to the owners of the parent and to the non-controlling interest, even if the non-controlling interest becomes negative as a result.

Notes to the consolidated financial statements of Ways Technical Corp. Ltd. and its subsidiaries (continued)

The financial statements of subsidiaries are appropriately adjusted so that the accounting policies are consistent with those adopted by the Group.

The change of the Group's ownership in any subsidiary not resulting in a loss of control in that subsidiary is recognized as equity transactions with the owners. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributable to the owners of the Company.

2. Subsidiaries included in the consolidated financial statements

Subsidiaries included in these consolidated financial statements:

| Name of investor | Name of subsidiary | Nature of the business | % | | Explanation |
|------------------|---|---|------------|------------|-------------|
| | | | 2022.12.31 | 2021.12.31 | |
| The Company | Ways Technical Corp. (Ways Technical) | Investment holding company | 100% | 100% | |
| The Company | Ways Tech International Holdings Corp., Limited (Ways Holdings) | Investment holding company | 100% | 100% | |
| The Company | Director of Mega-Power Precision Industrial Corp. (Mega-Power) | Manufacturing and processing of plastic products | 100% | 100% | |
| The Company | Director of Aqua Ways Co., Ltd. (Aqua Ways) | Sales, manufacturing and processing of daily necessities, plumbing materials, coating materials and plastic products. | 100% | 100% | |
| The Company | Nano Bit Tech Co., Ltd. (Nano Bit) | Manufacturing and sales of machinery equipment, electronic parts and components, and electronic materials | 76.14% | 76.14% | |
| Ways Holdings | Dongguan Ways Technology Co. Ltd. (Dongguan Ways) | Manufacturing and sale of cell phone panels, molds, plastic products, hardware products and electronic components | 100% | 100% | |

3. Subsidiaries not included in consolidated financial statements: none

(IV) Foreign currencies

1. Foreign currency transactions

Foreign currency transactions are translated into the functional currency at the exchange rate prevailing on the transaction date. On the end date of the reporting period (hereinafter referred to as the reporting date), foreign currency monetary items are translated into functional currency at the exchange rate of the same day, and the exchange gain or loss refers to the difference between the amount of amortized cost denominated in functional currency at the beginning of the period adjusted with the effective interest and payment of the current period, and the subsequent amount of the amortized cost denominated in foreign currencies translated at the exchange rate on the reporting date.

Non-monetary items denominated in foreign currencies and measured at fair value are converted into the functional currency with the exchange rates on the day when the fair value is measured. Non-monetary items denominated in foreign currencies and measured at historical costs are converted into the functional currency with the exchange rates on transaction day.

Except that the exchange differences arising from the translation of equity instruments at FVOCI are recognized in other comprehensive income, the rest are recognized in profit or loss.

2. Foreign operations

The assets and liabilities of foreign operations (including goodwill from acquisitions and adjustments to fair values) are translated into the New Taiwan dollars based on the exchange rates on the reporting days. The gains and expenses are translated into the New Taiwan dollars based on the average exchange rates during the periods. The resulting exchange differences are recognized as other comprehensive income.

Notes to the consolidated financial statements of Ways Technical Corp. Ltd. and its subsidiaries (continued)

When the disposal of a foreign operation results in the loss of control, joint control, or material impact, the cumulative exchange differences related to the foreign operation are fully reclassified to profit or loss. In the event of a partial disposal of a subsidiary with foreign operations, the relevant cumulative exchange differences are re-attributed to non-controlling interests on a pro rata basis. In the event of a partial disposal of an investment involving an associate or a joint venture of a foreign operation, the relevant cumulative exchange differences are reclassified to profit or loss on a pro rata basis.

If there is no repayment plan for the monetary receivables or payables of an foreign operation and it is impossible to settle the receivables or payables in the foreseeable future, the foreign exchange gains and losses incurred shall be regarded as a part of the net investment in the foreign operation and recognized in other comprehensive income.

(V) Criteria for classification of current and non-current assets and liabilities

Assets that meet one of the following criteria are classified as current assets; all other assets that are not current assets are classified as non-current assets:

1. Assets expected to be realized or intended to be sold or depleted within the normal business cycle;
2. Assets held primarily for the purpose of trading;
3. Assets expected to be realized within 12 months after the reporting day; or
4. Cash or cash equivalents except those restricted for exchange or for liability settlements for at least 12 months after the reporting day.

Liabilities that meet one of the following criteria are classified as current liabilities; all other liabilities that are not current liabilities are classified as non-current liabilities:

1. Expected to be repaid within the normal business cycle;
2. Liabilities held primarily for the purpose of trading;
3. Liabilities expected to be settled within 12 months after the reporting day; or
4. Liabilities with a repayment deadline that cannot be unconditionally deferred for at least 12 months after the balance sheet date. The fact that the terms of the liabilities may allow settlement by issuing equity instruments at the option of the trading partners does not affect the classification.

(VI) Cash and cash equivalents

Cash includes cash on hand and demand deposits. Cash equivalents refer to short-term and highly liquid investments that can be converted into a certain amount of cash at any time and the risk of value changes is very small. Time deposits that meet the aforementioned definition and whose purpose is to satisfy short-term cash commitments in operations are classified as cash equivalents.

(VII) Financial instruments

Accounts receivable and debt securities issued are initially recognized when incurred. All other financial assets and financial liabilities are initially recognized when the Group becomes a party to the contractual terms of the financial instruments. Financial assets (except receivables that do not contain significant financial components) or financial liabilities that are not measured at fair value through profit or loss are initially measured at fair value plus transaction costs directly attributable to the acquisition or issuance. Accounts receivable that do not contain significant financial components are initially measured at transaction prices.

1. Financial assets

When financial assets are initially recognized, they are classified as financial assets at amortized cost, investment in equity instruments at fair value through other comprehensive income, and financial assets at fair value through profit or loss.

Notes to the consolidated financial statements of Ways Technical Corp. Ltd. and its subsidiaries (continued)

Only when the way of managing the financial assets is changed, the Group reclassifies the financial assets affected as required.

(1) Financial assets at amortized cost

If the financial assets meet the following criteria and are not designated at fair value through profit or loss, such assets are measured at amortized cost:

- Financial assets are held under a certain business model aimed to collect contractual cash flows.
- The cash flows on specific dates specified in the contractual terms are solely payments for the principal and interest on the principal amount outstanding.

When initially recognized, it is measured at fair value plus directly attributable transaction costs; subsequently, it is measured at amortized cost using the effective interest rate method, and the amortized cost has deducted impairment losses. Interest income, foreign exchange gains or losses, and impairment losses are recognized in profit or loss. When derecognizing, the gain or loss are listed in the profit and loss, and when financial assets are purchased or sold based on transaction customs, they are treated with the transaction date accounting.

(2) Financial assets at fair value through other comprehensive income

The investment in debt instruments meeting the following conditions and not designated at fair value through profit or loss are measured at fair value through other comprehensive income.

- Financial assets are held for the purpose of collecting contracted cash flows and for sale.
- The cash flows on specific dates specified in the contractual terms are solely payments for the principal and interest on the principal amount outstanding.

The Group may make an irrecoverable decision at the original recognition to designate the equity investment instruments not for trading to subsequently measure at fair value through other comprehensive income. The aforesaid decision is made as per each instrument.

When initially recognized, it is measured at fair value plus directly attributable transaction costs; subsequently it is measured at fair value. Except that the foreign currency exchange gains and losses from investments in debt instrument, interest income and impairment losses calculated by the effective interest method, and dividend income from investments in equity instrument (unless it clearly represents a recovery of part of the investment cost) are recognized in profit or loss, the remaining changes in the carrying amount are recognized in other comprehensive income and accumulated in the unrealized gains or losses on financial assets measured at FVTOCI under the equity item. At the time of derecognizing, for instruments in debt instruments, the accumulative amount of income or loss under the equity shall be reclassified to profit or loss; for investments in equity instruments, the accumulative amount of income or loss under the equity shall be reclassified as retained earnings, and not reclassified to profit or loss. When financial assets are purchased or sold based on transaction customs, they are treated with the transaction date accounting.

Dividend income of equity investments is recognized on the day when the Group becomes entitled to the dividends (usually the ex-dividend dates).

(3) Financial assets measured at fair value through profit or loss

The financial assets (including derivatives) not measured at amortized cost or at fair value through other comprehensive income as abovementioned are measured at fair value through profit or loss. To eliminate or significantly reduce the accounting mismatch, the Group may make an irrecoverable decision at the original recognition to designate the financial assets meeting the criteria for measurement at amortized cost or at fair value through other comprehensive income as the financial assets measured at fair value through profit or loss.

Notes to the consolidated financial statements of Ways Technical Corp. Ltd. and its subsidiaries (continued)

When initially recognized, it is measured at fair value, and transaction costs are recognized as profit or loss when incurred; subsequent measurement is made at fair value, and the gains or losses generated from the remeasurement (including related dividend income and interest income) are recognized as profit or loss. When financial assets are purchased or sold based on transaction customs, they are treated with the transaction date accounting.

(4) Impairment of financial assets

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

The allowance for losses from the financial assets below are measured at 12-month expected credit losses, and the allowance for losses from the other financial assets are measured at lifetime expected credit losses:

- The debt securities judged to be of low credit risk on the balance sheet date; and
- The credit risk (i.e. the default risk during the expected term of the financial instruments) of other debt securities and bank deposits has not increased significantly since the initial recognition.

Allowance for losses on accounts receivable and contract assets are measured at lifetime expected credit losses.

Lifetime expected credit losses refer to the expected credit losses arising from all possible default events during the expected term of a financial instrument.

Twelve-month expected credit losses are the expected credit losses on a financial instrument arising from possible default events within 12 months after the balance sheet day (or a shorter period if the expected term of the financial instrument is less than 12 months).

The maximum period for measuring expected credit losses is the maximum contract period when the Group is exposed to credit risks.

In determining whether credit risks have increased significantly since initial recognition, the Group considers reasonable and supportable information (available without excess cost or investment), including qualitative and quantitative information and analyzes forward-looking information based on its past experience and credit assessments.

If a contract payment is overdue for more than 30 days, the Group assumes that the credit risk of a financial asset has increased significantly.

If a contract payment is overdue for more than 361 days, or the borrower is unlikely to fulfill its credit obligations and pay the full amount to the Group, it will deem the financial asset in default.

If the credit risk rating of a financial instrument is equivalent to the globally defined "investment grade" (BBB- in Standard & Poor's, Baa3 in Moody's, or twA in Taiwan Ratings, or higher than such levels), the Group regards that the credit risk of the debt securities is low. The time deposits held by the Group have the creditworthy banks and financial institutions rated at investment grade and above as counterparties and the parties performing contracts, so such are deemed low credit risks.

Expected credit losses are an estimate of weighted probability of credit losses over the expected term of a financial instrument. Credit losses are measured at the present value of cash flow shortages, i.e., the difference between the cash flows collectable by the Group according to contracts and the cash flows expected to be collected by the Group. Expected credit losses are discounted at the effective interest rate on the financial asset.

Notes to the consolidated financial statements of Ways Technical Corp. Ltd. and its subsidiaries (continued)

On each reporting day, the Group assesses whether there are credit impairments with the financial assets measured at amortized cost and debt securities measured at fair value through other comprehensive income. A financial asset is credit-impaired when one or more events have occurred with an adverse effect on the estimated future cash flows of the financial asset. Evidence that indicates a financial asset is credit-impaired includes the observable information below:

- The borrower or issuer encountered significant financial difficulties;
- Defaults such as delay or overdue for more than 361 days;
- Concessions previously not considered but granted by the Group to the borrower due to the borrower's economic or contractual reason caused by financial difficulties;
- The borrower is likely to file for bankruptcy or other financial restructuring; or
- The active market for the financial asset disappears due to financial difficulties.

The allowance for losses on a financial asset measured at amortized cost is deducted from the carrying amount of the asset. The allowance for losses on investment in debt instruments measured at fair value through other comprehensive income is recognized in other comprehensive income (without reducing the carrying amount of the asset), and the provided or reversed amount of the allowance for losses are recognized in profit and loss.

The Group directly reduces the total carrying amount of a financial asset when the recoverable amount of the financial asset in all or in part cannot be reasonably expected. The Group determines the timing and the amount of write-offs for corporate customers according to the individual analysis of reasonably expected recoverability. The Group does not expect material reversals of written-off amounts. However, compulsory execution may still be sought for written-off financial assets, in line with the Group's procedures in recovering overdue amounts.

(5) Derecognition of financial assets

The Group derecognizes a financial asset when the contractual rights to the cash inflow from the financial asset expire, when it transfers the financial assets and substantially all the risks and rewards of ownership of the asset to another party, or when it has not transferred, retained substantially all the risks and rewards of ownership, and retained control over the financial asset.

For transfer of transfer financial assets, if the Group has retained all or substantially all the risks and rewards of ownership of the asset to be transferred, it continues to recognize the asset on the balance sheet.

2. Financial liabilities and equity instruments

(1) Classification of liabilities and equity

The debts and equity instruments issued by the Group are recognized as financial liabilities or equity according to the substance of contracts and the definitions of financial liabilities and equity instruments.

Equity instrument refers to any contract that demonstrates the Group's remaining interest in assets less all of its liabilities. Equity instruments issued by the Group are recognized at the acquisition price less direct issue costs.

(2) Treasury shares

When the Company repurchases the recognized equity instruments, the consideration paid (including directly attributable costs) is recognized as a decrease in equity. The shares repurchased are classified as treasury shares. When the treasury shares are subsequently sold or reissued, the amount received is recognized as an increase in equity, and the gain or loss on the transaction is recognized in capital surplus or retained earnings (if the capital surplus is insufficient to offset the amount).

Notes to the consolidated financial statements of Ways Technical Corp. Ltd. and its subsidiaries (continued)

Shareholdings of the subsidiaries in the Company shall be treated as if the Company has recover the issued shares.

(3) Other financial liabilities

Financial liabilities not held for trading and not designated as measured at FVTPL (including long-term and short-term borrowings, accounts payable and other payables), are measured at fair value plus directly attributable transaction costs when being initially recognized; the subsequent evaluation is measured at amortized cost using the effective interest rate method, except for short-term borrowings and interest on payables that are recognized without materiality. Interest expense not capitalized as asset cost is presented under non-operating income and expenses.

(4) Derecognition of financial liabilities

The Group derecognizes financial liabilities when contractual obligations have been fulfilled, cancelled, or expired. When the terms of financial liabilities are amended and the cash flow from the liabilities is significantly different as a result, the initial financial liabilities are derecognized, and new financial liabilities are recognized at fair value as per the amended terms.

When a financial liability is derecognized, the difference between its carrying amount and the total consideration paid or payable (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

(5) Offsetting of financial assets and liabilities

Financial assets and financial liabilities can only be recognized on the balance sheet with the net value after netting off when the Group has the legal right to exercise the netting off and has the intention to deliver at the net value or concurrently realizes the asset to pay off the liabilities.

(VIII) Inventory

Inventory is measured at the lower of cost or net realizable value. Cost includes the acquisition, production or processing cost and other cost to bring the inventory to the location and the status available for use and is calculated with the weighted average method. The costs of finished goods and goods in progress inventories include manufacturing overhead apportioned based on normal production capacity in an appropriate proportion; however, the costs are allocated based on actual production capacity if the difference between actual production capacity and normal production capacity is not significant.

Net realizable value refers to the estimated selling price under normal business circumstances minus the estimated cost of inputs required for work completion and the estimated cost needed to complete the sale.

(IX) Investment in associates

Associates are those, over which the Group has material influence on their financial and business policies and does not have control or joint control.

The Group adopts the equity method to recognize the equity in associates. With the equity method, they are initially recognized at cost, and investment costs include transaction costs. The carrying amount of an investment in an associate includes the goodwill identified at the time of the initial investment, less any cumulative impairment losses.

The consolidated financial reports includes the amounts of profit and loss and other comprehensive income of associates in proportion to the equity percentage recognized by the Group from the date of the Group gaining material influence on an associate to the date of losing material influence, and after its accounting policies on financial reporting are adjusted to be consistent with the Group's. 3. When equity changes occur to an associate, which is not related to profit or loss and other comprehensive income, and said changes do not affect the Group's shareholding, the Group recognizes changes in the Group's share of the associate's equity in "capital surplus" in proportion to the Group's shareholding.

The unrealized gains from the transactions between the Group and its associates have been eliminated within the extent of the Group's equity in the investee companies. The approach to eliminate the unrealized losses is the same as unrealized gains, but only if there is no evidence of impairment for the generation of such loss.

Notes to the consolidated financial statements of Ways Technical Corp. Ltd. and its subsidiaries (continued)

When the Group's share of loss of an associate in proportion to be recognized is equal to or exceeds its equity in the associate, it stops recognizing its losses, and it only recognizes additional losses and relevant liabilities when a legal duty or a constructive obligation occurs or a payment has been made on behalf of the investee.

(X) Equity in joint ventures

A joint venture is a joint agreement whereby the parties (i.e. the joint partners) having joint control over the agreement, and have rights to the net assets of the agreement, rather than rights to assets, with obligations for liabilities. A joint partner shall recognize its joint venture equity as an investment, and adopts the equity method to treat the investment in accordance with the provisions of IAS 28, unless the entity is exempted from the application of the equity method pursuant to the provisions of the standards. For the accounting treatment of the equity method, please refer to Note 4 (9).

In assessing the classification of the joint agreement, the Group considered the structure of the agreement, the legal form of the separate vehicle, the terms of the contractual agreement, and other facts and circumstances. Where facts and circumstances change, the Group will reassess whether the type of joint agreement in which it is involved has changed.

(XI) Property, plant and equipment

1. Recognition and measurement

The recognition and measurement of property, plant, and equipment adopt the cost model, and measured at the cost net of accumulated depreciations and accumulated impairments. Cost comprises expenditures that are directly attributable to the acquisition of the asset. The software purchased to integrate the functions of related equipment is also capitalized as part of the equipment.

Where the property, plant and equipment include different components, and relative to the total cost of the item, it is material so that adopting a different depreciation rate or approach is more appropriate, it is deemed an individual item of property, plant and equipment (main component) to be treated.

Gains and losses on the disposal of property, plant and equipment are determined by the difference between the carrying amount of the property, plant and equipment and the disposal proceeds, and the net amount is recognized as non-operating income and expenses under profit and loss.

2. Subsequent cost

If the expected future economic benefits of subsequent expenditures on property, plant and equipment items are likely to flow into the Group, and the amount can be measured reliably, the expenditures are recognized as part of the carrying amount of the item, and the carrying amount of the replaced part is derecognized. Routine maintenance costs of property, plant and equipment are recognized in profit or loss when incur.

3. Depreciation

The depreciation is calculated using the straight-line method based on the estimated useful life of the asset after deducting its salvage value, and assessed on the individual significant components of the asset. Where any component has a different useful life from other parts of the asset, the depreciation of such component shall be provided separately. The provision of depreciation is recognized in profit or loss.

Land is not required to be depreciated.

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

- (1) Buildings: 5-50 years
- (2) Machinery and equipment: 1-10 years

Notes to the consolidated financial statements of Ways Technical Corp. Ltd. and its subsidiaries (continued)

(3) Office and other equipment: 1-10 years

The Group shall review the depreciation method, useful life and salvage value at least on the reporting date of each year. If the expected value is different from the previous estimate, it shall be adjusted appropriately if necessary, and the change shall be treated pursuant to the regulations of changes in accounting estimates.

(XII) Lease

The Group assesses whether a contract is about or including leasing on the day when the contract is established. If the contract entails the transfer of the control for use of the identifiable asset after a period of time for a specific consideration, the contract is about or including leasing.

1. Lessee

The Group recognizes right-of-use assets and lease liabilities on the day when the lease commences. Right-of-use assets are measured initially at costs. The costs include the original measured value of the lease liabilities. These are adjusted with any lease payments at or before the commencement of the lease, added with any initial direct cost incurred and the estimated cost in dismantling and removing the underlying asset, restoring the site it is located or restoring the underlying asset and less any lease incentive received.

The right-of-use asset is subsequently depreciated on a straight-line basis from the lease commencement date to the end of the useful life of the right-of-use asset or the end of the lease term, whichever is earlier. Meanwhile, the Group periodically assesses whether the right-of-use assets are impaired and handles any impairment losses already incurred. Adjustments to the right-of-use assets are made when the lease liabilities are remeasured.

The lease liability is initially measured at the present value of the unpaid lease payments at the lease commencement date. If it is easy to ascertain the interest rate implicit in the lease, the discount rate shall be that interest rate. If it is not easy to ascertain the interest rate, the Group's incremental borrowing rate shall be used. In general, the Group uses the incremental borrowing rate as the discount rate.

Lease payments included in the lease liability measurement include:

- (1) Fixed payments, including substantive fixed payments;
- (2) The lease payment depends on the change in an index or rate, and the index or rate on the lease commencement date is adopted for the initial measurement;
- (3) The residual value guarantee amount expected to be paid; and
- (4) The exercise price or penalty to be paid when it is reasonably ascertain that the purchase or lease termination will be executed.

Interest on lease liabilities is subsequently accrued using the effective interest method, and the amount is re-measured under each of the circumstances below:

- (1) Changes in the index or rate used to determine lease payments result in changes in future lease payments;
- (2) There is a change in the residual value guarantee amount expected to be paid;
- (3) There is a change in the evaluation of the option of purchasing the asset;
- (4) A change in the evaluation of whether to extend or terminate a lease has resulted in a change in the evaluation of the lease term;
- (5) The subject leased, scope of lease, or other terms are modified.

When the lease liability is re-measured due to the aforementioned changes in the index or rate used to determine the lease payment, extension, or termination, the carrying amount of the right-of-use asset is adjusted accordingly. When the carrying amount of the right-of-use asset has been reduced to zero, the remaining remeasured amount is recognized in profit or loss.

For lease modifications with a reduced scope of the lease, the carrying amount of the right-of-use asset is reduced to reflect the partial or full termination of the lease, and the difference between said amount and the remeasured amount of the lease liability is recognized in profit or loss.

Notes to the consolidated financial statements of Ways Technical Corp. Ltd. and its subsidiaries (continued)

The Group lists the right-of-use assets and lease liabilities not meeting the definition of investment property in separate lines of the balance sheet.

The Group chooses not to recognize right-of-use assets and lease liabilities for short-term and low-value leases of transportation equipment and other equipment leases. Rather, these lease payments are recognized as expenses during the lease period in the straight line method.

2. Lessor

If the Group is the lessor, the lease contract will be classified on the lease inception date according to whether almost full risks and returns of the underlying asset ownership are transferred. If yes, it is classified as a finance lease. If not, it is an operating lease. During assessments, the Group should take into consideration metrics such as whether the lease period covers the main part of the economic lives of underlying assets.

If the Group is a sublease lessor, the master lease and sublease transactions are treated separately, and the classification of the sublease transaction is evaluated based on the right-of-use assets generated from the master lease. If the master lease is a short-term lease and the recognition exemption is applicable, the sublease transaction should be classified as an operating lease.

(XIII) Intangible assets

1. Recognition and measurement

Goodwill arising from the acquisition of a subsidiary is measured at cost, less accumulated impairment.

Expenses from research activities are recognized in profit or loss as incurred.

Development expenses are capitalized only when they can be reliably measured, the technical or commercial feasibility of a product or process has been achieved, future economic benefits are likely to flow into the Group, or the Group intends and has sufficient resources to complete the development to use or sell the asset. Other development expenses are recognized in profit or loss as incurred. After initial recognition, capitalized development expenses are measured at cost, less accumulated amortization and accumulated impairment.

Other intangible assets with finite useful lives acquired by the Group, mainly the costs of computer software, are measured at the cost less accumulated amortization and accumulated impairment.

2. Subsequent expenditure

Subsequent expenditure is only capitalized when the extent that the future economic benefits of a specific asset will increase. All other expenditures are recognized in profit or loss as incurred, including goodwill and brands internally developed.

3. Amortization

Except for the goodwill, when amortizing, the amount after deducting the salvage value from the asset cost is the amortizable amount. The costs of the main intangible asset - computer software is amortized using the straight-line method based on the estimated useful life of one to five years from the time it reaches the usable state, and the amortized amount is recognized in profit or loss.

The Group shall review the salvage value, amortization period, and amortization method of intangible assets at least on the reporting day every year, and any changes shall be deemed as changes in accounting estimates.

(XIV) Impairment of non-financial assets

Notes to the consolidated financial statements of Ways Technical Corp. Ltd. and its subsidiaries (continued)

For non-financial assets other than inventories, deferred income tax assets, and assets arising from employee benefits, the Group assesses whether any impairment has occurred on each reporting date, and estimates the recoverable amount of assets with signs of impairment. If the recoverable amount of an individual asset cannot be estimated, the Group is to estimate the recoverable amount of the respective cash-generating unit, to evaluate the impairment.

The recoverable amount is the higher of the individual asset or the fair value of the cash-generating unit less cost of disposal and its value in use. When the recoverable amount of an individual asset or a cash-generating unit is less than its carrying amount, the carrying amount of the individual asset or cash-generating unit shall be adjusted to its recoverable amount, and the impairment loss is recognized. Impairment losses are recognized immediately in profit or loss for the period.

The Group assesses at each reporting date again to see if any indication shows that a recognized impairment loss of assets other than goodwill in previous years may no longer exist or may have decreased. If there is any change in the estimate used to determine the recoverable amount, the impairment loss is reversed to increase the carrying amount of the individual asset or cash-generating unit to its recoverable amount; provided that such amount shall not exceed the carrying amount of individual asset or cash-generating unit deducting the depreciation or amortization if no impairment loss had been recognized in previous years.

The goodwill is regularly tested for impairment every year, and the portion of the recoverable amount lower than the carrying amount is recognized as an impairment loss. For purposes of impairment tests, goodwill obtained from entity combination is allocated to each cash-generating unit or cash-generating units (or group of cash-generating units) from which the Group expects to benefit as a result of the merger. If the recoverable amount of a cash-generating unit is less than its carrying amount, the impairment loss is calculated by first reducing the carrying amount of the allocated goodwill of the cash-generating unit and then allocate the carrying amount of each asset in proportion to the carrying amount of the other assets in the unit. The recognized impairment loss of goodwill shall not be reversed in the subsequent period.

(XV) Provisions

Provisions of liabilities are recognized when there is a present legal duty or constructive obligations as a result of past events, and it is probable that the Group needs an outflow of economic resources to settle the obligation, and the amount of the obligation can be reliably estimated. The liability reserve is discounted at a pre-tax discount rate that reflects the time value of money in the market and the specific risks to the liability, and the amortization of the discount is recognized in interest expenses.

(XVI) Revenue recognition

1. Revenue from customer contracts

Revenue is measured as the consideration to which the transfer of goods or services is expected to be entitled. Income are recognized by the Group when the control of products or services is transferred to customers and the contractual obligation is performed. The Group's main revenue items are described as follows:

(1) Sales of goods

The Group manufactures and processes plastic daily necessities, surface treatment and products related to electronic parts and components, and sells them to customers. The Group recognizes revenues when the control over products has been transferred to the customer. The transfer of control over products means the products have been delivered to the customer and the customer has full discretion over the channels and prices to sell the products, without affecting the customer's acceptance of unfulfilled obligations on the products. Delivery occurs when the products have been shipped to a specific location and the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

Notes to the consolidated financial statements of Ways Technical Corp. Ltd. and its subsidiaries (continued)

The Group recognizes accounts receivable upon the delivery of goods, as this is the point in time that the Group has a right to collect the consideration unconditionally.

(2) Contracts of project system engineering

The Group is engaged in ad project system engineering contracts. Since the asset is under the control of the customer at the time of construction, the revenue is recognized over time based on inspections of contractual works performed. The contracts are fixed considerations Customers pay the payments at fixed amount according to the agreed schedule. The Group recognizes revenue only to the extent where the cumulative revenue is very unlikely to materially reverse. If any amount of recognized income has not yet been claimed, it is recognized as a contract asset. When there is an unconditional right to the consideration, the contract asset is transferred to accounts receivable.

Where it is not possible to reasonably measure the extent to which performance obligations under a construction contract have been fulfilled, the contract revenue is recognized only to the extent of the expected recoverable costs.

When the Group expects that the inevitable cost to perform the obligations of an engineering contract exceeds the expected economic benefits obtained from the contract, it shall recognize the liability provision for the onerous contract.

Where estimates of revenue, costs and completion degree are revised due to circumstances change, during the period when management becomes aware of the change and the revision is made, the resulting increase or decrease is reflected in profit or loss.

(3) Financial components

The Group expects the time from the contractual transfer of products or services to customers and the time when customers pay for such products and services to be no more than one year. Hence, the Group does not adjust transaction prices for the time value of money.

(XVII) Government grants

When unconditional grants can be received, the Group is recognized such as other income . For other grants related to assets, when the Group can be reasonably sure that the conditions attached to the government grant will be complied with, and the grant will be received, it will be recognized as deferred income at fair value, and the deferred income is recognized as other income on a systematic basis during within the useful life of the asset. Government grants to compensate for the Group's expenses or losses and relevant expenses in the same period are recognized in profit or loss on a systematic basis.

(XVIII) Employee benefits

1. Defined contribution plans

Contribution obligations to the defined contribution plans are recognized as expenses in the period when the employees provide service. Prepaid contributions are recognized as an asset to the extent of a cash refund or a reduction in the future payments.

2. Defined benefit plans

The Group's net obligation to the defined benefit plans is calculated separately for each the plan by discounting the future benefits that employees have earned by rendering services during the current and prior periods to the present value, less the fair value of any plan assets.

The calculation of defined benefit obligations is performed annually by qualified actuaries using the projected unit credit method. When the calculation results is favorable to the Group, the asset recognition is limited to the present value of any economic benefits available in the form of 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.

Notes to the consolidated financial statements of Ways Technical Corp. Ltd. and its subsidiaries (continued)

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

When the plans are changed or curtailed, the resulting change in benefit that relates to past service cost 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.

3. Short-term employee benefits

The short-term employee benefit obligations are measured on an undiscounted basis and are recognized as expenses when the related services are rendered.

For the amount expected to be paid under the short-term cash bonus, or profit-sharing plans, if the services already provided by employees constitute the Group a current statutory or presumed payment obligation and such obligation can be reliably estimated, the amount is recognized as a liability.

(IXX) Share-based payment transaction

The share-based payment rewards given to employees are based on the fair value on the grant date, and during the period when employees can obtain the rewards unconditionally, the rewards are recognized as the remuneration costs and the relative equity is increased. The recognized remuneration cost is adjusted based on the expected amount of rewards meeting the service conditions and vesting conditions not at the market price; and the final recognized amount is measured based on the amount of rewards meeting the service conditions and vesting conditions not at the market price on the vesting date.

The non-vesting conditions of the share-based payment rewards have been reflected in the measurement of the fair value of the share-based payment on the grant date, and the difference between the expected and actual results needs not to be verified and adjusted.

The share appreciation rights payable to employees are recognized as expense with additional relative liabilities during the period when the employees are unconditionally remunerated, for these delivered in cash after being measured by the fair value of the share appreciation rights. Related liabilities shall be re-measured at each reporting date and delivery date, and any changes in their fair value shall be recognized as personnel expenses under profit or loss.

(XX) Income tax

Income tax includes current income and deferred taxes. Current income tax and deferred tax are recognized in profit or loss, except in relation to business combinations or items directly recognized in equity or other comprehensive income.

The Group has determined that interest or penalties related to income taxes (including uncertain tax treatment) do not meet the definition of income taxes, and therefore account for them under IAS37.

Current income tax includes the expected income tax payable or tax refund receivable based on the taxable income (loss) for the year and any adjustments to income tax payable or tax refund receivable in prior years. After the uncertainty (if any) related to income taxes has been factored into the amount, the best estimates for the expected tax payables or receivables are measured using the statutory tax rates or the substantively enacted tax rate on the reporting day.

Deferred tax is recognized based on the temporary differences between the carrying amounts of an asset and liability for financial reporting purposes and its tax base. Temporary differences arising from the circumstances below are not recognized in deferred tax:

Notes to the consolidated financial statements of Ways Technical Corp. Ltd. and its subsidiaries (continued)

1. Assets or liabilities are initially recognized for a transaction that is not a business combination, and such assets or liabilities does not affect accounting profit and taxable income (loss) at the time of the transaction;
2. Temporary differences due to investments in subsidiaries, associates and joint ventures, the timing of reversal of such temporary differences controlled by the Group and the reversal unlikely to be in the foreseeable future; and
3. Taxable temporary differences arises from the initial recognition of goodwill.

Unused tax losses and unused tax credits to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused tax credits can be utilized, as well as deductible temporary differences are recognized in deferred tax assets. It is reassessed at each balance sheet date to reduce the relevant income tax benefits to the extent that it is not probable that they will be realized; or to reverse the previously reduced amount to the extent that it becomes probable that sufficient taxable income will be available.

Deferred taxes are measured at tax rates that are expected to be applied to the reversal of temporary differences on the basis of the statutory tax rates or the substantively enacted tax rate on the reporting day. Any income tax related uncertainty (if any) should have been reflected.

The Group only offsets deferred income tax assets and deferred income tax liabilities when the following conditions are met at the same time:

1. Has the statutory enforcement power to offset current income tax assets and current income tax liabilities; and
2. Deferred tax assets and deferred tax liabilities are related to one of the following taxpayers with income tax levied by the same tax authority:
 - (1) The same taxpayer; or
 - (2) Different taxpayers but each taxpayer intends to settle the current tax liabilities and assets on a net basis or to realize both in each future period, in which significant amounts of deferred tax assets are expected to be recovered and deferred tax liabilities are expected to be settled.

(XXI) Earnings per share

The Group presents the basic earnings per share and the diluted earnings per share attributable to shareholders of its ordinary stocks. The basic earnings per share of the Group are calculated with the profit or loss attributable to holders of the company's common shares divided by the weighted average number of ordinary shares outstanding during the period. Diluted earnings per share is calculated by having the profit or loss attributable to the equity holders of the Company's ordinary shares and the weighted average number of ordinary shares outstanding adjusted for the effect of all potential dilutive ordinary shares. Potential dilutive common shares of the Group are employee remuneration that has not yet been resolved by the board of directors and can be distributed in shares, and new restricted employee shares issued to employees.

(XXII) Information on Operating Segments

The operating segment is an integral part of the Group and engages in business activities that may earn revenue and incur expenses (including those related to transactions between other entities in the Group). The operating results of all operating segments are regularly reviewed by the Group's chief operating decision maker to make decisions about allocating resources to segments and measure their performance. All operating departments have independent financial information.

Notes to the consolidated financial statements of Ways Technical Corp. Ltd. and its subsidiaries (continued)

V. Significant Accounting Assumptions and Judgment, And Major Sources of Estimation Uncertainty

When preparing these consolidated financial statements according to the Regulations Governing the Preparation of Financial Reports and the IAS 34 "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission, management must make judgements, estimates and assumptions. Such judgements, estimates and assumptions have influence on the adoption of accounting policies and the reported numbers of assets, liabilities, Income and expenses. Actual results may differ from estimates.

The information on the accounting policies involve critical judgements and have no significant effects on the amounts recognized in these consolidated financial statements as below:

(I) Determination on the existence of substantive control over the invested companies

The Group holds 21.66% of the shares with voting rights in O-View Technology Co., Ltd., as its single largest shareholder. Although the remaining 78.34% of the shares in O-View Technology Co., Ltd. are not concentrated in specific shareholders, the Group still cannot obtain the majority of seats in O-View Technology' board of directors, nor obtain the majority of the voting rights of shareholders present at the shareholders' meetings, so it was determined that the Group had no control over O-View Technology Co., Ltd.

The Group has no assumption and estimate uncertainties come with material risks of significant adjustments to the carrying amounts of assets and liabilities for the next fiscal year.

VI. Summary of Significant Accounting Items

(I) Cash and cash equivalents

| | 2022.12.31 | 2021.12.31 |
|---|------------|------------|
| Petty cash, bank checking and saving deposits | \$ 574,537 | 517,462 |

Please refer to Note 6(21) for the information on the interest rate risk, exchange rate risk, and sensitivity analysis of the Group's financial assets and liabilities.

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

| | 2022.12.31 | 2021.12.31 |
|---|------------|------------|
| Financial assets mandatorily measured at fair value through profit or loss: | | |
| Domestic listed stocks | \$ 84,458 | 131,380 |

1. Investments in equity instruments at fair value through profit or loss

These investments in equity instrument held by the Group are for trading purposes, so they have been designated as mandatorily measured at FVTPL.

2. The profit and loss from the Group's financial asset valuation in 2022 and 2021 were losses of NT\$46,922 thousand and NT\$23,302 thousand, respectively.

3. The aforesaid financial assets were not pledged as collateral for borrowing or financing facilities as of December 31, 2022 and 2021.

(III) Financial assets at fair value through other comprehensive income

| | 2022.12.31 | 2021.12.31 |
|---|------------|------------|
| Equity instrument at fair value through other comprehensive income: | | |
| Foreign non-listed stocks | \$ 4,408 | 4,342 |

1. Investments in equity instruments at fair value through other comprehensive income

These equity instrument investments held by the Group are for long-term strategic investment and are not held for trading purposes, so they have been designated as measured at fair value through other comprehensive income.

Notes to the consolidated financial statements of Ways Technical Corp. Ltd. and its subsidiaries (continued)

The Group's unrealized gains and losses of financial assets measured at fair value through other comprehensive income for 2022 and 2021 were both NT\$0 thousand.

The Group did not dispose any strategic investment in 2022 or 2021 and there was no transfer the cumulative gain or loss within equity during these periods.

2. Please refer to Note 6 (21) for information on credit risks and market risks.

3. The aforesaid financial assets were not pledged as collateral for borrowing or financing facilities as of December 31, 2022 and 2021.

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

| | <u>2022.12.31</u> | <u>2021.12.31</u> |
|--|--------------------------|-----------------------|
| Notes receivable - arising from operations | \$ 2,275 | 6,929 |
| Accounts receivable at amortized cost | <u>271,514</u> | <u>510,586</u> |
| | 273,789 | 517,515 |
| Less: Allowance for bad debts | <u>(28,955)</u> | <u>(31,212)</u> |
| | <u>\$ 244,834</u> | <u>486,303</u> |

The Group adopts a simplified approach to estimate expected credit losses for all notes and accounts receivables, which are measured at lifetime expected credit losses. To this end, such notes and accounts receivables are grouped by common credit risk characteristics that represent a customer's ability to pay all amounts due as per the contract terms with forward-looking information incorporated, including macro-economic and relevant industry information. The Group's expected credit loss analysis for the notes and accounts receivable is as follows:

| | <u>2022.12.31</u> | |
|----------------------------|---|---|
| | <u>Carrying amount of accounts receivable</u> | <u>Weighted average expected credit loss rate</u> |
| Not past due | \$ 239,936 | 1.34% |
| Less than 90 days past due | 7,899 | 2.06% |
| Overdue for 91-180 days | 484 | 20.04% |
| Over 181 days past due | <u>25,470</u> | 100.00% |
| | <u>\$ 273,789</u> | <u>28,955</u> |

| | <u>2021.12.31</u> | |
|----------------------------|---|---|
| | <u>Carrying amount of accounts receivable</u> | <u>Weighted average expected credit loss rate</u> |
| Not past due | \$ 470,160 | 1.41% |
| Less than 90 days past due | 23,524 | 3.25% |
| Overdue for 91-180 days | - | 0% |
| Over 181 days past due | <u>23,831</u> | 100% |
| | <u>\$ 517,515</u> | <u>31,212</u> |

Notes to the consolidated financial statements of Ways Technical Corp. Ltd. and its subsidiaries (continued)

(2) Table of the changes in the Group's allowance for losses on notes receivable and accounts receivable for 2022 and 2021 are as follows:

| | <u>2022</u> | <u>2021</u> |
|--|-------------------------|----------------------|
| Balance at the beginning of the period | \$ 31,212 | 25,706 |
| Recognized impairment (gain on reversal) losses | (2,723) | 5,637 |
| The Effects of Changes in Foreign Exchange Rates | 466 | (131) |
| Balance at the end of the period | <u><u>\$ 28,955</u></u> | <u><u>31,212</u></u> |

None of the aforesaid financial assets has been pledged as collateral as of December 31, 2022 and 2021.

(V) Inventory

| | <u>2022.12.31</u> | <u>2021.12.31</u> |
|---|--------------------------|-----------------------|
| Merchandise | \$ 9,483 | 5,935 |
| Project system engineering | 6,773 | 9,544 |
| Finished products | 50,291 | 86,688 |
| Work in progress and semi-finished products | 31,132 | 36,910 |
| Raw materials | 26,202 | 39,500 |
| | <u><u>\$ 123,881</u></u> | <u><u>178,577</u></u> |

Details of the costs of sales are as follows:

| | <u>2022</u> | <u>2021</u> |
|---|----------------------------|-------------------------|
| Reclassified from inventories sold | \$ 1,116,806 | 1,203,919 |
| Inventory valuation losses (gain on reversal) | 6,007 | (13,840) |
| Manufacturing expenses unallocated | 29,351 | 16,073 |
| Proceeds from the sales of scraps | (1,174) | (1,573) |
| | <u><u>\$ 1,150,990</u></u> | <u><u>1,204,579</u></u> |

For 2021, the Group reversed the inventory valuation losses as the net realizable value recovered.

As of December 31, 2022 and 2021, the Group's inventories were not pledged as collateral.

(VI) Investments using equity method

The Group's investments using the equity method as at the balance sheet date are listed as follows:

| | <u>2022.12.31</u> | <u>2021.12.31</u> |
|------------|-------------------------|----------------------|
| Associates | <u><u>\$ 83,516</u></u> | <u><u>82,103</u></u> |

1. Associate

The aggregate financial data on the individually immaterial associates, for which the Group adopts the equity method, are as follows. Such financial data is the amounts included in the Group's financial statements:

Notes to the consolidated financial statements of Ways Technical Corp. Ltd. and its subsidiaries (continued)

| | 2022.12.31 | 2021.12.31 |
|---|------------------|------------------|
| The aggregated total carrying amount of equity in individual insignificant associates | <u>\$ 83,516</u> | <u>\$ 82,103</u> |
| | 2022 | 2021 |
| Share attributable to the Company: | | |
| Net loss of continuing operations units for the period | \$ 751 | 252 |
| Other comprehensive income | (85) | 107 |
| Total comprehensive income | <u>\$ 666</u> | <u>359</u> |

The Group established VIETNAM EUROCHARM WAYS PLASTICS COMPANY LIMITED with Eurocharm Innovation Co., Ltd. (Cayman) in Vietnam on July 20, 2021. The businesses are the production and sales of various sports equipment, and parts and components of automobiles and recreational vehicles covered with plastic, as well as related raw materials, parts, and semi-finished products. The incorporation capital is USD2,000 thousand, and the Group invested USD900 thousand, holding 45% of the stake.

In 2021, the Group increased its capital reserve by NT\$49 thousand as the Group did not increase capital in associates proportionally to its shareholdings.

2. Joint venture

Ways Transworld Inc. was dissolved upon the resolution of the shareholders' meeting in 2021, and entered the liquidation process. The Group thus recovered NT\$69,300 thousand of the share payments from the liquidation. The relevant legal procedures was completed on January 27, 2021.

3. Collaterals

None of the Group's investments under the equity method has been pledged as collateral as of December 31, 2022 and 2021.

4. Technological shareholding

None of the Group's investments under the equity method has been pledged as collateral as of December 31, 2022 and 2021.

- (1) The sub-subsidiary of the Company, Yongneng Technology Co., Ltd. (Yongneng Technology) approved to entered the technology license agreement or related technology transfer agreement with Shangdong Hengli Tianneng Advanced Technology Ltd. (Shangdong Hengli Tianneng) in the board meeting on January 16, 2019; afterwards, Yongneng Technology acquired 25% stake of Shangdong Hengli Tianneng by investing with the technologies. Currently, the registered capital of Shangdong Hengli Tianneng is CNY100,000 thousand. Upon the execution of the related agreement, Yongneng Technology will obtained the stake of Shangdong Hengli Tianneng for CNY25,000 thousand. As of the reporting date, the Group has not concluded the stake transaction.
- (2) On December 20, 2022, the Company entered an investment agreement with SUMO Advanced Materials Co., Ltd ("Sumo"), to acquired 45% of stake in Guangzhou Carbon Valley Technology Co., Ltd. (Guangzhou Carbon Valley), paid with the technologies of the subsidiary, WAYS(DongGuan) Electronic Technical Co., Ltd. (Dongguan Ways); the accumulated shareholding became 70%. As of the reporting date, the Company has not concluded the stake transaction.

Notes to the consolidated financial statements of Ways Technical Corp. Ltd. and its subsidiaries (continued)

(3) The Company has entered an investment agreement with Sumo on December 20, 2022, on to incorporate Guangdong Ways Technical Ltd. (Guangdong Ways); the Company will invested with the technologies of the subsidiary, Dongguan Ways” to obtain 70% stake of Guangdong Ways. As of the reporting date, the Company has not concluded the stake transaction.

(VII) Property, plant and equipment

The details of the movements in cost, depreciation, and impairment loss of the Group's property, plant and equipment are as follows:

| | | Land | Houses and buildings | Machinery and equipment | Offices equipment and others | Total |
|-------------------------------------|----|----------------|----------------------|-------------------------|------------------------------|------------------|
| Costs: | | | | | | |
| Balance at January 1, 2022 | \$ | 753,367 | 103,929 | 815,664 | 637,161 | 2,310,121 |
| Addition | | - | 3,006 | 3,500 | 5,610 | 12,116 |
| Disposal | | - | (168) | (72,480) | (14,571) | (87,219) |
| Reclassification | | - | 1,236 | 430 | 60 | 1,726 |
| The Effects of Changes in Foreign | | - | - | 3,653 | 5,614 | 9,267 |
| Exchange Rates | | | | | | |
| Balance on December 31, 2022 | \$ | 753,367 | 108,003 | 750,767 | 633,874 | 2,246,011 |
| Balance on January 1, 2021 | \$ | 783,367 | 212,515 | 857,415 | 639,382 | 2,492,679 |
| Addition | | - | - | 22,403 | 12,292 | 34,695 |
| Disposal | | (30,000) | (108,586) | (67,857) | (13,137) | (219,580) |
| Reclassification | | - | - | 5,000 | 437 | 5,437 |
| The Effects of Changes in Foreign | | - | - | (1,297) | (1,813) | (3,110) |
| Exchange Rates | | | | | | |
| Balance on December 31, 2021 | \$ | 753,367 | 103,929 | 815,664 | 637,161 | 2,310,121 |
| Depreciation and impairment losses: | | | | | | |
| Balance at January 1, 2022 | \$ | - | 34,415 | 645,096 | 521,063 | 1,200,574 |
| Depreciation during the year | | - | 5,871 | 44,116 | 27,504 | 77,491 |
| Disposal | | - | (168) | (65,668) | (12,234) | (78,070) |
| Impairment | | - | - | 12,425 | - | 12,425 |
| The Effects of Changes in Foreign | | - | - | 3,155 | 5,096 | 8,251 |
| Exchange Rates | | | | | | |
| Balance on December 31, 2022 | \$ | - | 40,118 | 639,124 | 541,429 | 1,220,671 |
| Balance on January 1, 2021 | \$ | - | 108,432 | 657,061 | 489,010 | 1,254,503 |
| Depreciation during the year | | - | 6,524 | 46,516 | 46,723 | 99,763 |
| Disposal | | - | (80,541) | (57,473) | (13,022) | (151,036) |
| The Effects of Changes in Foreign | | - | - | (1,008) | (1,648) | (2,656) |
| Exchange Rates | | | | | | |
| Balance on December 31, 2021 | \$ | - | 34,415 | 645,096 | 521,063 | 1,200,574 |
| Carrying amount | | | | | | |
| December 31, 2022 | \$ | 753,367 | 67,885 | 111,643 | 92,445 | 1,025,340 |
| January 1, 2021 | \$ | 783,367 | 104,083 | 200,354 | 150,372 | 1,238,176 |
| December 31, 2021 | \$ | 753,367 | 69,514 | 170,568 | 116,098 | 1,109,547 |

1. On May 5, 2021, the board of directors of the Group approved to sell part of the lands and plant buildings, with the total contract price of NT\$140,000 thousand. The transfer and sign-off were completed on August 27, 2021, and the disposal gain of NT\$75,826 thousand was recognized.
2. Please refer to Note 8 for details of the property, plant and equipment provided by the Group as collateral.

Notes to the consolidated financial statements of Ways Technical Corp. Ltd. and its subsidiaries (continued)

(VIII) Right-of-use assets

The changes in the Group's costs and depreciation of the right-of-use assets, such as leased land, houses & buildings and transportation equipment are as follows:

| | Land | Buildings | Transportation equipment | Total |
|--|-----------------|----------------|--------------------------|----------------|
| Cost of right-of-use assets: | | | | |
| Balance at January 1, 2022 | \$ 7,148 | 129,944 | 7,342 | 144,434 |
| Addition | 60 | 440 | - | 500 |
| Decrease | (533) | (5,696) | (2,153) | (8,382) |
| The Effects of Changes in Foreign Exchange Rates | - | 1,513 | - | 1,513 |
| Balance on December 31, 2022 | \$ 6,675 | 126,201 | 5,189 | 138,065 |
| Balance on January 1, 2021 | \$ 6,965 | 124,779 | 7,124 | 138,868 |
| Addition | 183 | 5,696 | 930 | 6,809 |
| Decrease | - | - | (712) | (712) |
| The Effects of Changes in Foreign Exchange Rates | - | (531) | - | (531) |
| Balance on December 31, 2021 | \$ 7,148 | 129,944 | 7,342 | 144,434 |
| Depreciation of right-of use assets: | | | | |
| Balance at January 1, 2022 | \$ 4,499 | 70,808 | 4,042 | 79,349 |
| Depreciation in the period | 1,663 | 26,723 | 1,656 | 30,042 |
| Decrease | (533) | (2,604) | (2,153) | (5,290) |
| The Effects of Changes in Foreign Exchange Rates | - | 788 | - | 788 |
| Balance on December 31, 2022 | \$ 5,629 | 95,715 | 3,545 | 104,889 |
| Balance on January 1, 2021 | \$ 2,813 | 44,673 | 2,888 | 50,374 |
| Depreciation in the period | 1,686 | 26,332 | 1,866 | 29,884 |
| Decrease | - | - | (712) | (712) |
| The Effects of Changes in Foreign Exchange Rates | - | (197) | - | (197) |
| Balance on December 31, 2021 | \$ 4,499 | 70,808 | 4,042 | 79,349 |
| Carrying amount | | | | |
| December 31, 2022 | \$ 1,046 | 30,486 | 1,644 | 33,176 |
| January 1, 2021 | \$ 4,152 | 80,106 | 4,236 | 88,494 |
| December 31, 2021 | \$ 2,649 | 59,136 | 3,300 | 65,085 |

(IX) Other financial assets - current and other non-current assets

The details of the Group's other financial assets -current and other non-current assets are as below:

| | 2022.12.31 | 2021.12.31 |
|---|------------|------------|
| Other financial assets -current | | |
| Other receivables (including related parties) | \$ 89,933 | 56,298 |
| Time deposits | 33,781 | 30,448 |
| Restricted assets | 15,274 | 15,215 |

Notes to the consolidated financial statements of Ways Technical Corp. Ltd. and its subsidiaries (continued)

| | 2022. 12. 31 | 2021. 12. 31 |
|--------------------------------------|-------------------|----------------|
| Total | <u>\$ 138,988</u> | <u>101,961</u> |
| Other non-current assets | | |
| Refundable deposits | \$ 462,340 | 420,878 |
| Net defined benefit assets | 15,722 | 13,074 |
| Prepayments for equipment and others | 17,521 | 10,299 |
| Total | <u>\$ 495,583</u> | <u>444,251</u> |

The Group and Shangdong Hengli Tianneng Advanced Technology Ltd. (Hengli Tianneng) entered the contract for design of production lines and assembly and transaction of equipment. As required by the contract, the Group paid the performance bond of NT\$609,480 thousand (USD20,000 thousand) to the broker of the transaction, Richstar International Commercial Co., Ltd. (Richstar International) on December 31, 2017. After deducting the performed amount, the balance was NT\$458,930 thousand (USD14,944 thousand) and NT\$413,643 thousand (USD14,944 thousand) for 2022 and 2021, respectively, and were accounted under other non-current assets. Upon the acceptance of the products, the bond will firstly be paid to Richstar International as the commission. Please refer to Note 9(1).

Please refer to Note 8 for the pledged on the Group's other financial assets as collateral.

(X) Short-term borrowings

| | 2022.12.31 | 2021.12.31 |
|---------------|-------------------|----------------|
| Undrawn limit | <u>\$ 250,000</u> | <u>150,000</u> |
| Interest Rate | <u>-</u> | <u>-</u> |

Please refer to Note 8 for the pledged on the Group's assets as collateral for short-term borrowings and limits.

(XI) Long-term borrowings

| Lender banks | Year in which borrowings are due | 2022.12.31 | 2021.12.31 |
|---|----------------------------------|--------------------|--------------------|
| Land Bank of Taiwan | 2024 | \$ 12,000 | 24,000 |
| Bank SinoPac | 2040 | 582,791 | 591,000 |
| Less: Long-term loans due within one year | | (44,833) | (20,208) |
| | | <u>\$ 549,958</u> | <u>594,792</u> |
| Undrawn limit | | <u>\$ -</u> | <u>-</u> |
| Interest Rate | | <u>1.58%~1.63%</u> | <u>1.20%~1.25%</u> |

In 2022 and 2021, the newly added long-term borrowings of the Group were NT\$0 thousand and NT\$32,000 thousand, respectively, and the repayment amounts were NT\$20,209 thousand and NT\$43,000 thousand, respectively.

Please refer to Note 8 for the pledged on the Group's assets as collateral for long-term borrowings.

(XII) Lease liabilities

The carrying amounts of the Group's lease liabilities are as follows:

| | 2022.12.31 | 2021.12.31 |
|-------------|------------------|---------------|
| Current | <u>\$ 25,637</u> | <u>30,580</u> |
| Non-current | <u>\$ 8,489</u> | <u>35,729</u> |

Notes to the consolidated financial statements of Ways Technical Corp. Ltd. and its subsidiaries (continued)

Please refer to Note 6 (21) Financial Instruments for maturity analysis.

The lease amounts recognized in profit or loss are as follows:

| | 2022 | 2021 |
|--|-------------|----------|
| Interest expense on lease liabilities | \$ 790 | 1,195 |
| Income from subleased right-of-use assets | \$ (11,588) | (10,456) |
| Expense on short-term leases | \$ 687 | 981 |
| Expense relating to leases of low-value assets (excluding short-term low-value leases) | \$ 171 | 186 |

The amounts of leases recognized in the cash flow statement are as follows:

| | 2022 | 2021 |
|--------------------------------|-----------|--------|
| Total cash outflow from leases | \$ 31,981 | 32,119 |

1. Leases of land, houses and buildings

The Group leases lands, houses and buildings as plants and offices, and the lease period is usually three to fifteen years.

2. Other leases

The lease terms for other equipment and transportation equipment leased by the Group are one to five years. As such leases are short-term or low-value leases, the Group elects to apply the exemption from recognition and does not recognize the relevant right-of-use assets and lease liabilities thereof.

(XIII) Employees' benefits

1. Defined benefit plan

The reconciliation between the present value of the defined benefit obligation and the fair value of the plan assets is as follows:

| | 2022.12.31 | 2021.12.31 |
|---|-------------|------------|
| Present value of defined benefit obligation | \$ 5,400 | 6,208 |
| Fair value of plan assets | (21,122) | (19,282) |
| Net defined benefit assets | \$ (15,722) | (13,074) |

The Group contributes to the labor retirement reserve account with the Bank of Taiwan for the defined benefit plan. Pension payment for each employee under the pension scheme of the Labor Standards Act is calculated based on the number of units obtained for the length of services and the average salary for the six months prior to retirement.

(1) Components of plan assets

The labor retirement fund contributed by the Group in accordance with the Labor Standards Act are managed by the Bureau of Labor Funds, Ministry of Labor. In accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, the annual minimum income from the investments with the funds shall not be lower than the interest rates for two-year time deposits offered by local banks.

As of the reporting date, the balance of the Group's labor retirement reserve account at Bank of Taiwan was NT\$21,122 thousand. Please refer to the information published on the website of the Bureau of Labor Funds, for the information on the use of the labor retirement fund asset, including the fund's yield and the fund asset allocation.

Notes to the consolidated financial statements of Ways Technical Corp. Ltd. and its subsidiaries (continued)

(2) Movements in the present value of defined benefit obligations

The movements in the present values of the Group's defined benefit obligations during 2022 and 2021 are as follows:

| | <u>2022</u> | <u>2021</u> |
|---|-----------------|--------------|
| Defined benefit obligation on January 1 | \$ 6,208 | 4,574 |
| Current service cost and interest | 39 | 28 |
| Remeasurement of net defined benefit obligations | | |
| - Actuarial gains or losses arising from changes in financial assumptions | (847) | 1,606 |
| Defined benefit obligation on December 31 | <u>\$ 5,400</u> | <u>6,208</u> |

(3) Movements in fair value of plan assets

The movements in the fair value of the Group's defined benefit plan assets during 2022 and 2021 are as follows:

| | <u>2022</u> | <u>2021</u> |
|--|------------------|---------------|
| Fair value of plan assets on January 1 | \$ 19,282 | 18,723 |
| Interest revenue | 121 | 117 |
| Remeasurement of defined benefit assets, net | | |
| - Return on plan assets (excluding current interest) | 1,503 | 216 |
| Amount contributed to the plan | 216 | 226 |
| Fair value of plan assets on December 31 | <u>\$ 21,122</u> | <u>19,282</u> |

(4) Expenses recognized in profit or loss

The details of the Group's amounts recognized in expenses for 2022 and 2021 are as follows:

| | <u>2022</u> | <u>2021</u> |
|--|----------------|-------------|
| Net interest on net defined benefit liabilities (assets) | <u>\$ (82)</u> | <u>(89)</u> |
| Operating expenses (incomes) | <u>\$ (82)</u> | <u>(89)</u> |

(5) Actuarial assumptions

The significant actuarial assumptions adopted by the Group to determine the present value of the defined benefit obligations at the end of the reporting date are as follows:

| | <u>2022.12.31</u> | <u>2021.12.31</u> |
|-------------------------|-------------------|-------------------|
| Discount rate | 1.750% | 0.625% |
| Future salary increases | 3.000% | 1.000% |

The Group estimates to contribute \$70 thousand to the defined benefit plan within one year after the 2022 balance sheet date.

The weighted average duration of the Group's defined benefit plan is 10.89 years

(6) Sensitivity analysis

The effect of changes in the main actuarial assumptions adopted on December 31, 2022 and 2021 on the present values of the defined benefit obligations is as follows:

Notes to the consolidated financial statements of Ways Technical Corp. Ltd. and its subsidiaries (continued)

| | Effect on defined benefit obligation | |
|-------------------------|---|--------------------------|
| | Increase by 0.25% | Decrease by 0.25% |
| December 31, 2022 | | |
| Discount rate | \$ (151) | 156 |
| Future salary increases | 152 | (147) |
| December 31, 2021 | | |
| Discount rate | (197) | 205 |
| Future salary increases | 196 | (190) |

The sensitivity analysis above is based on the analysis of the effect of a change in a single assumption while other assumptions remain unchanged. In practice, many assumptions may change at the same time. The method of analyzing sensitivity and the method of calculating net pension liability (asset) in the balance sheet are the same.

The methods and assumptions adopted in sensitivity analysis in this period are the same as those in the prior period.

2. Defined contribution plans

The Company and the domestic subsidiaries' defined contribution plan is as per the Labor Pension Act, and the Company makes a contribution equal to 6% of each employee's monthly salary to employees' individual pension accounts under the Bureau of Labor Insurance. Under these defined contribution plans, the Group contributes pensions at fixed percentage to the Bureau of Labor Insurance without additional legal or constructive obligation to pay any extras. The Company and the domestic subsidiaries' pension expenses under the defined contribution plan for 2022 and 2021 were NT\$10,611 thousand and NT\$10,906 thousand, respectively.

The total recognized pension expenses, basic endowment insurance premiums and social welfare expenses of other subsidiaries included in the preparation of the consolidated financial report for 2022 and 2021 were NT\$310,000 thousand and NT\$289 thousand, respectively.

(XIV) Income taxes

1. Income tax expense

The details of the income tax expenses (benefits) recognized by the Group for 2022 and 2021 are as follows:

| | 2022 | 2021 |
|--|-----------------|----------------|
| Current income tax expense (income) | | |
| Occurred during the period | \$ 3,273 | (1,710) |
| Deferred tax expenses (income) | | |
| Temporary differences incurred or reversed | 5 | (17) |
| Income tax expense (income) | \$ 3,278 | (1,727) |

The income tax expenses (gains) of the Group recognized under other comprehensive income in 2022 and 2021 are detailed below:

| | 2022 | 2021 |
|---|-------------|-------------|
| Items that may subsequently be reclassified to profit or loss: | | |
| Exchange differences on translation of the financial statements of foreign operations | \$ - | - |

The reconciliation of income tax expenses (income) and net loss before tax of the Group for 2022 and 2021 is shown below:

Notes to the consolidated financial statements of Ways Technical Corp. Ltd. and its subsidiaries (continued)

| | 2022 | 2021 |
|--|-----------------|----------------|
| Net loss before income tax | \$ (206,493) | (100,687) |
| Income taxes calculated at the domestic tax rates of the countries where the consolidated entities are located | (53,902) | (20,137) |
| Tax-free income | 10,267 | (5,586) |
| Recognition of tax losses not recognized in previous periods | 7,452 | (35,329) |
| Land value increment tax | - | 3,068 |
| Tax loss from unrecognized deferred income tax assets | 51,315 | 62,155 |
| Changes not recognized in temporary differences | (15,269) | 5,660 |
| Differences in income tax estimates and others | 3,415 | (11,558) |
| | \$ 3,278 | (1,727) |

2. Deferred income tax assets and liabilities

(1) Unrecognized deferred income tax assets

The unrecognized deferred income tax assets by the Group are as below:

| | 2022.12.31 | 2021.12.31 |
|----------------------------------|-------------------|-------------------|
| Deductible temporary differences | \$ 255,999 | 260,632 |
| Tax loss | 406,140 | 367,781 |
| | \$ 662,139 | 628,413 |

For the tax losses, pursuant to the Income Tax Act, the losses in the previous ten years assessed by the tax collection authority are deducted from the net income of the year, and then the income tax will be assessed. The aforesaid deductible temporary differences and tax losses not recognized as deferred income tax assets are because the Group is unlikely to have sufficient taxable income in the coming year to use the temporary differences and tax losses.

As of December 31, 2022, the tax losses not yet recognized as deferred income tax assets by the Group, and the deduction period are as follows:

| Year of loss | Un-deducted loss | The final year entitled to the deduction |
|-------------------------|-------------------------|---|
| The Company | | |
| 2016 (assessed figure) | \$ 25,830 | 2026 |
| 2018 (assessed figure) | 94,565 | 2028 |
| 2019 (assessed figure) | 146,355 | 2029 |
| 2020 (assessed figure) | 186,445 | 2030 |
| 2021 (reported figure) | 121,902 | 2031 |
| 2022 (estimated figure) | 94,410 | 2032 |
| Aqua Ways: | | |
| 2013 (assessed figure) | 7,019 | 2023 |
| 2014 (assessed figure) | 33,420 | 2024 |

Notes to the consolidated financial statements of Ways Technical Corp. Ltd. and
its subsidiaries (continued)

| Year of loss | Un-deducted loss | The final year entitled to the deduction |
|---------------------------|-------------------------|---|
| 2015 (assessed figure) | 26,364 | 2025 |
| 2016 (assessed figure) | 24,196 | 2026 |
| 2017 (assessed figure) | 20,811 | 2027 |
| 2018 (assessed figure) | 6,744 | 2028 |
| 2019 (assessed figure) | 20,830 | 2029 |
| 2020 (assessed figure) | 13,569 | 2030 |
| 2022 (estimated figure) | 15,467 | 2032 |
| Nano Bit: | | |
| 2013 (assessed figure) | 37,903 | 2023 |
| 2014 (assessed figure) | 89,110 | 2024 |
| 2015 (assessed figure) | 89,995 | 2025 |
| 2016 (assessed figure) | 100,171 | 2026 |
| 2017 (assessed figure) | 90,363 | 2027 |
| 2018 (assessed figure) | 92,168 | 2028 |
| 2019 (assessed figure) | 89,325 | 2029 |
| 2020 (assessed figure) | 37,710 | 2030 |
| 2021 (reported figure) | 34,361 | 2031 |
| 2022 (estimated figure) | 24,107 | 2032 |
| Mega-Power: | | |
| 2016 (assessed figure) | 12,255 | 2026 |
| 2021 (estimated figure) | 37,211 | 2031 |
| | 1,572,606 | |
| Other consolidated entity | | |
| 2016 (reported figure) | 109,782 | 2021 |
| 2017 (reported figure) | 127,661 | 2022 |
| 2018 (reported figure) | 50,598 | 2023 |
| 2020 (reported figure) | 24,544 | 2025 |
| 2021 (reported figure) | 16,585 | 2026 |
| 2022 (estimated figure) | 37,309 | 2027 |
| | 366,479 | |
| | <u><u>1,939,085</u></u> | |

(2) Deferred tax assets and liabilities recognized

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

Notes to the consolidated financial statements of Ways Technical Corp. Ltd. and its subsidiaries (continued)

| | <u>Others</u> |
|---------------------------------------|---------------------|
| Deferred income tax liabilities: | |
| Balance at January 1, 2022 | \$ 76 |
| Debit (credit) on statement of income | <u>(59)</u> |
| Balance on December 31, 2022 | <u><u>\$ 17</u></u> |
| Balance on January 1, 2021 | \$ 50 |
| Debit (credit) on statement of income | <u>26</u> |
| Balance on December 31, 2021 | <u><u>\$ 76</u></u> |

| | <u>Others</u> |
|---------------------------------------|---------------------|
| Deferred income tax assets: | |
| Balance at January 1, 2022 | \$ 64 |
| Debit (credit) on statement of income | <u>(64)</u> |
| Balance on December 31, 2022 | <u><u>\$ -</u></u> |
| Balance on January 1, 2021 | \$ 21 |
| Credit (debit) on statement of income | <u>43</u> |
| Balance on December 31, 2021 | <u><u>\$ 64</u></u> |

3. Income tax assessments

The profit-seeking enterprise income taxes of the Company, Aqua Ways, Mega-Power and Nano Bit have been assessed up to 2020.

(XV) Capital and other equity

1. Share capital

As of December 31, 2022 and 2021, the Company's authorized capital was NT\$2,000,000 thousand, divided into 200,000 thousand shares, at a face value of \$10 per share. Both the issued shares were 102,142 thousand shares, and all the payment of the issued shares are received.

The reconciliation schedule of the Company's outstanding shares in 2022 and 2021 are as follows:

| | <u>Common Stock</u> | |
|--------------------------------|-----------------------|-----------------------|
| | <u>2022</u> | <u>2021</u> |
| Beginning balance on January 1 | 102,142 | 102,228 |
| Cancellation | <u>-</u> | <u>(86)</u> |
| Ending balance on December 31 | <u><u>102,142</u></u> | <u><u>102,142</u></u> |

Among the issued shares, 5,000 thousand shares are privately placed common shares, issued at NT\$40 per share for total NT\$200,000 thousand. Afterwards, the transfer of share bonus shall comply with Article 43-8 of the Securities and Exchange Act, and the OTC trading is only to be applied to the Taipei Exchange after applying for public offering to the Financial Supervisory Commission upon the lapse of three full year since the delivery of the privately placed common shares.

Notes to the consolidated financial statements of Ways Technical Corp. Ltd. and its subsidiaries (continued)

On June 16, 2017, the Company approved the issuance of 4,588,000 new restricted employee shares in the regular shareholders' meeting, to be issued in tranches; 848 thousand shares and 3,740 thousand shares were issued in 2018 and 2017, respectively. In 2022 and 2021, 0 thousand shares and 86 thousand shares were cancelled as the vesting conditions were not met (please refer to the description of Note 6(16)). As of the reporting date, the change registration has been completed.

2. Capital surplus

The balance of the Group's capital surplus is as follows:

| | <u>2022.12.31</u> | <u>2021.12.31</u> |
|--|---------------------|-------------------|
| Shares premium from issuance | \$ 2,006,477 | 2,006,477 |
| Treasury shares traded | 40,088 | 40,088 |
| Changes in the net worth of equity of associates accounted for using equity method | 49 | 49 |
| Others | 1,460 | 1,460 |
| | <u>\$ 2,048,074</u> | <u>2,048,074</u> |

Pursuant to the Company Act, the Company shall issue new shares or pay out cash in proportion to the existing shareholders' shares from the realized capital surplus after the capital surplus is used to compensate the deficit first. The realized capital surplus referred to in the preceding paragraph includes the premium from the shares issued at par and the income from gifts. Pursuant to the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, the total amount of capital surplus to be used as capital shall not exceed 10% of the paid-in capital.

The Company adjusted the ratio of recognition of Mega-Power proportionally to the shareholdings, as the capital reserve generated from transfer of treasury shares is not the capital reserve specified in Article 241 of the Company Act, and thus cannot be capitalized.

3. Retained earnings

After closing of accounts, if there is earnings, the Company shall pay tax and make up for the accumulated deficit, and then set aside 10% as legal reserve. However, if the legal reserve has reached the Company's paid-in capital, the Company may choose not to set aside. The remainder shall be appropriated or reversed to special reserve in accordance with the laws and regulations. If there is any remaining balance, the Board of Directors shall prepare a proposal for the distribution of the remaining balance along with the accumulated undistributed earnings and submit it to the shareholders' meeting for a resolution to distribute dividends to shareholders. The Company's dividend policy is based on its current and future development plans, taking into account the investment environment, capital requirements and domestic and international competition, as well as the interests of shareholders. The rate of stock dividends is zero to 40% of the total amount of dividends; cash dividends is 60% to 100% of the total amount of dividends. The aforementioned distribution rates of earnings and cash dividends to stockholders are subject to profitability and capital conditions and shall be resolved by the stockholders' meeting.

(1) Legal reserves

When the Company suffers no losses, it may, upon a resolution by the shareholders' meeting, issue new shares or pay out cash from the legal reserve, but only to the extent that such reserve exceeds 25% of the paid-in capital.

(2) Special reserves

When adopting the IFRSs endorsed by the FSC initially the Company opted to apply the exemption items of IFRS 1 — First-time Adoption of International Financial Reporting Standards, with the constructive accumulated translation adjustment as zero. The accumulated translation adjustment recognized by the Accounting Standards of ROC was reclassified to the retained earnings for NT\$47,185 thousand. Pursuant to the FSC's regulations, only the net addition to the retained earnings generated from the first-time adoption of IFRSs on the conversion day, NT\$42,083 thousand, may be provided for the special reserve, and when using, disposing, or reclassifying the related assets, the distributed earnings may be reversed pro rata to the special reserves originally provided. The balances of the special reserves were both NT\$42,083 thousand as of December 31, 2022 and 2021, respectively.

Notes to the consolidated financial statements of Ways Technical Corp. Ltd. and its subsidiaries (continued)

In addition, as per the regulations of the FSC, when the Company distributes the distributable earnings, it shall allocate a special reserve from the current profit or loss and the undistributed earnings from the prior period in the same amount of the difference between the net deduction of other shareholders' equity recognized for the current year and the balance of the special reserve mentioned in the preceding paragraph, and; as for the cumulative deduction amount of other shareholders' equity, the Group shall set aside a special reserve from the undistributed earnings from the prior period and shall not distribute it. The amount subsequently reversed pertaining to the net reduction of other shareholders' equity may be distributed as earnings.

(3) Earnings distribution

The 2021 and 2020 deficit compensation proposals were resolved by the annual general shareholders' meeting on June 17, 2022 and July 9, 2021, respectively. No dividend to be distributed.

Please inquire the related information on the MOPS or other channels.

4. Treasury shares

| Reason for recovery | Regulations Governing Share Repurchase by Exchange-Listed and OTC-Listed Companies | Parent's shares held by subsidiaries (thousand shares) | Total (thousand shares) |
|---|---|---|------------------------------------|
| January 1, 2022 | 1,614 | 1,076 | 2,690 |
| Increase (decreased) during the period | - | - | - |
| Balance at December 31, 2022 | 1,614 | 1,076 | 2,690 |
| January 1, 2021 | 1,614 | 1,076 | 2,690 |
| Increase (decreased) during the period | - | - | - |
| Balance at December 31, 2021 | 1,614 | 1,076 | 2,690 |

As of December 31, 2022 and 2021, the Company's subsidiary, Mega-Power Precision Industrial Corp. owned the Company's shares for with 1,076 thousand shares and the cost were both NT\$56,294 thousand, or NT\$52.32 per share; market price per share was NT\$38.95 and NT\$70.50, respectively.

In 2020, the cumulative treasury shares repurchased to maintain the Company's credit and shareholders' equity due to Article 28-2 of the Securities Exchange Act, was 1,614 thousand shares both, and the acquisition cost was NT\$31,102 thousand both. As of December 31, 2022, the number of uncanceled shares was 1,614 thousand shares.

As per the Securities and Exchange Act, the treasury shares held by the Company shall not be pledged, nor shall they be entitled to shareholders' rights until they are transferred.

Notes to the consolidated financial statements of Ways Technical Corp. Ltd. and its subsidiaries (continued)

5. Other interests (net of tax)

| | Exchange differences on translation of the financial statements of foreign operations | Unrealized valuation gains or losses on financial assets at fair value through other comprehensive income | Unearned employees' remuneration | Total |
|---|--|--|--|-----------------|
| Balance at January 1, 2022 | \$ (37,836) | (4,515) | - | (42,351) |
| Exchange differences in translation of net assets of foreign operations | 20,627 | - | - | 20,627 |
| Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income | - | (85) | - | (85) |
| Balance on December 31, 2022 | <u>\$ (17,209)</u> | <u>(4,600)</u> | <u>-</u> | <u>(21,809)</u> |
| Balance on January 1, 2021 | \$ (31,933) | (4,622) | (3,392) | (39,947) |
| Exchange differences in translation of net assets of foreign operations | (5,903) | - | - | (5,903) |
| Unrealized gains and losses from financial assets measured at fair value through other comprehensive income of associates and joint ventures adopting the equity method | - | 107 | - | 107 |
| Share-based payment transaction | - | - | 626 | 626 |
| Cancellation of new restricted employee shares | - | - | 2,766 | 2,766 |
| Balance on December 31, 2021 | <u>\$ (37,836)</u> | <u>(4,515)</u> | <u>-</u> | <u>(42,351)</u> |

(XVI) Share-based payment

On June 16, 2017, the Company approved the issuance of 4,588,000 new restricted employee shares in the regular shareholders' meeting. The shares only granted to the permanent employees with official headcounts of the Company. The issuance was approved to take effect with the Letter Jin-Guan-Zheng No.1060042056 dated on November 8, 2017 by the Financial Supervisory Commission. 848 thousand shares and 3,740 thousand shares were resolved to be issued in the board meetings on September 20, 2018 and December 22, 2021, respectively; these dates are the base dates for the capital increase of the new share issuance. The fair values on the grant day was NT\$38 and NT\$48.7, respectively.

Employees who were allocated the above-mentioned new restricted employee shares may obtain the allocated shares free of charge; 20% of the allocated shares are vested respectively when serving in the Company for one full year and two full years, and 60% when serving three full years. After being allocated with the new shares, employees must deliver them to the Company or the institution designated by the Company for trust custody before meeting the vested conditions; such shares shall not be sold, pledged, transferred, gifted, pledged or otherwise disposed of. The voting rights in shareholders' meetings shall be exercised by the trust custodian institution pursuant to relevant laws and regulations. Where the employees allocated with the new shares but fail to meet the vesting conditions after obtaining new shares, the Company will retrieve all of their shares free of charge and cancel them. However, new restricted employee shares are still entitled to share distribution, dividend distribution, rights of capital reserve allocation, and warrants for cash capital increase, because shares obtained through share distribution or capital increase subscriptions are not the restricted employee shares.

Information on the Company's new restricted employee shares is as follows:

Notes to the consolidated financial statements of Ways Technical Corp. Ltd. and its subsidiaries (continued)

| | 2022 | 2021 |
|--|------|-------|
| Outstanding shares (thousand shares) as of January 1 | - | 538 |
| Quantity granted for the period. | - | (452) |
| Lost quantity of the period | - | (86) |
| Outstanding shares (thousand shares) as of December 31 | - | - |

The Company's aforesaid new restricted employee shares are measured at the fair value, which is the closing price of share on the grant date. As of December 31, 2022 and 2021, the unearned employees' remuneration is NT\$0.

In 2022 and 2021, the Company's gains from new restricted employee shares was NT\$0 thousand and NT\$626 thousand, respectively.

(XVII) Earnings per share

The basic earnings per share of the Group are calculated with the net loss attributable to holders of the Company's common shares and the weighted average number of common shares outstanding during the period. The calculation is as below:

1. Net lost attributable to the holders of the Company's common shares

| | 2022 | 2021 |
|---|---------------------|-----------------|
| Net profit (loss) attributable to the Company's continuing operations | <u>\$ (202,882)</u> | <u>(90,983)</u> |

2. Weighted average number of ordinary shares outstanding (in thousands)

| | 2022 | 2021 |
|---|---------------|---------------|
| Weighted average number of common shares (thousand shares) outstanding (after adjustment to the effect of dilutive potential ordinary shares) | <u>99,452</u> | <u>99,000</u> |

3. Basic earnings per share (NT\$)

| | 2022 | 2021 |
|------------------------------|------------------|---------------|
| (1) Basic earnings per share | <u>\$ (2.04)</u> | <u>(0.92)</u> |

For 2022 and 2021, the new restricted employee shares were not included for the calculation of the diluted weighted average number of outstanding common shares, as these shares are anti-diluting.

(XVII) Revenue from contracts with customers

1. Details of revenue

| | 2022 | | |
|---------------------|---------------------------|--------------------------|------------------|
| | Business groups in Taiwan | Business groups in China | Total |
| Main region/market: | | | |
| Taiwan | \$ 757,415 | - | 757,415 |
| Mainland China | 234,142 | 197,576 | 431,718 |
| Others | 17,939 | - | 17,939 |
| | <u>\$ 1,009,496</u> | <u>197,576</u> | <u>1,207,072</u> |

Notes to the consolidated financial statements of Ways Technical Corp. Ltd. and its subsidiaries (continued)

| | 2022 | | |
|---|---------------------------|--------------------------|------------------|
| | Business groups in Taiwan | Business groups in China | Total |
| Main products | | | |
| Touch panel modules | \$ 50,327 | - | 50,327 |
| 3C product processing and assembly and other income | 959,169 | 197,576 | 1,156,745 |
| | <u>\$ 1,009,496</u> | <u>197,576</u> | <u>1,207,072</u> |

Timing of revenue recognition:

| | | | |
|--|---------------------|----------------|------------------|
| Products transferred at some point of time | <u>\$ 1,009,496</u> | <u>197,576</u> | <u>1,207,072</u> |
|--|---------------------|----------------|------------------|

| | 2021 | | |
|---------------------|---------------------------|--------------------------|------------------|
| | Business groups in Taiwan | Business groups in China | Total |
| Main region/market: | | | |
| Taiwan | \$ 1,050,134 | - | 1,050,134 |
| Mainland China | 18,471 | 244,767 | 263,238 |
| Others | 21,089 | - | 21,089 |
| | <u>\$ 1,089,694</u> | <u>244,767</u> | <u>1,334,461</u> |

| | | | |
|---|---------------------|----------------|------------------|
| Main products | | | |
| Touch panel modules | \$ 52,599 | - | 52,599 |
| 3C product processing and assembly and other income | 1,037,095 | 244,767 | 1,281,862 |
| | <u>\$ 1,089,694</u> | <u>244,767</u> | <u>1,334,461</u> |

Timing of revenue recognition:

| | | | |
|--|---------------------|----------------|------------------|
| Products transferred at some point of time | <u>\$ 1,089,694</u> | <u>244,767</u> | <u>1,334,461</u> |
|--|---------------------|----------------|------------------|

The Group entered a contract of project system engineering with Shangdong Hengli Tianneng Advanced Technology Ltd. (Hengli Tianneng) and Sumec International Technology Ltd. (Sumec International) in June 2017, and the total contract price was USD40,000 thousand. The Group recognized the revenue from the project system engineering for both NT\$0 thousand in 2022 and 2021. As of December 31, 2022 and 2021, the Group recognized the aforesaid project system engineering for both NT\$5,220 thousand. Please refer to Note 9(1).

2. Contract balance

| | 2022.12.31 | 2021.12.31 | 2021.1.1 |
|--|-------------------|----------------|----------------|
| Notes and accounts receivable (related parties included) | \$ 273,789 | 517,515 | 307,136 |
| Less: Allowance for bad debts | (28,955) | (31,212) | (25,706) |
| | <u>\$ 244,834</u> | <u>486,303</u> | <u>281,430</u> |
| Contract liability - project system engineering | \$ 842,427 | 842,427 | 842,427 |
| Contract liability - product for sales | 39,451 | 23,724 | 38,276 |
| | <u>\$ 881,878</u> | <u>866,151</u> | <u>880,703</u> |

Notes to the consolidated financial statements of Ways Technical Corp. Ltd. and its subsidiaries (continued)

Please refer to Note 6(4) for the disclosures of accounts receivable and the impairment thereof.

The opening balances of contract liabilities on January 1, 2022 and 2021 recognized in revenue for 2022 and 2021, respectively, were NT\$23,724 thousand and NT\$38,276 thousand. For the contract liabilities from the contract of project system engineering, please refer to Note 9 (1).

The change in contract assets and liabilities is mainly from the difference between the point when the Group meets the performance obligation by transferring products or services to customers, and the time of payment by the customer.

(IXX) Remuneration to employees, directors and supervisors

After the directors were re-elected in the shareholders' meeting on June 17, 2022, the Audit Committee was established by independent directors to replace the powers of the supervisors, and the Company's Articles of Incorporation were amended.

After the amendment, the Articles of Incorporation specified that If the Company has profit at the end of a fiscal year (profit means profit or loss before tax minus remuneration to employees and directors, the Company shall set aside 1% to 15% of the profit as remuneration to employees, which shall be distributed in shares or cash by resolution of the Board of Directors, and the target recipients shall include employees of subordinate companies who meet certain criteria. The Company may set aside not more than 3% of the above-mentioned profits as remuneration to directors by resolution of the board of directors. The remuneration to employees and remuneration to directors shall be reported to the shareholders' meeting. However, the Company's accumulated losses shall have been covered first, and then employees' and directors' remuneration shall be appropriated in accordance with the aforementioned ratios.

Before the amendment, the Articles of Incorporation specified that If the Company has profit at the end of a fiscal year (profit means profit or loss before tax minus remuneration to employees, directors, and supervisors), the Company shall set aside 1% to 15% of the profit as remuneration to employees, which shall be distributed in shares or cash by resolution of the Board of Directors, and the target recipients shall include employees of subordinate companies who meet certain criteria. The Company may set aside not more than 3% of the above-mentioned profits as remuneration to directors and supervisors by resolution of the board of directors. The remuneration to employees and remuneration to directors and supervisors shall be reported to the shareholders' meeting. However, when the Company still has a cumulative deficit, it shall reserve an amount to compensate the deficit in advance and then allocate the employee remuneration and directors' and supervisors' remuneration at the percentage specified in the preceding paragraph.

For both 2022 and 2021, the Company generated accumulated loss, and no remuneration of employees, directors, and supervisors was estimated. Where there is a difference between the amounts paid out and the estimated amounts, it will be treated as a change in accounting estimates, and the difference will be recognized in profit or loss in the following year. If the Board of Directors resolves a decision to pay out stock dividends to employees, the basis for calculating the number of shares for stock dividends is based on the closing price of common stock prevailing on the day before the resolution of the Board of Directors.

For both 2022 and 2021, the Company generated accumulated loss, and no remuneration of employees, directors, and supervisors was estimated. There is no difference from the actual distribution. Related information is available for inquiries via the Market Observation Post System website.

(XX) Non-operating incomes and expenses

1. Other income

The details of the Group's other incomes are as follows:

| | 2022 | 2021 |
|---------------------------------|------------------|---------------|
| Rental income | 14,213 | 14,310 |
| Government grants | 648 | 3,656 |
| Dividend income | 5,904 | 7,428 |
| Compensation revenue and others | 46,807 | 10,106 |
| Total | \$ 67,572 | 35,500 |

Notes to the consolidated financial statements of Ways Technical Corp. Ltd. and its subsidiaries (continued)

2. Other gains and losses

The details of the Group's other gains and losses are as follows:

| | 2022 | 2021 |
|--|--------------------|---------------|
| Net gain (loss) of foreign currency exchange | \$ 5,153 | (7,486) |
| Gain (loss) on disposal of property, plant and equipment | (7,788) | 73,993 |
| Impairment loss of non-financial assets | (12,425) | (14,375) |
| Others | (167) | - |
| Total | \$ (15,227) | 52,132 |

Please refer to Note 6 (21) for information on credit risks of financial assets.

(XXI) Financial instruments

1. Credit risks

(1) Exposure to credit risk

The carrying amount of financial assets and contract assets represents the maximum exposure to credit risks.

(2) Credit concentration risks

For the customers accounting for more than 10% of the Group's operating revenue, their sales amount accounted for 47% and 47% of the sales revenue of the Group in 2022 and 2021, respectively. To reduce credit risk, the Group regularly and continuously evaluates the financial position of major customers and the possibility of recovering accounts receivable, to lower the loss from major credit risks, and has assessed and provided appropriate allowance for losses.

(3) Credit risks of accounts receivable

Please refer Note 6 (4) for information on the exposure of credit risks with notes receivable and accounts receivable.

Financial assets measured at amortized cost include other receivables and certificates of deposit, which are all financial assets with low credit risk. Therefore, the allowance of loss for the period is measured by the amount of 12-month expected credit losses (for how the Group determines low credit risk, please refer to Note 4(7)).

The bank deposits and fixed income investments held by the Group have the creditworthy banks and financial institutions rated at investment grade and above as counterparties and the parties performing contracts, there is no significant doubts over contract performance, hence deemed as low credit risk.

The changes in loss allowance for other financial assets - current in 2022 and 2021 are as follows:

| | Other financial assets -current |
|---|--|
| Balance at January 1, 2022 | \$ 5,992 |
| Gains from reversal of impairments loss | (3,588) |
| Balance on December 31, 2022 | \$ 2,404 |
| Balance on January 1, 2021 | \$ 5,992 |
| Impairment loss recognized | - |
| Balance on December 31, 2021 | \$ 5,992 |

2. Liquidity risk

Notes to the consolidated financial statements of Ways Technical Corp. Ltd. and its subsidiaries (continued)

The table below shows the maturity dates of contractual financial liabilities, including the effect of estimated interests

| | Carrying amount | Contractual cash flow | Less than 1 year | 1 - 2 years | 2 years or more |
|--|---------------------|--------------------------|---------------------|-----------------|------------------|
| December 31, 2022 | | | | | |
| Non-derivative financial liabilities | | | | | |
| Secured bank loans | \$ 594,791 | (725,857) | (45,612) | (42,458) | (637,787) |
| Notes and accounts payable (related parties included) | 253,553 | (253,553) | (253,553) | - | - |
| Other payables | 263,877 | (263,877) | (263,877) | - | - |
| Lease liabilities | 34,126 | (34,561) | (25,954) | (4,993) | (3,614) |
| Guarantee deposits received (accounted in the other non-current liabilities) | 2,502 | (2,502) | (2,502) | - | - |
| | \$ 1,148,849 | (1,280,350) | (591,498) | (47,451) | (641,401) |
| December 31, 2021 | | | | | |
| Non-derivative financial liabilities | | | | | |
| Secured bank loans | \$ 615,000 | (681,834) | (22,042) | (51,930) | (607,862) |
| Notes and accounts payable (related parties included) | 378,052 | (378,052) | (378,052) | - | - |
| Other payables | 236,409 | (236,409) | (236,409) | - | - |
| Lease liabilities | 66,309 | (67,538) | (31,363) | (26,242) | (9,933) |
| Guarantee deposits received (accounted in the other non-current liabilities) | 5,992 | (5,992) | (50) | - | (5,942) |
| | \$ 1,301,762 | (1,369,825) | (667,916) | (78,172) | (623,737) |

The Group does not expect the timing of cash flows to be significantly early or the amount to be significantly different from the maturity analysis.

3. Exchange rate risks

(1) Exposure to exchange rate risks

The Group's financial assets and liabilities exposed to significant exchange rate risks are as follows:

| | 2022.12.31 | | | 2021.12.31 | | |
|-----------------------|------------------|----------------------------|---------|----------------------------|---------------|---------|
| | Foreign currency | Exchange rate | NTD | Foreign currency | Exchange rate | NTD |
| Financial assets | | | | | | |
| Monetary items | | | | | | |
| US dollars | \$ | 21,209 USD/TWD =30.71 | 651,330 | 15,222 USD/TWD =27.68 | | 421,343 |
| US dollars | | 46 USD/CNY =6.9681 | 1,423 | 52 USD/CNY =6.3757 | | 1,436 |
| JPY | | 107,878 JPY/TWD =0.2324 | 25,071 | 126,149 JPY/TWD =0.2405 | | 30,339 |
| Financial liabilities | | | | | | |
| US dollars | | 5,893 USD/TWD =30.71 | 180,982 | 5,390 USD/TWD =27.68 | | 149,186 |
| US dollars | | 5,966 USD/CNY =6.9681 | 183,245 | 5,830 USD/CNY =6.3757 | | 161,383 |

(2) Sensitivity analysis

Notes to the consolidated financial statements of Ways Technical Corp. Ltd. and its subsidiaries (continued)

The Group's exchange rate risk mainly arises from cash and cash equivalents, accounts receivable and other receivables, as well as accounts payable and other payables, all denominated in foreign currencies, from which foreign currency exchange gains and losses arise during translation. All else being equal, a 5% depreciation or appreciation of USD and JPY against NTD or CNY on December 31, 2022 and 2021 would have the following decreased (increased) the net loss after tax for 2022 and 2021, respectively. The same basis is applied for the both period.

| | 2022.12.31 | 2021.12.31 |
|-----------------------|------------------------|------------------------|
| | Net loss before | Net loss before |
| | income tax | income tax |
| USD (relative to NTD) | | |
| Appreciation for 5% | \$ (23,517) | (13,608) |
| Depreciation for 5% | 23,517 | 13,608 |
| USD (relative to CNY) | | |
| Appreciation for 5% | 9,091 | 7,997 |
| Depreciation for 5% | (9,091) | (7,997) |
| JPY (relative to NTD) | | |
| Appreciation for 5% | (1,254) | (1,517) |
| Depreciation for 5% | 1,254 | 1,517 |

(3) Foreign exchange gain and loss on monetary items

As the Group uses numerous functional currencies, the information on foreign exchange gain (loss) of monetary items is disclosed by the total amount. For years 2022 and 2021, foreign exchange gains and losses (including realized and unrealized portions) was NT\$5,153 thousand of gain and T\$7,486 thousand of loss, respectively.

4. Interest rate analysis

The details of the Group's financial assets and financial liabilities exposures to interest rate are as follows:

| | Carrying amount | |
|--------------------------------|------------------------|-------------------|
| | 2022.12.31 | 2021.12.31 |
| Variable interest instruments: | | |
| Financial assets | \$ 571,803 | 477,284 |
| Financial liabilities | (594,791) | (615,000) |
| | \$ (22,988) | (137,716) |

The sensitivity analysis below is based on the exposure of non-derivative instruments to interest rate risk at the balance sheet date. For floating-rate assets and liabilities, the analysis is based on an assumption that the amount of an asset or liability outstanding at the balance sheet date is outstanding throughout the year. The sensitivity to 25 basis points of change in interest rate is used when reporting the interest rate risk internally to key management personnel and also represents the management's assessment of the reasonably possible change in interest rates.

All else being equal, if the interest rate had increased (decreased) by 25 basis points, the Company's profit before tax would have decreased (increased) by NT\$57 thousand in 2022 and increased (decreased) by NT\$344 thousand in 2021, primarily due to the Company's deposits and borrowings in variable interest rates.

5. Fair value

Notes to the consolidated financial statements of Ways Technical Corp. Ltd. and its subsidiaries (continued)

(1) Valuation process

The Group's accounting policies and disclosures include the adoption of fair value to measure its financial assets and liabilities. The Group's management is responsible for carrying out independent fair value tests to ensure that the valuation results approximate market conditions, that the sources of information are independent, reliable, consistent with other sources and representative of executable prices, and they calibrate the valuation model regularly, update the inputs and data required for the valuation model, as well as other required adjustment to fair values, to ensure that the valuation results are reasonable.

The Group uses inputs observable in the market as much as possible when measuring its assets and liabilities. The fair value level is decided based on the fair value input and classified as follows:

Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: Inputs, other than quoted market prices within level 1 that are observable, either directly (i.e. prices) or indirectly (derived from prices) for assets or liabilities.

Level 3 inputs: Inputs for assets or liabilities not based on observable information in the market (non-observable inputs).

(2) Types and fair values of financial instruments

The Group measures fair values on a recurring basis for financial assets and liabilities at fair value through profit or loss and financial assets at fair value through other comprehensive income. The carrying amounts and fair values of various types of financial assets and financial liabilities (including fair value level information but excluding the fair values not required for disclosure such as carrying amounts of financial instruments not measured by fair value but with reasonable approximations of fair values and the equity instruments without quoted prices from an active market and without reliably measured fair values) are listed below:

| | 2022.12.31 | | | | |
|--|--------------------|------------|---------|---------|--------|
| | Carrying amount | Fair value | | | |
| | | Level 1 | Level 2 | Level 3 | Total |
| Financial assets at fair value through profit or loss: | | | | | |
| Financial assets mandatorily measured at fair value through income statement - non-current | \$ 84,458 | 84,458 | - | - | 84,458 |
| Financial assets at fair value through other comprehensive income: | | | | | |
| Equity instruments without open quotation at fair value through profit or loss | 4,408 | - | - | 4,408 | 4,408 |
| Financial assets at amortized cost: | | | | | |
| Cash and cash equivalents | \$ 574,537 | - | - | - | - |
| Notes and accounts receivable (including related parties) | 244,834 | - | - | - | - |
| Other financial assets -current | 138,988 | - | - | - | - |
| Refundable deposits (accounted in the other non-current liabilities) | 462,340 | - | - | - | - |
| Subtotal | 1,420,699 | | | | |
| Total | \$ 1,509,565 | | | | |

Notes to the consolidated financial statements of Ways Technical Corp. Ltd. and its subsidiaries (continued)

| 2022.12.31 | | | | | |
|--|---------------------|------------|---------|---------|---------|
| | Carrying amount | Fair value | | | |
| | | Level 1 | Level 2 | Level 3 | Total |
| Financial liabilities at amortized cost: | | | | | |
| Notes and accounts payable (related parties included) | \$ 253,553 | - | - | - | - |
| Other payables | 263,877 | - | - | - | - |
| Lease liabilities | 34,126 | - | - | - | - |
| Long-term liabilities due within a year | 44,833 | - | - | - | - |
| Long-term borrowings | 549,958 | - | - | - | - |
| Guarantee deposits received (accounted in the other non-current liabilities) | 2,502 | - | - | - | - |
| Total | <u>\$ 1,148,849</u> | | | | |
| 2021.12.31 | | | | | |
| | Carrying amount | Fair value | | | |
| | | Level 1 | Level 2 | Level 3 | Total |
| Financial assets at fair value through profit or loss: | | | | | |
| Financial assets mandatorily measured at fair value through income statement - non-current | \$ 131,380 | 131,380 | - | - | 131,380 |
| Financial assets at fair value through other comprehensive income: | | | | | |
| Equity instruments without open quotation at fair value through profit or loss | 4,342 | - | - | 4,342 | 4,342 |
| Financial assets at amortized cost: | | | | | |
| Cash and cash equivalents | 517,462 | - | - | - | - |
| Notes and accounts receivable (including related parties) | 486,303 | - | - | - | - |
| Other financial assets -current | 101,961 | - | - | - | - |
| Refundable deposits (accounted in the other non-current liabilities) | 420,878 | - | - | - | - |
| Subtotal | 1,526,604 | | | | |
| Total | <u>\$ 1,662,326</u> | | | | |
| Financial liabilities at amortized cost: | | | | | |
| Notes and accounts payable (related parties included) | \$ 378,052 | - | - | - | - |
| Other payables | 236,409 | - | - | - | - |
| Lease liabilities | 66,309 | - | - | - | - |
| Long-term liabilities due within a year | 20,208 | - | - | - | - |
| Long-term borrowings | 594,792 | - | - | - | - |
| Guarantee deposits received (accounted in the other non-current liabilities) | 5,992 | - | - | - | - |
| Total | <u>\$ 1,301,762</u> | | | | |

(3) Fair value valuation techniques for financial instruments at fair value

Notes to the consolidated financial statements of Ways Technical Corp. Ltd. and its subsidiaries (continued)

The methods and assumptions adopted by the Group to estimate instruments not at fair value are as follows:

A. Financial assets and liabilities measured at amortized cost

If there is information on quoted prices from transactions or market makers, the latest transaction price and quoted price should be adopted as the basis for valuating the fair value. If there is no information on market prices for reference, the valuation method is adopted for estimation. The estimates and assumptions used in the valuation method are the discounted value of cash flows to estimate the fair value.

(4) Fair value valuation techniques for financial instruments at fair value

A. Non-derivative financial instruments

When a financial instrument is quoted in an active market, the quoted price in the active market is the fair value.

A financial instrument is deemed to be with quoted prices in the active markets if its quoted prices can be obtained from exchanges, brokers, underwriters, industry associations, pricing services institutions, or competent authorities in a timely and regular manner, and the prices represent the prices in actual fair market transactions that occur frequently. If the above criteria are not met, the market is deemed inactive. Generally speaking, a large bid-ask spread, a significant increase in the bid-ask spread, or a low trading volume are all indicators of an inactive market.

The fair values of financial instruments are obtained through valuation techniques or with reference to the quoted prices by counterparties. The fair values measured with valuation techniques can be extrapolated from the current fair values of the financial instruments similar in other substantial conditions and characteristics, derived with the discounted cash flow method or other valuation technique including modeling with observable market data at the consolidated reporting date.

If a financial instrument held by the Group are the equity instruments without public quotation in an active market, the market comparable company method is adopted to estimate its fair value, and measurement is made on the basis of the earnings per share and the price-to-earnings ratio of comparable TWSE/TPEX listed companies, or the investment cost per share and the price-to-book value ratio of share sin comparable TWSE/TPEX listed companies. Such estimate has been adjusted for the effect of discounting due to the lack of market liquidity of such equity securities.

(5) Transition between Level 1 and Level 3

There was no transfer among any fair value levels during 2022 and 2021.

(6) Details of changes in Level 3:

| | At fair value through other comprehensive income |
|--|---|
| | Equity instruments without quoted prices |
| January 1, 2022 | \$ 4,342 |
| The Effects of Changes in Foreign Exchange Rates | 66 |
| December 31, 2022 | <u><u>\$ 4,408</u></u> |
| January 1, 2021 | \$ 4,365 |
| The Effects of Changes in Foreign Exchange Rates | (23) |
| December 31, 2021 | <u><u>\$ 4,342</u></u> |

Notes to the consolidated financial statements of Ways Technical Corp. Ltd. and its subsidiaries (continued)

The total profit or loss mentioned above are the gains or losses from the unrealized valuation of financial assets FVTOCI, and the relevant comprehensive income of assets still held on December 31, 2022 and 2021 were both NT\$0 thousand.

(7) Quantitative information on measurement of significant unobservable fair value input (Level 3)

The Group's financial instruments whose fair values are measured with Level 3 inputs are primarily financial assets measured at fair value through other comprehensive income – equity investments.

Most of the fair values of the Group are classified as Level 3, with only a single significant unobservable input value, and only investments in equity instrument without active markets have multiple significant unobservable input values. Significant unobservable input values of investments in equity instrument without active markets are independent of each other, so there is no interrelationship.

Quantitative information on significant unobservable inputs is listed as follows:

| Item | Valuation technique | Significant unobservable input | Significant unobservable input and relations with fair value |
|--|--|--|---|
| Financial assets at fair value through other comprehensive income – investments in equity instruments without active markets | Comparable TWSE/TPEX listed companies method | <ul style="list-style-type: none"> Price to book multiple (1.85x and 2x on December 31, 2022 and 2021) Liquidity discount (20% on both December 31, 2022 and 2021) | <ul style="list-style-type: none"> The higher the multiple, the higher the fair value The higher the liquidity discount, the lower the fair value |

(8) Analysis of sensitivity of Level 3 fair value to reasonably possible alternative assumptions

The Group's fair value measurements of financial instruments are reasonable. However, the use of different valuation models or parameters may result in different valuation outcomes. If the valuation parameters for financial instruments classified as Level 3 change, the effect on other comprehensive income is as follows:

| | | | Changes in fair value reflected in other comprehensive income | |
|--|------------------------------------|-------------------|---|--------------------|
| | Input | Up/down movements | Favorable change | Unfavorable change |
| December 31, 2022 | | | | |
| Financial assets at fair value through other comprehensive income – investments in equity instruments without active markets | Price-book ratio | 5% | \$ 4 | 4 |
| Financial assets at fair value through other comprehensive income – investments in equity instruments without active markets | Discount for lack of marketability | 5% | \$ 1 | 1 |
| December 31, 2021 | | | | |

Notes to the consolidated financial statements of Ways Technical Corp. Ltd. and its subsidiaries (continued)

| | Input | Up/down movements | Changes in fair value reflected in other comprehensive income | |
|--|------------------------------------|-------------------|---|--------------------|
| | | | Favorable change | Unfavorable change |
| Financial assets at fair value through other comprehensive income – investments in equity instruments without active markets | Price-book ratio | 5% | \$ 50 | 50 |
| Financial assets at fair value through other comprehensive income – investments in equity instruments without active markets | Discount for lack of marketability | 5% | \$ 13 | 13 |

The favorable and unfavorable movements referred to by the Group indicate the volatility of fair values. Fair values are calculated with valuation techniques with different levels of unobservable inputs. If the fair value of a financial instrument is affected by more than one input, the above table only reflects the effect of changes in a single input without taking into account the correlation and variability between the inputs

(XXII) Financial risk management

1. Summary

The Group is exposed to the following risks due to the use of financial instruments:

- (1) Credit risks
- (2) Liquidity risks
- (3) Market risks

This note represents the Group's exposure to the aforesaid risks, as well as its target, policy and procedures for measuring and managing these risks. Please refer to individual notes to the consolidated financial statements for further quantitative disclosure.

2. Risk management framework

The Group's Financial Department provides services for each business, coordinates operations in domestic and international financial markets, and monitors and manages the financial risks related to the Group's operations as per the internal risk report on the analysis of internal risk exposures based on risk levels and breadth. The Group uses derivative financial instruments to avoid risk exposure to mitigate the impact of these risks. The use of financial instruments is regulated by the policies approved by the Board of Directors, including the written principles of interest rate risk, credit risk, use of non-derivative financial instruments, and investment with remaining liquidity. Internal auditors continue to verify the compliance with policies and the maximum exposures. The Group does not trade financial instruments for speculative purposes.

3. Credit risks

The Group's credit risk is the risk of financial loss suffered by the Group arising from the failure of customers or counterparties of financial instruments to fulfill contractual obligations, mainly from the Group's accounts receivable from customers and investments.

(1) Accounts receivable and other receivables

The Group has established a credit policy, as per which the Group analyzes each new client's credit rating before setting standard payment and delivery terms and conditions for them. The Group's review covers external ratings, if available, and, in some cases, notes sent by banks. The purchase limit established by customer Such limits are regularly reviewed. Clients who do not meet the Group's standard credit rating can only conduct transactions with the Group on an advance receipt basis.

Notes to the consolidated financial statements of Ways Technical Corp. Ltd. and its subsidiaries (continued)

Due to the concentration of customers of the Group, accounts receivable have a significant concentration of credit risk. Therefore, the Group regularly and continuously evaluates the financial position of customers, and sets up an allowance account to reflect estimate of losses on accounts receivable, other receivables and investments. The contra account mainly consists of the specific loss components in relation to individual material exposures and the collective loss components with a group of similar assets established for the losses already incurred but not identified. The collective loss component in the contra account is based on historical payment experience of similar financial assets.

(2) Investment

The credit risk arising from cash in bank, fixed-income investments and other financial instruments are measured and monitored by the Group's management. As the Group's transaction counterparties and contract counterparties are all creditworthy banks and financial institutions rated at investment grade and above, there is no significant doubts over contract performance, hence no significant credit risk.

4. Liquidity risks

The Group, via the deployment of Group's capital, private placement, and borrowings, manages and maintains sufficient cash and cash equivalents to support its current financial liabilities and alleviate the impact of cash flow fluctuations. The Group's management personnel supervise the use of bank financing facilities and ensure compliance with the terms of the loan contracts.

Bank borrowings are a source of liquidity for the Group. Please refer to Note 6 (10) for the undrawn short-term bank financing limits of the Group as of December 31, 2022 and 2021.

5. Market risks

Market risk refers to the risk that affects the Group's revenue or the value of financial instruments held due to changes in market prices, such as changes in exchange rates, interest rates, or equity instrument prices. The purpose of market risk management is to control the exposure to market risks within a range of tolerance and optimize return on investment.

(1) Exchange rate risks

The Group is exposed to exchange rate risk arising from sales, procurement, and borrowings that are not denominated in its functional currencies. The functional currencies of the entities in the Group is mainly NTD, as well as USD and CNY. These transactions are primarily denominated in the NTD, the CNY and USD. The Group adopts the principle of natural hedging for the foreign currency assets and liabilities exposed to the risk of market exchange rate fluctuations in the existing and future cash flows, and applies financial instruments when necessary to avoid exchange rate risks.

(2) Interest rate risks

Because the cash flow risks are generated from borrowed funds at floating interest rates and bank deposits with floating rates of entities in the Group, the Group regularly evaluates and adopts cost-effective hedging strategies.

(3) Other price risks

The Group's equity price risks arise from equity securities investment.

(XXIII) Capital management

Based on the characteristics of the industry in which the Group current operates, and the future development of the Company, while considering factors such as changes in the external environment, the Group plans the capital management of the Company to ensure that the Company has the necessary financial resources and business plans to support future working capital, capital expenditures, debt repayments, and dividend payment. The management primarily adopts the appropriate total liabilities to total assets ratio to determine the optimal capital structure for the Group. On the premise of maintaining solid capital foundation, it is sought to improve the shareholders' return via the optimization of debt and equity.

Notes to the consolidated financial statements of Ways Technical Corp. Ltd. and its subsidiaries (continued)

The Group monitors funds through regular review of the asset-liability ratio. The Group's asset to liability ratio as of December 31, 2022 and 2021 are as following:

| | <u>2022.12.31</u> | <u>2021.12.31</u> |
|-------------------|-------------------|-------------------|
| Total Liabilities | \$ 2,040,924 | 2,176,270 |
| Total assets | 2,866,133 | 3,188,358 |
| Liability ratio | 71 % | 68 % |

As of December 31, 2022, the Group's capital management strategy has not changed materially.

(XXIV) Non-cash transactions in investing and financing activities

1. The Group's investing and financing activities via non-cash transactions were to acquire right-of-use assets. Please refer to Note 6 (8) for details.
2. Reconciliation of liabilities from financing activities is shown in the table below:

| | <u>Non-cash movement</u> | | | | | <u>2022.12.31</u> |
|---|--------------------------|------------------|-----------------|-----------------|-------------------------------|-------------------|
| | <u>2022.1.1</u> | <u>Cash Flow</u> | <u>Addition</u> | <u>Decrease</u> | <u>Exchange rate movement</u> | |
| Long-term borrowings | \$ 615,000 | (20,209) | - | - | - | 594,791 |
| Other payables | 32,533 | 3,933 | - | - | (33) | 36,433 |
| Lease liabilities | 66,309 | (30,333) | 500 | (3,092) | 742 | 34,126 |
| Deposits received | 5,992 | (3,490) | - | - | - | 2,502 |
| Total liabilities from financing activities | <u>\$ 719,834</u> | <u>(50,099)</u> | <u>500</u> | <u>(3,092)</u> | <u>709</u> | <u>667,852</u> |

| | <u>Non-cash movement</u> | | | | | <u>2021.12.31</u> |
|---|--------------------------|------------------|-----------------|-----------------|-------------------------------|-------------------|
| | <u>2021.1.1</u> | <u>Cash Flow</u> | <u>Addition</u> | <u>Decrease</u> | <u>Exchange rate movement</u> | |
| Long-term borrowings | \$ 626,000 | (11,000) | - | - | - | 615,000 |
| Other payables | 28,279 | 4,254 | - | - | - | 32,533 |
| Lease liabilities | 89,596 | (29,757) | 6,809 | - | (339) | 66,309 |
| Deposits received | 1,230 | 4,762 | - | - | - | 5,992 |
| Total liabilities from financing activities | <u>\$ 745,105</u> | <u>(31,741)</u> | <u>6,809</u> | <u>-</u> | <u>(339)</u> | <u>719,834</u> |

VII. Related Party Transactions

(I) Name of related party and relations

| <u>Name of related party</u> | <u>Relation with the Group</u> |
|--|----------------------------------|
| Shanghai Zhuzhijia Electronic Technology Co., Ltd. (Shanghai Zhuzhijia) | Associates to the Group |
| Shih-Wen Liao | Chairman of the Group |
| VIET NAM EUROCHARM WAYS PLASTICS COMPANY LIMITED (located in Vietnam) | Associates to the Group (Note 1) |

Notes to the consolidated financial statements of Ways Technical Corp. Ltd. and its subsidiaries (continued)

Note 1: it became a related party since July 2021

(II) Significant transactions with related parties

1. Revenues

The amounts of the Group's significant sales to related parties are as follows:

| | Sales | | Accounts receivables from related parties | |
|-----------------------|-----------------|--------------|---|------------|
| | 2022 | 2021 | 2022.12.31 | 2021.12.31 |
| Associates | \$ 4,706 | 5,159 | - | - |
| Other related parties | - | 46 | - | - |
| | \$ 4,706 | 5,205 | - | - |

There is no comparable target for the sales price of the Group's sales to associates, and the payment term is monthly settlement with 30 days, not significantly different from the terms for general customers.

2. Purchases

The amount of purchase by the Group from related parties and the outstanding balance are as follows:

| | Purchases | | Accounts payable to related parties | |
|------------|-----------|------|-------------------------------------|------------|
| | 2022 | 2021 | 2022.12.31 | 2021.12.31 |
| Associates | \$ - | - | 372 | 367 |

The purchase price of the Group from the associate is for a single purchaser, without similar purchases from other non-related parties to compare. The payment terms are not significantly different from those of general suppliers. The payment term of the purchases is monthly settlement with 30 days or next month settlement with 95 days, or to pay as the funds required by the Group.

3. Loans to related parties

To meet the capital needs of the associates' working capital, the Group has loaned funds to the associates, and accounted as receivable from related parties under the current items of other financial assets-, which are detailed as below:

| | 2022 | | | | |
|----------------------|------------------|--|---------------|-------------------------------|--|
| | Maximum Balance | Balance of receivable at the end of the period | Interest rate | Interest income of the period | Interest receivable at the end of period |
| Associates | | | | | |
| - Shanghai Zhuzhijia | <u>\$44,962</u> | <u>42,317</u> | 6% | <u>2,681</u> | <u>10,946</u> |
| | 2021 | | | | |
| | Maximum Balance | Balance of receivable at the end of the period | Interest rate | Interest income of the period | Interest receivable at the end of period |
| Associates | | | | | |
| - Shanghai Zhuzhijia | <u>\$ 48,190</u> | <u>44,283</u> | 6% | <u>2,793</u> | <u>8,149</u> |

The financing provided to Shanghai Zhuzhijia as of December 31, 2022 and 2021 were both unsecured lending

Notes to the consolidated financial statements of Ways Technical Corp. Ltd. and its subsidiaries (continued)

4. Borrowings from related parties

To meet the capital needs of the associates' working capital, the Group has borrowed from the related parties, and accounted as payables to related parties, as described below:

| | 2022 | | | |
|----------------------------|--------------------------------------|---------------|--------------------------------|---------------------------------------|
| | Balance payable at the end of period | Interest rate | Interest expense of the period | Interest payable at the end of period |
| Chairman of Ways Technical | <u>\$27,411</u> | 5% | <u>1,426</u> | <u>9,022</u> |
| | 2021 | | | |
| | Balance payable at the end of period | Interest rate | Interest expense of the period | Interest payable at the end of period |
| Chairman of Ways Technical | <u>\$ 24,904</u> | 5% | <u>1,335</u> | <u>7,596</u> |

As of December 31, 2022 and 2021, the Group provided the guarantee notes of NT\$31,778 thousand as the collaterals of borrowings from related parties for the both years.

5. Others

The details of receivables and payables with related parties from collection and payment on behalf of related parties are as follows:

| Related party category | Other accounts payable to related parties | |
|------------------------|---|------------|
| | 2022.12.31 | 2021.12.31 |
| Associates | <u>\$ 34</u> | <u>33</u> |

(III) Transactions with key management personnel

1. Key management personnel's remuneration:

| | 2022 | 2021 |
|------------------------------|------------------|---------------|
| Short-term employee benefits | \$ 10,350 | 11,390 |
| Post-employment benefits | 127 | 181 |
| Share-based payments | - | 441 |
| | <u>\$ 10,477</u> | <u>12,012</u> |

VIII. Pledged assets

The carrying amounts of the assets pledged by the Group as collateral are detailed below:

| Name of asset | Asset pledged as collateral | 2022.12.31 | 2021.12.31 |
|---|---|-------------------|----------------|
| Other financial assets — current (pledged CD) | Bond for custom and foreign forward L/C limit | \$ 15,274 | 15,215 |
| Property, plant and equipment | Limits for short- and long-term borrowings | 815,105 | 818,282 |
| | | <u>\$ 830,379</u> | <u>833,497</u> |

IX. Significant Contingent Liabilities and Unrecognized Commitments

- (I) The Group entered a contract of project system engineering with Hengli Tianneng in June 2017, and the total contract price was USD40,000 thousand. As of December 31, 2022, the Group has received the payment of NT\$842,427 thousand (USD27,775 thousand) in advance. The aforesaid contract was delayed because the customer has changed the planning of the product and the source of funds. The contract can only be performed after the customer obtained the further funds to be invested in the project and provide the funds to the Group, as well as the discussion regarding the change of design with the Group.

Notes to the consolidated financial statements of Ways Technical Corp. Ltd. and its subsidiaries (continued)

To fully perform the project, the Group entered the cooperative agreement with the broker of the transaction, Richstar International in June 2017, to pay the performance bond of USD20,000 thousand to Richstar International (please refer to Note 6(9)). The both parties agreed that the Group should paid the commission of USD10,000 thousand to Richstar International within two business day upon the acceptance of the project system engineering; provided that the Group may use the performance bond to pay for the commission instead of making another payment. Upon the conclusion of the project system engineering, the performance bond of USD5,000 thousand may be reinvested in specific project companies.

- (II) To perform the contract of the project system, the Group entered a contract to purchase machinery equipment in 2022; the executed but not recognized equipment payment was NT\$1,750 thousand.

X. Losses Due to Major Disasters: None.

XI. Significant Subsequent Events

- (I) On June 17, 2022, it was approved by the regular shareholders' meeting to issue common shares through a private placement to expand the scale of operation and replenish working capital. The number of privately placed shares shall not exceed 17,835 thousand shares. On March 22, the Board resolved to issue 2,170 common shares via a private placement, at NT\$40 per share, for total NT\$86,800 thousand. As of March 22, 2023, the change registration has not yet been completed.
- (II) The Group's subsidiary, Mega-Power Precision Industrial Corp. (Mega-Power) approved upon the resolution of the Board on December 7, 2022, to acquire 100% stake of EXCEL BRILLIANT LIMITED with USD3,500 thousand, and thus obtained 53.09% of Zhuzhijia Electronic Technology Co., Ltd. (Zhuzhijia)'s shares. The said transaction was completed on March 8, 2023, plus the 46.91% stake of Zhuzhijia owned by the Group, the Group owns 100% stake of Zhuzhijia in total.

XII. Miscellaneous

- (I) Employee benefits and depreciation and amortization expense are summarized by function as follows:

| By function By nature | 2022 | | | 2021 | | |
|-------------------------------------|-----------------|--------------------|---------|-----------------|--------------------|---------|
| | Operating costs | Operating expenses | Total | Operating costs | Operating expenses | Total |
| Employee benefit expenses | | | | | | |
| Salary expense | 188,202 | 114,607 | 302,809 | 263,028 | 116,961 | 379,989 |
| Labor and health insurance expenses | 17,554 | 10,972 | 28,526 | 18,000 | 11,429 | 29,429 |
| Pension expenses | 4,892 | 5,947 | 10,839 | 4,946 | 6,160 | 11,106 |
| Remuneration paid to director | - | 842 | 842 | - | 350 | 350 |
| Other employee benefits expenses | 8,432 | 3,846 | 12,278 | 9,015 | 3,956 | 12,971 |
| Depreciation | 45,051 | 56,038 | 101,089 | 47,116 | 75,141 | 122,257 |
| Amortization expenses | 114 | 288 | 402 | 170 | 355 | 525 |

Note: The depreciation expenses for 2022 and 2021 excluded the depreciation expenses of rented equipment, for NT\$6,444 thousands and NT\$7,390 thousands, respectively, and were accounted as the deductions for rental incomes

Notes to the consolidated financial statements of Ways Technical Corp. Ltd. and its subsidiaries (continued)

XIII. Other Disclosures

(I) Information on significant transactions

The material transactions to be disclosed by the Group in 2022 according to the Regulations Governing the Preparation of Financial Reports by Securities Issuers are as follows:

1. Financing provided to others

Unit: NT\$ thousand and in thousands of other currencies

| Serial No. | Lender | Borrower | Ledger account | Related party or not | Maximum balance during the period | Balance at the end of the period | Amount drawn | Interest Rate | Nature of funding | Amount of business dealings | Reason for short-term financing | Loss allowance | Collateral | | Limits of loans to other individual | Total limit on the lending of funds | Note |
|------------|----------------------------|--------------------|---------------------------------|----------------------|------------------------------------|------------------------------------|------------------------------------|---------------|----------------------|-----------------------------|---------------------------------|----------------|------------|--------|-------------------------------------|-------------------------------------|------------------|
| | | | | | | | | | | | | | Name | Value | | | |
| 0 | Ways Technical Corp., Ltd. | Nano Bit | Other financial assets -current | Yes | 93,531 (USD2,720 and NTD10,000) | 93,531 (USD2,720 and NTD10,000) | 93,531 (USD2,720 and NTD10,000) | 5% | Short-term financing | - | Working capital | - | Note 4 | Note 4 | 90,184 | 360,736 | Note 1, 7, and 9 |
| 1 | Guangdong Ways | Shanghai Zhuzhijia | " | Yes | 44,962 (CNY10,200) | 42,317 (CNY9,600) | 42,317 (CNY9,600) | 6% | " | - | Working capital | - | - | - | Note 6 | Note 6 | Note 2 |
| 2 | Ways Technical | Guangdong Ways | " | Yes | 153,550 (USD5,000) | 140,959 (USD4,590) | 140,959 (USD4,590) | 3% | " | - | Working capital | - | - | - | 200,266 | 200,266 | Note 3 and 9 |
| 3 | Mega-Power | Nano Bit | " | Yes | 6,000 | 6,000 | 6,000 | 3% | " | - | Working capital | - | Note 5 | Note 5 | 64,467 | 257,868 | Note 1 and 9 |

Note 1: Pursuant to the "Operational Procedures for Loaning of Funds" of the lender, the limit of total amount of loans shall not exceed 40 percent of the Company's net worth; to individual borrower, the limit is no more than 10 percent of the Company's net worth.

Note 2: Pursuant to the "Operational Procedures for Loaning of Funds" of the lender, the limit of total amount of loans shall not exceed 40 percent of the Company's net worth; to individual borrower, the limit is no more than 20 percent of the Company's net worth.

Note 3: Pursuant to the "Operational Procedures for Loaning of Funds" of the lender, the limit of total amount of loans shall not exceed 90 percent of the Company's net worth; to individual borrower, the limit is no more than 90 percent of the Company's net worth.

Note 4: Nano Bit provided the collateral notes for NT\$86,135 thousand.

Note 5: Nano Bit provided the collateral notes for NT\$6,000 thousand.

Note 6: due to the circumstance changed, Dongguang Ways' loan to Shanghai Zhuzhijia. Dongguang Ways will establish the improvement plan and submit such to the Audit Committee.

Note 7: due to the circumstance changed, the Company's loan to Nano Bit exceeded the limit, and has negotiated with Nano Bit to repay partial loans by December 31, 2023; the plan was submitted to the Audit Committee.

Note 8: NTD amounts in the table are translated based on the exchange rate at the balance sheet date.

Note 9: The transactions at the left have been eliminated when the consolidated financial statements were prepared.

2. Endorsements/Guarantees provided to others: None

3. Securities held at the end of the period (excluding investment in subsidiaries, associates, and joint ventures):

Unit of shares: thousand shares

| Company held | Type and name Marketable securities | Relationship with the issuers | Account | - | | | | Highest shareholding during the period | | Note |
|----------------|---|-------------------------------|---|------------------|-----------------|-------------------------|------------|--|--------|------|
| | | | | Number of shares | Carrying amount | Shareholding percentage | Fair value | Number of shares | % | |
| The Company | UNION TAYUAN WATER ENGINEERING CO., LTD. | - | Financial assets at fair value through other comprehensive income - non-current | 110 | - | 1.58% | - | 110 | 1.58% | |
| " | Anli International Co., Ltd, Taiwan Branch (Cayman) | - | Financial assets at fair value through income statement - non-current | 2,163 | 83,608 | 5.00% | 83,608 | 2,163 | 5.00% | |
| " | Symtek Automation Asia Co., Ltd. | - | " | 10 | 850 | 0.01% | 850 | 10 | 0.03% | |
| Mega-Power | Ways Technical Corp., Ltd. | Parent company | Financial assets at fair value through other comprehensive income - non-current | 1,076 | 41,924 | 1.05% | 41,924 | 1,076 | 1.05% | |
| Guangdong Ways | Dongguan Junsu Electronic Technology Ltd. | - | Financial assets at fair value through other comprehensive income - non-current | - | 4,408 | 10.00% | 4,408 | - | 10.00% | |

4. Securities acquired or sold amounting to at least NT\$300 million or 20% of the paid-in capital: None.

Notes to the consolidated financial statements of Ways Technical Corp. Ltd. and its subsidiaries (continued)

5. Acquisition of real estate amounting to at least NT\$300 million or 20% of the paid-in capital: None.
6. Disposal of individual property at costs of at least NT\$300 million or 20% of the paid-in capital: None.
7. Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital: None.
8. Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: None.

Unit: NT\$ thousand

| Entity that recorded the transaction as accounts receivable company | Name of transaction counterparty | Relation | Balance of receivables from related parties balance | Turnover rate | Overdue receivables from related parties | | Receivables from related parties Amount collected during the subsequent period | Provision of allowance for losses amount |
|---|----------------------------------|-------------------|---|---------------|--|---------------|--|--|
| | | | | | Amount | Actions taken | | |
| Ways Technical | Guangdong Ways | Brother companies | Other current financial assets 140,959 | Note 1 | - | - | - | Note 2 |

Note 1: it is a loan to the related party of receivable

Note 2: The transactions at the left have been eliminated when the consolidated financial statements were prepared.

9. Trading in derivative instruments: None.

10. Business dealings and important transactions between the parent company and subsidiaries:

| Serial No. | Company | Counterparty | Relations with counterparty | Transaction details | | | As % of total revenues or total assets |
|------------|----------------|----------------|-----------------------------|---------------------------------|---------|---|--|
| | | | | Item | Amount | Transaction terms and conditions | |
| 0 | The Company | Nano Bit | 1 | Other financial assets -current | 93,531 | Interest rate of 5%, to be repaid within one year since the borrowing date. | 3% |
| " | " | Guangdong Ways | 1 | Accounts receivable | 242 | The sales prices and payment terms are not significantly different from other customers | -% |
| 1 | Mega-Power | The Company | 2 | Sales revenue | 62,484 | The sales prices and payment terms are not significantly different from other customers | 5% |
| " | " | " | 2 | Accounts receivable | 46,966 | The sales prices and payment terms are not significantly different from other customers | 2% |
| 2 | Aqua Ways | The Company | 2 | Sales revenue | 3,750 | The sales prices and payment terms are not significantly different from other customers | 4% |
| " | " | " | 2 | Accounts receivable | 10,952 | The sales prices and payment terms are not significantly different from other customers | -% |
| 3 | Ways Technical | The Company | 2 | Accounts receivable | 6,142 | The sales prices and payment terms are not significantly different from other customers | -% |
| 4 | Ways Technical | Guangdong Ways | 3 | Other financial assets -current | 140,959 | Interest rate of 3%, to be repaid within three years since the borrowing date. | 5% |
| " | " | " | 3 | Accounts receivable | 8,150 | The sales prices and payment terms are not significantly different from other customers | -% |
| 5 | Aqua Ways | Nano Bit | 3 | Sales revenue | 1,440 | The sales prices and payment terms are not significantly different from other customers | -% |
| " | " | " | 3 | Accounts receivable | 315 | The sales prices and payment terms are not significantly different from other customers | -% |
| 6 | Mega-Power | Nano Bit | 3 | Other financial assets -current | 6,000 | Interest rate of 3%, to be repaid within one year since the borrowing date. | -% |
| 7 | Nano Bit | The Company | 2 | Sales revenue | 561 | The sales prices and payment terms are not significantly different from other customers | -% |

Note 1: Businesses are coded as follows:

1. The parent company is coded "0".
2. The subsidiaries are coded sequentially beginning from "1" one by one.

Note 2: The types of relations with the counterparty are indicated as follows:

1. Parent company to a subsidiary
2. Subsidiary to the parent company
3. Subsidiary to a subsidiary

Note 3. For the business relationship and significant transactions between parent company and subsidiary, only the sales, accounts receivable and loaning of funds to others are disclosed, and the corresponding transaction accounts are not to be described.

(II) Information on Investees:

Information on the Group's investees in 2022 (excluding the investees in China)

Unit: NT\$ thousand

| Investor | Investee | Location | Main businesses | Initial investment amount | | Holdings at the end of period | | | Highest shareholding during the period | | Gain or loss on Investee | Investment gain or loss recognized for this period | Note |
|-------------|----------------|----------------------------|---|---------------------------|------------------|-------------------------------|--------|-----------------|--|--------|--------------------------|--|--------------------|
| | | | | End of the current period | End of last year | Number of shares | Ratio | Carrying amount | Number of shares | Ratio | | | |
| The Company | Ways Technical | Independent State of Samoa | Investment holding company | 574,488 | 574,488 | 18,469 | 100% | 225,518 | 18,469 | 100% | (3,175) | (3,175) | Subsidiary, Note 1 |
| " | Ways Holdings | Hong Kong | Investment holding company | 663,056 | 663,056 | 20,610 | 100% | (68,698) | 20,610 | 100% | (38,616) | (38,616) | Subsidiary, Note 1 |
| " | Mega-Power | R.O.C. | Manufacturing and processing of plastic products | 506,298 | 506,298 | 23,500 | 100% | 644,670 | 23,500 | 100% | 32,886 | 34,284 | Subsidiary, Note 1 |
| " | Nano Bit | R.O.C. | Manufacturing and sales of machinery equipment, electronic parts and components, and electronic materials | 166,400 | 166,400 | 27,410 | 76.14% | (244,143) | 27,410 | 76.14% | (28,873) | (22,058) | Subsidiary, Note 1 |

Notes to the consolidated financial statements of Ways Technical Corp. Ltd. and its subsidiaries (continued)

| Investor | Investee | Location | Main businesses | Initial investment amount | | Holdings at the end of period | | | Highest shareholding during the period | | Gain or loss on Investee | Investment gain or loss recognized for this period | Note |
|----------------|-------------------|----------|--|---------------------------|------------------|-------------------------------|--------|-----------------|--|--------|--------------------------|--|--------------------|
| | | | | End of the current period | End of last year | Number of shares | Ratio | Carrying amount | Number of shares | Ratio | | | |
| " | Aqua Ways | R.O.C. | Sales, manufacturing and processing of daily necessities, plumbing materials, coating materials and plastic products. | 121,000 | 121,000 | 18,469 | 100% | (1,917) | 18,049 | 100% | (16,925) | (16,798) | Subsidiary, Note 1 |
| " | O-VIEW TECHNOLOGY | R.O.C. | Machinery and equipment, mold manufacturing and wholesale | 22,202 | 22,202 | 1,767 | 21.66% | 47,507 | 1,767 | 22.32% | 34,893 | 7,516 | |
| Ways Technical | Ways Plastics | Vietnam | Production and sales of various plastic-coated sports equipment, and parts and components of motorcycles, automobiles, and recreational vehicles | 25,065 | 25,065 | 900 | 45% | 16,625 | 900 | 45% | (11,130) | (5,008) | |

Note 1: The transactions at the left have been eliminated when the consolidated financial statements were prepared.

(III) Information on Investment in Mainland China:

1. Name, main businesses, and other related information on the investees in China

Unit: NT\$ thousand

| Investee | Principal business | Paid-in capital | Investment method | Cumulative investment remitted from Taiwan at the beginning of period | Cumulative amount of investment remitted or recovered in current period | | Cumulative outward remittance from Taiwan at the end of current period | Profit or loss on investee for the current period | Shareholding in direct or indirect investment | Investment income or loss recognized for the period (Note 2) | Carrying amount of investment at the end of period | Highest shareholding during the period | Cumulative repatriation of investment income at the end of current period |
|-------------------------|---|---------------------|---|---|---|--------------|--|---|---|--|--|--|---|
| | | | | | Outward remittance | Repatriation | | | | | | | |
| Guangdong Ways | Manufacturing and sale of cell phone panels, molds, plastic products, hardware products and electronic components | 539,750 (USD17,000) | Indirectly invested through the investments at third places | 539,750 (USD17,000) | - | - | 539,750 | (39,546) | 100.00% | (39,546) | (81,533) | 100.00% | - |
| Shanghai Zhuzhijia | 3C hardware stamping parts | 328,930 (USD10,360) | Indirectly invested through subsidiaries and sub-subsidiaries | (Note 3) | - | - | (Note 3) | (3,735) (CNY(845)) | 46.91% | (1,752) (CNY(396)) | 8,381 (CNY1,901) | 46.91% | - |
| Guangzhou Carbon Valley | Engaging in the manufacture and sale of batteries, photovoltaic equipment and the electronic components thereof, as well as the research and development of energy and new material technologies | 23,402 (CNY5,233) | " | (Note 4) | - | - | (Note 4) | (22) (CNY(5)) | 25.00% | (5) (CNY(1)) | 11,003 (CNY2,497) | 25.00% | - |
| Junsu Electronic | Engaging in research and development, production, and sales of mobile phone panels, moulds, plastic products, hardware products and electronic parts and components, communication terminal products, and mobile phones | 44,720 (CNY10,000) | " | (Note 4) | - | - | (Note 4) | - | 10.00% | - | 4,408 (CNY1,000) | 10.00% | - |

Note 1: NTD amounts in the table are translated based on the exchange rate at the balance sheet date or average exchange rate.

Note 2: The basis for Dongguan Ways to recognize profit and loss is on the financial statements of the Taiwanese parent-company audited by the CPAs; Shanghai Zhuzhijia and Guangzhou Carbon Valley were based on the unaudited self-prepared their won financial statements of the investees.

Note 3: It was that Samoa Mega-Power remitted USD3,000 thousand as the investment to hold 30% stake, and the sub-subsidiary in China invested its self-owned capital CNY16,632 thousand to hold 30% of stake, for total 60% stake; in July 2015, the sales of 15% stake was completed. Also in August 2016, the Group resolved for the reorganization, to sell 15% shareholdings of Samoa Mega-Power to Dongguan Ways. In May 2019, Dongguan Ways remitted the capital of CNY2,400 thousand for total shareholding of 46.91%.

Note 4: investment was made with the self-owned funds of the sub-subsidiary in China.

2. Limit of investment in China

| Company name | Cumulative outward remittance for investment in mainland China at the end of current period | Investment amount authorized by Investment Commission, MOEA | Investment limitation for Mainland China regulated by the Investment Commission, MOEA |
|----------------------------|---|---|---|
| Ways Technical Corp., Ltd. | 1,242,803 (USD40,469) | 1,446,441 (USD47,100) | 541,103 (Note 2) |
| Mega-Power | 214,970 (USD7,000) | 263,952 (USD8,595) | 440,846 |

Note 1: NTD amounts in the table are translated based on the exchange rate at the balance sheet date.

Note 2: After investing in China, the Company's net worth of equity decreased due to the operating loss, and thus the amount indicated in the Investment Commission's approval letter exceeds the investment limit specified by the competent authority.

Note 3: Ways Technical remitted USD4,000 thousand to invest Kunshan Hsin Ho Electronics; Ways Technical and Mega-Power remitted USD5,750 thousand and USD4,000 thousand from Taiwan to investment Kunshan Ways, and Ways Technical remitted USD5,250 thousand with its own funds; none investment limit is cancelled for these investments.

Notes to the consolidated financial statements of Ways Technical Corp. Ltd. and its subsidiaries (continued)

3. Material transactions: Please refer to “Information on significant transactions” and “Business relations and important transactions between parent company and subsidiaries” for the direct or indirect significant transactions between the Group and the investees in China during 2022, which have been written off when the consolidated financial statements were prepared.

(IV) Information on major shareholders: no shareholder holding 5% or more of the stake.

XIV. Segment Information

(I) General Information

The Group has two reportable departments: the Taiwan Business Group and the China Business Group, engaging in related businesses described in Note 1 by region.

(II) Information on profit and loss of the reportable departments, departmental assets and the measurement basis thereof

1. The amounts of the reportable departments of the Group are consistent to the reports used by the operation decision-maker. Please refer to Note 4 for the accounting policy of the operating departments. The profit and loss before tax of the operating departments are provided to operation decision-makers as a measurement basis for evaluating performance.

2. The information and adjustment of the Group’s operating segments are as follows:

| 2022 | | | | |
|---|--------------------------|-------------------------|-------------------------------|---------------------|
| | Taiwan Business Group | China Business Group | Adjustment and elimination | Total |
| Revenue | | | | |
| Revenue from external customers | \$ 1,009,496 | 197,576 | - | 1,207,072 |
| Revenue from other segments | - | - | - | - |
| | <u>\$ 1,009,496</u> | <u>197,576</u> | <u>-</u> | <u>1,207,072</u> |
| Departmental profit and loss before tax | <u>\$ (164,703)</u> | <u>(41,790)</u> | <u>-</u> | <u>(206,493)</u> |
| Departmental total assets | | | | <u>\$ 2,866,133</u> |

| 2021 | | | | |
|---|--------------------------|-------------------------|-------------------------------|---------------------|
| | Taiwan Business Group | China Business Group | Adjustment and elimination | Total |
| Revenue | | | | |
| Revenue from external customers | \$ 1,089,694 | 244,767 | - | 1,334,461 |
| Revenue from other segments | - | - | - | - |
| | <u>\$ 1,089,694</u> | <u>244,767</u> | <u>-</u> | <u>1,334,461</u> |
| Departmental profit and loss before tax | <u>\$ (79,244)</u> | <u>(21,443)</u> | <u>-</u> | <u>(100,687)</u> |
| Departmental total assets | | | | <u>\$ 3,188,358</u> |

3. Information by geographic areas: the Group’s information by geographic areas is as follows. The information on revenues is based on the geographical locations of customers. The information on non-current assets is based on the geographical location of assets. (1) Revenue from external customers:

| Area | 2022 | 2021 |
|--------|---------------------|------------------|
| Taiwan | \$ 757,415 | 1,050,134 |
| China | 431,717 | 263,238 |
| Others | 17,939 | 21,089 |
| | <u>\$ 1,207,071</u> | <u>1,334,461</u> |

Notes to the consolidated financial statements of Ways Technical Corp. Ltd. and its subsidiaries (continued)

(2) Non-current assets:

| <u>Area</u> | <u>2022.12.31</u> | <u>2021.12.31</u> |
|-------------|----------------------------|-------------------------|
| Taiwan | \$ 998,963 | 1,077,863 |
| China | 77,341 | 107,241 |
| | <u>\$ 1,076,304</u> | <u>1,185,104</u> |

4. Information of major customers: the details of sales to customers accounting for more than 10% of the sales revenue from external customers in the statement of income are as follows:

| | <u>2022</u> | <u>2021</u> |
|-----------|--------------------------|-----------------------|
| Company B | \$ 346,402 | 399,419 |
| Company A | 225,793 | - |
| Company F | 23,387 | 224,009 |
| | <u>\$ 595,582</u> | <u>623,428</u> |