



威健實業股份有限公司
Weikeng Industrial Co., Ltd.
(Stock Code: 3033)

2021 Annual Report

Notice to readers

This English-version annual report is a summary translation of the Chinese version and is not an official document of the shareholders' meeting. If there is any discrepancy between the English and Chinese versions, the Chinese version shall prevail.

2021 Annual Report is available at:

Taiwan Stock Exchange Market Observation Post System:

<http://newmops.twse.com.tw>

Corporate Website

http://www.weikeng.com.tw/report_download.php?type=1

Printed on May 15, 2022

Spokesperson

Name: Chou, Kan-Lin

Title: Senior Vice President

Tel: 886-2-26590202

E-mail: famachou@weikeng.com.tw

Deputy Spokesperson

Name: Hsieh, Chi-Hung

Title: Senior Vice President

Tel: 886-2-26590202

E-mail: kevin@weikeng.com.tw

Headquarters

Address: 11F, 308, Sec. 1, NeiHu Rd., Neihu Dist., Taipei City 114, Taiwan (R.O.C)

Tel: 886-2- 26590202

Stock Transfer Agent

Yuanta Securities Co., Ltd

Address: No. 210, Sec. 3, Chengde Rd., Datong Dist., Taipei City 103, Taiwan (R.O.C.)

Tel: 886-2- 25865859

Website: <https://www.yuanta.com.tw/eYuanta/agent>

Independent Auditors

KPMG, Taiwan Accounting Firm

Auditors: Lo, Jui-Lan and Au, Yiu-Kwan

Address: 68F, TAIPEI 101 TOWER, No. 7, Sec. 5, Xinyi Road, Taipei City 11049, Taiwan (R.O.C.)

Tel.: 886-2- 8101 6666

Website: <https://home.kpmg/tw/zh/home.html>

Overseas Securities Exchange: NA**Corporate Website**

<http://www.weikeng.com.tw/index.php?lan=en>

<i>Contents</i>		Page
I	Letter to Shareholders	5
II	Company Profile	10
i	Date of Incorporation	10
ii	Company History	10
III	Corporate Governance Report	11
i	Organization System	11
ii	Directors and Management Team	14
iii	Remuneration of Directors, President, and Vice Presidents	29
iv	Implementation of Corporate Governance	35
v	Information on the professional fees of the attesting CPAs	127
vi	Information on Replacement of Certified Public Accountant	129
vii	Audit Independence	130
viii	Changes in Shareholding of Directors, Managers and Major Shareholders	130
ix	Relationship among the Top Ten Shareholders	131
x	Ownership of Shares in Affiliated Enterprises	131
IV	Capital Overview	133
i	Capital and Shares	133
ii	Issuance of Corporate Bonds	137
iii	Issuance of Preferred Shares	139
iv	Issuance Global Depository Receipts	139
v	Employee Stock Warrants	139
vi	Issuance of New Restricted Employee Shares	141
vii	Status of New Shares Issuance in Connection with Mergers and Acquisitions	141
viii	Implementation of Capital Allocation Plans	141
V	Operation Overview	143
i	Business Content	143
ii	Market and Production and Sales Overview	150
iii	Human Resources	164
iv	Disbursements for Environmental Protection	164
v	Labor Relations	164
vi	Cyber Security Management	168
vii	Important Contracts	170
VI	Financial Information	177
i	Five-Year Financial Summary	177
ii	Five-Year Financial Analysis	181
iii	Audit Committee's Review Report for the Most Recent Year	185
iv	Consolidated Financial Statements for the Years Ended December 31, 2021 and 2020, and Independent Auditors' Report	185
v	Individual- Parent Company Financial Statements for the Years Ended December 31, 2021 and 2020, and Independent Auditors' Report	185
vi	If the Company or its affiliates have experienced financial difficulties	186
VII	Review of Financial Conditions, Operating Results, and Risk Management.	187
i	Analysis of Financial Status	187
ii	Analysis of Financial Performance	188
iii	Analysis of Cash Flow	190

iv	Effect upon Financial Operations of any Major Capital Expenditures	190
v	Investment Policy in Last Year, Main Causes for Profits or Losses, Improvement Plans and the Investment Plans for the Coming Year	190
Vi	Analysis of Risk Management	190
vii	Other Important Matters	194
VIII	Special Disclosure	195
i	Summary of Affiliated Companies	195
ii	Private Placement Securities	197
iii	Holding or Disposal of Shares in the Company by the Company's subsidiaries	197
iv	Other important matters	197
IX	Matters, if any of the situations listed in Article 36, paragraph 3, subparagraph 2 of the Securities and Exchange Act	197

I. Letter to Shareholders

2021 Business Report & Report to shareholders

2021 Business Performance

2021 was a year of economic recovery amid COVID-19 pandemic. The risk and uncertainty of variant outbreak had immensely impacted the way we live and work, our economy and government policy making. As we learn and adjust to a new-normal life with COVID-19, the applications of semiconductor had expanded due to pandemic-induced stay-at-home economy as well as emerging technology related to the raising importance of a green economy. As a result, worldwide semiconductor revenue reached an all-time high. However, new wafer capacity was still not in place to accommodate the surge in demand in the past year, while the industry faced prolonged shipping time like all others, downstream suppliers struggled to secure orders and chips shortages became the new status quo. Weikeng Group continued to play the role of connecting technology and creating value in the semiconductor industry. We aim to maintain logistics efficiency to meet client's production schedule in difficult times. With the diligent efforts of all colleagues and the support of shareholders, the Group consolidated sales revenue and net profit before tax reached approximately NT\$72.4 billion and NT\$2.4 billion in 2021, respectively, representing a growth of approximately 24% and 163%, and the gross margin of 7.13% and operating income margin of 3.49% have increased by 1.88 percentage points and 1.82 percentage points respectively, hitting new highs in recent years.

Commitment to Sustainable Development

Weikeng is dedicated to strengthen corporate governance and sustainability development. The goal is to partner with our vendors and buyers in the semiconductor industry to build a green sustainable supply chain that reduces environmental impact and act in accordance with social compliance. Vendors of the Company are renowned IDM and fabless companies who follow the code of conducts set by RBA (Responsible Business Alliance) formerly the Electronic Industry Citizenship Coalition (EICC), covering five aspects: labor, health and safety, environment, ethics and management system, and as their distributor, we aim to connect our downstream partners to participate accordingly for a better and more sustainable future.

Weikeng implemented BRA practices per vendors' requests and established the "Code of Conduct for Supplier" in May, 2020, to promote sustainable supply chain proactively. Apart from those already participated in BRA, 50 Weikeng suppliers had signed the agreement to comply with BRA code of conduct as of the end of 2021. An intra department Green Product Management was structured to ensure the compliance with RoHS (Restriction of Hazardous Substances), REACH Substances of Very High Concern (SVHC), and RBA regulations throughout product life cycle. We will continue to connect our downstream clients and devote management resources to issues concerning labor, health and safety, environment, ethics and management system, to build a supply chain that addresses social and environmental issues, and ultimately to implement our sustainable supply chain management strategies.

Emission reduction and energy efficiency have been the main drivers that motivate innovative electronic and technology products for combating climate change. The Company will continue to evaluate risks and opportunities associated with climate change both at present and in the

foreseeable future. Through collaborations among industry partners who are on the same path, we hope to do our best by devoting more resources in green product development, and leverage our demand creation ability to further extend green technology applications such as battery management system, electric vehicle charging pile, smart grid, wind power, solar power inverter. Since the upstream DIM and fabless vendors had already expanded R&D capacity for the compound/ group III semiconductors, the Company will continue to expand businesses in the automotive/electric vehicle and industrial energy related markets by develop technology supports for more stable, more efficient and low-power-consuming products as we seize the opportunities in green energy industry.

In 2021, the Company has established Protection of Human Rights Policy, Intellectual Property Management Plan and Risk Management Policies and Procedures as part of the progress of enhancing sustainable development framework. We continued to sponsor environmental awareness documentary, education scholarship, sports events and technology research institutes for the purpose of cultivating high-technology talents, in response to United Nation's Sustainability Development Goals. In March 2022, the Board of directors had approved the establishment of the Sustainable Development Committee, under which sustainable development team and risk management team were established to ensure the advocacy and implementation of the work related to sustainable development of the Company. The Company is committed to fulfilling corporate social responsibility following international standards and trends. We promise to not only make the effort to respond actively to stakeholders concerning environmental, social and corporate governance related issues, but also conduct risk assessment and take countermeasures to strengthen corporate governance and sustainability.

2022 Business Outlook

In 2022, the semiconductor industry is still facing geopolitical tension and exclusions, production capacity rush and intensive communication within the supply chain, while the major chip manufacturers are also investing massive resources to increase capacities. However, due to the high cost of building new fabs and the prolonged construction period, chips shortages and price adjustments may continue into the second half of 2022 and even into 2023. We may anticipate market uncertainties and challenges as we wait for supply-demand balance in the semiconductor supply chain while entering post-pandemic era. The Company will continue to grasp market insights, meet vendor and customer requirements, closely monitor lead-time of stocking and delivery speed, and to provide technical support to clients. In time of foreseeable growth and business expansion, it is hoped that the management team will lead all colleagues to strictly abide by the risk management policy, operation performance optimization and “Ethical Corporate Management Best Practice Principles”, together we will continue to strive towards the goal of integrity, sustainability and stable operation, and thus create more value for all stakeholders.

Weikeng Group has successfully won the franchises of product lines, covering many semiconductor Integrated Device Manufacturers (IDMs) or IC design companies such as AMD, Amazing, Cypress, Infineon, Lattice, Microchip, Molex, NXP, Sinopower, Vishay, Western Digital, etc. However, the Company continues to find and develop new products and applications in the semiconductor market, look for new cooperation opportunities of franchises,

and create new customer demand. At present, in the application fields of industrial electronics, automotive electronics, mobile communications, consumer electronics, computer peripherals, and AI/5G, Weikeng Group's regional companies are capable of providing customers with competitive parts, technical support services, and efficient management services of supply chain to achieve a triple win value through the Group's intermediary technology connection between upstream vendors and downstream customers.

i. The annual business report for 2021

(i) Business plan implementation results

Financial Figures	Amount(in Thousands of NT\$)	YoY %
Net Sales Revenue	72,404,886	24
Gross Profit	5,162,842	68
Net Operating Income	2,525,619	159
Profit before Tax	2,451,320	163
Net Profit	1,721,140	146

(ii) Budget Execution in 2021

In 2021, the Group's implementation of operating budget, revenue and profitability performance have exceeded expectations.

(iii) Financial Income, Costs and Profitability Analysis

Financial Ratios		%
Financial Structure	Debt Ratio	70.86
	Long-term Capital to Property, Plant and Equipment Ratio	6,861.49
Solvency	Current Ratio	145.16
	Quick Ratio	88.91
Profitability	Return on Assets	7.37
	Return on Equity	24.42
	Net Profit Margin	2.38
	Basic EPS(in NT\$)	4.54

(iv) Research Development Status

Under the planning and active pursuit of the "Marketing Development Division", the Company has successfully franchised the product lines of well-known domestic and foreign semiconductor companies as a distributor, and even successfully maintained or expanded the continuation of the franchises after the consolidation between the upstream vendors. In addition to continuing to establish a solid foothold in the application field of 3C electronic products, the "FAE Division" also actively cooperates with the vendors to provide technical support for the relevant IC products that customers need in emerging application fields, so as to increase the Company's business territory, help customers save R&D expenses and shorten the electronic products of time-to-market, and enhance service levels to strengthen the cooperative relationship with vendors and customers.

In the "Solution Division", we are moving into the field of R&D and design, specializing in the turnkey solution of products. Given the fast growing scope of semiconductor and its emerging application solutions, in addition to franchising the product lines of well-known domestic and foreign semiconductor companies as a distributor, the "Marketing Development Division" is leading the search for new distributorships, paying close attention to and assessing the applications and development of products rolled out by

startups and new ventures, including the development of green economy-related applications, and timely investing the development resources of the “Solution Division”, and then introducing the technical support and demand creation services of the “FAE Division”.

At this stage, the Group’s companies are developing product solutions for 5G (smartphones, Customer Premise Equipment (CPE), Open Radio Access Network (O-RAN) and Small Cell Station), artificial intelligence/AIoT, WiFi 6, automotive electronics (including electric vehicles, electric locomotives, charging piles/stations, etc.), consumer electronics, industrial control, Type C-Power Delivery(PD), and various power supply applications. We also devote our resources to the development of product solutions for servers/data centers, motor control, battery energy storage management systems, human-machine interface for in-vehicle infotainment systems and Center Information Display (CID), in order to provide customers with immediate product reference solutions. All of these solutions are now available to customers.

ii. Annual Business Plan in 2022

1. Operating Principles

- (1) Immediate response to change or adjustment of client’s needs according to material/chip shortages and stocking schedule adjustments in time of disrupted supply chain.
- (2) To strengthen core competence and create added-value through R&D and collaboration with industry partners according to high-tech application trends, client’s near-term and future needs and pricing strategy of all product items.
- (3) Continue to provide high competitive components, technical support and R&D projects that advocate to the rising importance of sustainability and the fast growing green economy. To achieve technology connections of the supply chain and our mission to build a greener and more sustainable supply chain with upstream vendors and downstream clients.
- (4) To obtain Real-time insights of the diversified strategy and construction of customers' production bases and supply chains affected by trade brinkmanship and the epidemic.
- (5) To remain cautious in time of prosperity of the market and post pandemic era. As the scale of business and operation expands, Weikeng Group must fully abide by the risk management policy, Ethical Corporate Management Best Practice Principles and optimize business performance and profitability, as well as to evaluate and take actions to seize market opportunities in a timely manner.

2. Production and Sales Policy

1. Pricing Strategy: In the face of increasing customer demand, we will actively mediate the delivery date of franchise vendors’ products for clients, adjust the product and price strategy in a timely manner, so to provide best interactive communication platform.
2. New Business Development: closely monitor the development trend of "new technology" and “green economy” and expand business cooperation opportunities, and strengthen customer structure accordingly.
3. Resilience: Facing the multinational expansion of customers outside of the Asia-Pacific region, the Group must strengthen timely support, service momentum and flexibility to accommodate client’s cross-border and cross-region reallocation.

4. Compliance: Emphasize on the importance of and act accordingly to the compliance with laws and regulations for the import and export of strategic high-tech commodities.
 5. Risk and Profitability Assessment: As the scale of operations expands, both risk and profitability must be critically examined and assessed.
3. Expected sales volume and its basis in 2022

The Company classifies the franchising products into chipsets/special application standard ICs, mixed signals and discrete components according to product characteristics. In 2022, the external environment posts challenges as it double-struck by the US-China disputes of trading brinkmanship and the COVID-19 epidemic. We continue to navigate through supply chain disruption driven by the conflict and pressure from US fed interest rate uncertainty. However, based on the management team's consideration of relevant research institutions' estimates of the semiconductor industry's sales forecast, the upstream vendors' set targets and the Company's internal business plan, the operating target of sales forecast for the fiscal year 2022 is expected to have growth opportunities, despite the challenges and difficulties in external environment.

The Company's management team and all colleagues hereby give thanks to all shareholders for your support and encouragement. We also look forward to all of your continuing greatest support and advice to Weikeng. Wishing all shareholders a good health and all the best!

Weikeng Industrial Co., Ltd.
Chairman & President : HU,CHIU-CHIANG

II. Company Profile

i. **Date of Incorporation: January 20, 1977**

ii. **Company History: The most recent year (2021) and the date of publication of the annual report**

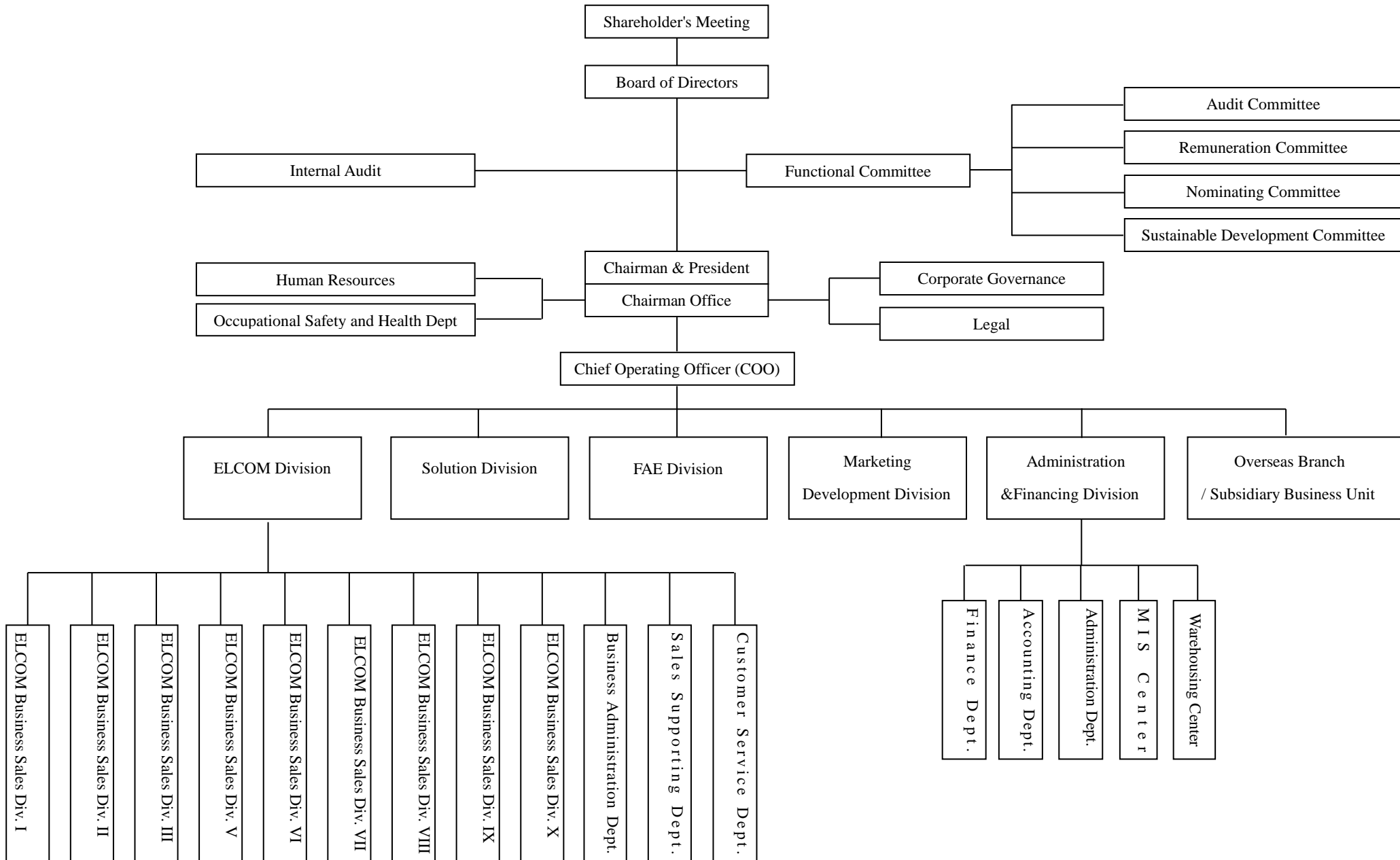
Year	Milestones
2021/3	Blaize, Inc. authorizes the Company as a distributor of electronic components.
2021/4	SiTune Corporation authorizes the Company as a distributor of electronic components.
2021/6	Kandou Bus S.A. authorizes the Company as a distributor of electronic components.
	Suzhou NOVOSENSE Microelectronics Co., Ltd. authorizes the Company as a distributor of electronic components.
	MACHVISION Inc Co., LTD authorizes the Company as a distributor of semiconductor equipment.
2021/7	Shanghai Sillumin Semiconductor Co., Ltd. authorizes the Company as a distributor of electronic components.
	RICHWAVE TECHNOLOGY CORP. authorizes the Company as a distributor of electronic components.
2021/8	The 5 th domestic unsecured convertible corporate bonds issued by the Company, the bondholders exercised the conversion from April 1, 2021 to June 25, 2021 (i.e. the 2 nd quarter of 2021), resulting in an increase in the number of issued ordinary shares 2,637,411 shares, and the paid-in capital amounted to NT\$ 3,703,886,530.
2021/9	SG Micro Corp 、SG Micro (HK) Limited authorizes the Company as a distributor of electronic components.
	ITE Tech. Inc. authorizes the Company as a distributor of electronic components.
2021/10	The 5 th domestic unsecured convertible corporate bonds issued by the Company, the bondholders exercised the conversion from June 26, 2021 to September 30, 2021 (i.e. the 3 rd quarter of 2021), resulting in an increase in the number of issued ordinary shares 28,666,790 shares, and the paid-in capital amounted to NT\$ 3,990,554,430.
	GLOBALFOUNDRIES Singapore Pte. Ltd. authorizes the Company as a reseller of its products.
2021/11	Bureau of Foreign Trade, MOEA issued an award for “2020 International Trade Outstanding Export/Import Business Certificate” to the Company.
2022/1	The 5 th domestic unsecured convertible corporate bonds issued by the Company, the bondholders exercised the conversion from October 1, 2021 to December 29, 2021 (i.e. the 4 th quarter of 2021), resulting in an increase in the number of issued ordinary shares 16,716,826 shares, and the paid-in capital amounted to NT\$ 4,157,722,690.
	Navitas Semiconductor Limited authorizes the Company as a distributor of electronic components.
2022/2	AONDevices, Inc. authorizes the Company as a distributor of electronic components.
2022/3	Morse Micro, Inc. authorizes the Company as a distributor of electronic components.
	The 5 th domestic unsecured convertible corporate bonds issued by the Company, the bondholders exercised the conversion from December 30, 2021 to March 24, 2022 (i.e. the 1 st quarter of 2022), resulting in an increase in the number of issued ordinary shares 4,790,574 shares, and the paid-in capital amounted to NT\$ 4,205,628,430.
	The Company established the Nominating Committee and the Sustainable Development Committee through the resolution of the Board of Directors.
	The Company plans to issue the 6 th domestic unsecured convertible corporate bonds through the resolution of Board of Directors, that total amount of issuance is NT\$2 billion, the issue price is fully issued according to the denomination (NT\$100,000 per bond), the tenor is five years , and with 0% of coupon rate.
2022/5	The Company's registration to the Securities and Futures Bureau of Financial Supervisory Commission R.O.C. for the offering and issuance of the 6 th domestic unsecured convertible corporate bonds, with a total amount of NT\$2 billion, and the effective registration was on May 11, 2022.

III. Corporate Governance Report

i. Organization System

(i) Organizational Chart

Organization of Corporate Governance



(ii) Tasks of Principal Divisions

Committee/Office/ Division/ Department	Tasks
Functional Committees	The functional committees, including the Audit Committee, the Remuneration Committee, the Nominating Committee and the Sustainable Development Committee, perform their functions and powers in accordance with the charters of each committee, and are responsible to the Board of Directors, and submit the proposed proposals to the Board of Directors for resolution.
Chairman's Office	<ol style="list-style-type: none"> 1. Execute the operational policies and objectives proposed by the Board of Directors and Functional Committees, be responsible for resource allocation, strategic plan formulation, implementation and assessment for the sustainability and operation management of the entire group, and report to the Board of Directors. 2. Responsible for the supervision of the group's finance, exchange rate, investment, financing and risk management, and formulate and implement control strategies, report to the Board of Directors. 3. Formulation and update of the Company's and Group's overall systems, rules and procedures. 4. Planning of the Company's and Group's overall marketing activities and promotion of corporate public relations matters.
Internal Audit Office	<ol style="list-style-type: none"> 1. Responsible for the formulation, implementation and rationality assessment of the audit plan of the group's internal control, and report to the Audit Committee or other Functional Committees and the Board of Directors. 2. Follow-up advice and risk management evaluation for the suggestions and corrections that are found in the audit. 3. Review the deficiencies of the internal control system in a timely manner, evaluate the effectiveness and efficiency of the operation, and provide appropriate suggestions for improvement to ensure the effectiveness of the internal control system and continuous improvement.
Corporate Governance Officer	<ol style="list-style-type: none"> 1. Handle the matters related to Board of Directors and shareholders meeting in accordance with the law. 2. Prepare the minutes of the Board of Directors and shareholders' meetings. 3. Assisting directors and independent directors in their appointments and continuing education. 4. Provide information necessary for directors and Functional Committees to perform their duties. 5. Assisting directors and Functional Committees to comply with laws and regulations. 6. Matters related to investor relations. 7. Other matters stipulated in the Company's articles of association or laws and regulations.
Human Resources Office	<ol style="list-style-type: none"> 1. Executive human resources management strategy prepared by the Chairman's Office, responsible for the execution and assessment of human resources management, reporting to the Chairman's Office, and planning and implementing matters assigned by Remuneration Committee. 2. Implementation of personnel system regulations, recruitment training, personnel changes, etc. 3. Assist the Board of Directors and Functional Committees to handle matters related to convening and assign matters.
Legal	<ol style="list-style-type: none"> 1. Responsible for the management of legal affairs of the Company, and provide legal strategic support for the Company's operations, and prevent and control the Company's operating risks to ensure that the company's interests are not infringed. 2. Participate in the demonstration and negotiation of relevant contracts of the Company's operations, conduct legal assessments, and draft relevant contract texts.

Committee/Office/ Division/ Department	Tasks
	<ol style="list-style-type: none"> 3. Assist in handling related legal matters in the Company's operation process, and organize the formulation of various legal documents. 4. Examine various legal documents and contracts that occur during the operation of the Company, and supervise the implementation of the contracts. 5. Assist the company in handling and resolving various legal disputes in operation, and safeguard the Company's legal rights and interests. 6. Management of litigation and non-litigation affairs of the Company. 7. Assist in the Company's sustainable development, corporate governance and other related matters. 8. Consultation and assistance in compliance with trade regulations.
Occupational Safety and Health Dept.	Formulate, plan, supervise and promote occupational safety and health management plans and related environmental protection, safety and health management matters, and guide relevant departments to implement.
ELCOM Business Division	<ol style="list-style-type: none"> 1. Market planning for electronic component related products. 2. Development and guarantee of franchises rights for electronic component related products. 3. Use business, technical support, channel marketing, customer service, and other methods to win customers. 4. Perform the company's import and export, customs declaration, shipping, insurance, HUB / VMI warehouse operations, compliance with product trade regulations etc.
Solution Division	Research and development on the product reference solution for the franchises of product lines.
FAE Division	Provide customers with technical support for product applications, emphasizing demand creation services.
Marketing Development Division	Master the pulse and trends of the information technology market, leading the fight for the franchises of high-tech products and semiconductor components.
Administration &Financing Division	<ol style="list-style-type: none"> 1. Accounting Department: Responsible for accounting process, budget planning, preparation of various financial accounting statements and management information offering. 2. Finance Department: Take charge of fund dispatching, daily cash receipt and payment of cashiers, establishment and maintenance of credit relationship between financial institutions, management and assurance of accounts receivables, company's credit line control, etc. 3. Administration Department: Responsible for stock affairs administration, including stock affairs planning, shareholders meeting, Board of Directors and Functional Committee meetings and other related matters, as well as general affairs such as general office procurement and management. 4. Establishment, implementation and evaluation of management functions of MIS center, such as ERP operations, email operations, network and information security operations, etc. 5. Establishment and maintenance of computerized warehouse operation platform for logistics warehouse operation center to improve the operation and management efficiency of warehouse operation center
Overseas Branch / Subsidiary Business Unit	<ol style="list-style-type: none"> 1. Evaluate the implementation of the strategic goals of managing overseas subsidiaries and branches based on the group strategy prepared by the Chairman's office. 2. Evaluate the implementation of the management system and risk management analysis of overseas subsidiaries and branches.

ii. Directors and Management Team

(i) Directors_1

As of April 18, 2022

Title	Nationality/ Place of Incorporation	Name	Gender Age	Date Elected	Term (Years)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Executives, Directors or Supervisors Who are Spouses or within Two Degrees of Kinship		
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation
Chairman (Note)	Taiwan(R.O.C)	HU, CHIU-CHIANG (@Douglas Hu)	M 61~70	2021.7.20	3	2009.6.19	8,843,627	2.40	8,843,627	2.10	467,059	0.11	---	---	Ph.D. of Institute of Management of Technology, National Chiao Tung University, Taiwan Master of Business Administration, Da-Yeh University, Taiwan Executives Program, Graduate School of Business Administration, National Cheng-Chi University Bachelor of Science in Communications Engineer, National Chiao Tung University, Taiwan R&D Engineer, SAMPO Co., Ltd. Chairman & CEO, Weikeng Industrial Co., Ltd. and its affiliates Chairman, Taipei County Computer Association (TCCA) Executive Director, Taipei Electronic Components Suppliers' Association (TECSA)	Independent Director & Remuneration Committee, V-TAC Technology Co., Ltd. Independent Director, Remuneration Committee, and Audit Committee, CIPHERLAB Co., Ltd. Director, Promate Electronic Co., Ltd. Director (Representative of Juristic Person/ Promate Electronic Co., Ltd.), Promate Solutions Co., Ltd. Director, Amazing Microelectronic CO., Ltd. Director, LEADTEL Co., Ltd. Supervisor, EVGA Technology Incorporated Chairman & President, Nominating Committee and Sustainable Development Committee, Weikeng Industrial Co., Ltd. Chairman, WEIJI Investment Co., Ltd. Chairman, Weikeng International Co., Ltd. Chairman, Weikeng Technology Pte Ltd. Chairman, Weikeng Technology Co., Ltd.	---	---	---
Director	Taiwan(R.O.C)	CHI, TING-FANG (@Stan Chi)	M 61~70	2021.7.20	3	1989.12.18	6,278,150	1.71	6,278,150	1.49	146,817	0.03	---	---	Bachelor of Science in Control Engineering, National Chiao Tung University, Taiwan President, Weikeng Industrial Co., Ltd. Associate Engineer, Institute of Machinery, Industrial Technology Research Institute (ITRI)	Director & Chief Operating Officer, and Sustainable Development Committee, Weikeng Industrial Co., Ltd. Managing Director, Weikeng Technology Pte Ltd. Director, Weikeng Technology Co., Ltd.	---	---	---

Title	Nationality/ Place of Incorporation	Name	Gender Age	Date Elected	Term (Years)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Executives, Directors or Supervisors Who are Spouses or within Two Degrees of Kinship		
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation
								Taiwan(R.O.C)/ Taipei City	WEIJI INVESTMENT CO., LTD.		2021.7.20			30,426,876			8.27	30,426,876	7.22
Director	Taiwan(R.O.C)/	Representative : CHEN, CHENG-FONG (@Eric Chen)	M 61~70	2021.7.20	3	1998.9.1	527,136	0.14	527,136	0.13	--	--	--	--	Bachelor of Science in Electrophysics, National Chiao Tung University, Taiwan Engineer, Texas Instruments Inc.	Chairman, Promate Electronic Co., Ltd. Chairman, Chuang Feng investment Co., Ltd. Chairman , Promate International Co. Ltd. Director (Representative of Juristic Person/ Promate Electronic Co., Ltd.), Promate Solutions Co., Ltd. Director, Weikeng Industrial Co., Ltd. Supervisor, Ching Fong investment Co., Ltd. Director (Representative of Juristic Person/ Promate Electronic Co., Ltd.), CT CONTINENTAL Co., Ltd. Director, GLIMMER INC	--	--	--
Director	Taiwan(R.O.C)	CHEN, KUAN-HUA (@Bill Chen)	M 41~50	2021.7.20	3	2018.6.13	191,301	0.05	191,301	0.05	1,066,456	0.25	--	--	Master of Financial Engineering, Carnegie Mellon University, Commonwealth of Pennsylvania Master of Computer Science & Information Engineering, National Taiwan University Bachelor of Mathematical Sciences, National Cheng-Chi University Supervisor, Weikeng Industrial Co., Ltd.	Director, King Yuan Electronics Co., Ltd. Director & President, CHAN- CHENG Investment Co., Ltd.	--	--	--

Title	Nationality/ Place of Incorporation	Name	Gender Age	Date Elected	Term (Years)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Executives, Directors or Supervisors Who are Spouses or within Two Degrees of Kinship		
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation
Independent Director	Taiwan(R.O.C)	TSAI, YU-PING (@Edward Tsai)	M 61~70	2021.7.20	3	2009.6.19	0	0	0	0	0	0	0	0	<ul style="list-style-type: none"> ·Juris Doctor, Santa Clara University, California ·Executives Program, Graduate School of Business Administration, National Cheng-Chi University ·Chairman, Meitong Limited ·Chief Strategy Officer, Allianz President Insurance Group ·President, Allianz-President General Insurance Co., Ltd. ·President & CEO, President Securities Investment Trust Co., Ltd. ·Lawyer, Baker & McKenzie ·Lawyer, Diepenbrock, Wulff, Plant & Hannegan, California ·Associate Professor of Department of Law, National Chung Hsing University, Taiwan 	<ul style="list-style-type: none"> ·Remuneration Committee, Audit Committee, Nominating Committee, and Sustainable Development Committee, Weikeng Industrial Co., Ltd. ·Chairman, Paradigm Venture Partners, L.L.C. ·Vice Chairman, Chinese Association of Valuation ·Director (Representative of Juristic Person/ Paradigm Venture Partners, L.L.C.) and President, Hydroionic Technologies Co., Ltd. ·Director (Representative of Juristic Person/ Hydroionic Technologies Co., Ltd.), Hydroionic EnviroTec Co., Ltd. ·Director (Representative of Juristic Person/ Hydroionic EnviroTec Co., Ltd.), Hydroionic Enviroservices Co., Ltd. ·Director, CellMax Taiwan Co., Ltd. ·Independent Director, Remuneration Committee, and Audit Committee, Welldone Co., Ltd. 	---	---	---
Independent Director	Taiwan(R.O.C)	LIN, HUNG (@Vincent Lin)	M 51~60	2021.7.20	3	2003.6.25	0	0	0	0	0	0	0	0	<ul style="list-style-type: none"> ·Executive Master of Business Administration, National Cheng-Chi University ·Bachelor of Science in Pharmacy, Kaohsiung Medical University ·President, Harbor View Hotel ·Independent Director & Remuneration Committee, Weikeng Industrial Co., Ltd. ·Director, National Federation of the Republic of China Hotel Association ·Committee of Keelung Foreign Sister City Promotion Association ·Director (Representative of Juristic Person/ ALPIN INTERNATIONAL CO., LTD.), Leatec Fine Ceramics Co., Ltd. 	<ul style="list-style-type: none"> ·Remuneration Committee, Audit Committee, Nominating Committee, and Sustainable Development Committee, Weikeng Industrial Co., Ltd. ·Chairman, Hua Shuai Hospitality Management Consulting Co. Ltd. ·Chairman, Dragonfly Gallery Co., Ltd. ·President of Ahotel, Taiwan Fine Business Travel Alliance ·Director, Taiwan Miner's General Hospital 	---	---	---

Title	Nationality/ Place of Incorporation	Name	Gender Age	Date Elected	Term (Years)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Executives, Directors or Supervisors Who are Spouses or within Two Degrees of Kinship		
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation
Independent Director	Taiwan(R.O.C)	YU, HSUEH-PING (@Peggy Yu)	F 61~70	2021.7.20	3	2018.6.13	0	0	0	0	0	0	0	0	·Master of Accounting, National Taiwan University ·Senior Vice President, Standard Chartered International Commercial Bank ·Independent Director, CastleNet Technology Inc. ·Supervisor, Promate Electronic Co., Ltd. ·Supervisor (Representative of Juristic Person/Chin-Tzu Leasing Co., Ltd.), Well Glory Development Co., Ltd.	·Audit Committee and Sustainable Development Committee, Weikeng Industrial Co., Ltd. ·Vice President, Grand Aspect International Ltd. ·Vice President, Grand China Ltd. ·Director (Representative of Juristic Person/ Grand China Ltd.), PRINTEC INTERNATIONAL Co., Ltd.	---	---	---

Note: Where the chairperson of the Board of Directors and the general manager or person of an equivalent post (the highest level manager) of a company are the same person, spouses, or relatives within the first degree of kinship, an explanation shall be given of the reason for, reasonableness, necessity thereof, and the measures adopted in response thereto:

As of now, the chairperson of the Board of Directors and the president of the Company are the same person based on the consideration of operational needs and needed to improve decision-making execution and operating efficiency. However, in terms of corporate governance, Board members fully communicate and discuss all matters pertaining to the powers of the Board, then the management team enables to give the power to plan, execute, and control after being approved the relevant proposals by the Board to form a basis for decision-making or execution. In the future, the Company will increase the number of independent directors within the time limit (before end of 2023) prescribed by the relevant laws or regulations, or select suitable candidates from the management team to cultivate as president to avoid the situation of the chairperson and president are the same person.

Major shareholders of the institutional shareholders

As of April 18, 2022

Name of Institutional Shareholders	Major Shareholders	Shareholding %
WEIJI INVESTMENT CO., LTD	SUNG, YI-LIN	19.87
	CHAN, MING-CHUAN	16.67
	CHEN, CHING-HUI	16.67
	HU, CHIU-CHIANG	16.65
	TU, HUAI-CHI	16.67
	SUNG, NAI-KE	8.37
	SUNG, PO-WEI	5.08
	HU HSIEH, SU-E	0.02

(ii) Directors_2

1. Professional Qualifications, Experience and Independence of Directors

Criteria Name	Qualifications and Experience	Independence	Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
HU, CHIU-CHIANG (@Douglas Hu)	<p>Dr. Hu holds a doctorate degree in technology management from National Chiao Tung University (renamed to National Yang Ming Chiao Tung University NYCU). He also lectures at NYCU as contracted professor-level technical expert, specialties include technology innovation, management of technology companies, IC and components distribution, entrepreneurship and venture capital. Dr. Hu has 40 years of experience in the IC industry strategic management, leadership as well as academic intelligence in the field. In addition to his role as board member within the Weikeng Group, including Weikeng Taiwan and its subsidiaries, he also takes on several roles, board director and independent director, of other companies in the high-tech industry. Dr. Hu brings to the Board extensive experiences in areas of finances, business execution, marketing and sales, operational management, and corporate governance.</p>	<ol style="list-style-type: none">1. Also the president of the Company, as a director with managerial personnel.2. Also a director of the Company's affiliated companies (100% subsidiary).3. The top ten natural person shareholders of the Company.4. The chairman of Weiji Investment Co., Ltd., a juristic person shareholder holding more than 5% of the Company's issued shares.5. The rest have been verified in accordance with the independence requirements listed in the "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies" promulgated by the Financial Supervisory Commission, and still meet the relevant independence requirements and still meet the relevant independence requirements.	2
CHI, TING-FANG (@Stan Chi)	<p>Mr. Chi holds a bachelor of Science degree in Electrical and Control Engineering from National Chiao Tung University (renamed to National Yang Ming Chiao Tung University NYCU). Prior to joining Weikeng July, 1986, he was an associate engineer at Institute of Machinery, Industrial Technology Research Institute (ITRI). In 1997, Mr. Chi was appointed as President, and later in 2002 Mr. Chi continued his leadership role as Chief Operating Officer responsible for executing strategies set by the Board and managing Weikeng's business units, sales and operations across Taiwan, Hong Kong, China and South East Asia (Singapore, Malaysia, Thailand, Vietnam and Philippines etc.) Mr. Chi has been with the Weikeng force for more than 35 years, attributing to business execution and strategic</p>	<ol style="list-style-type: none">1. Also the Group Chief Operating Officer of the Company, a director with managerial personnel.2. Also a director of the Company's affiliated companies (100% subsidiary).3. The top ten natural person shareholders of the Company.4. The rest have been verified in accordance with the independence requirements listed in the "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies" promulgated by the Financial Supervisory Commission, and still meet the relevant independence requirements and still meet the relevant independence requirements.	0

Criteria Name	Qualifications and Experience	Independence	Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
	management in the semiconductor industry. He brings to the Board valuable feedback and communications in terms of strategic management, business execution, marketing and sales and industry insights. He also provides the Board timely opinions on operation based on his role as the Company's Chief Operating Officer.		
WEIJI INVESTMENT CO., LTD. (Representative : CHEN, CHENG-FONG (@Eric Chen)	Mr. Chen holds a bachelor of Science in Electrophysics from National Chiao Tung University (renamed to National Yang Ming Chiao Tung University NYCU). He was an engineer at Texas Instruments Inc.. Mr. Chen is the President and Chairman of Promate Electronic Co., Ltd. and Director of Promate Solutions Corporation. With 35 years of experience in the semiconductor industry, Mr. Chen brings to the Board substantial experience and insights as the representative of Weiji Investment in the areas of corporate governance, business execution, marketing and sales, and high tech industry expertise. He provides the Board with valuable corporate governance and management insights for strategic planning and execution.	<ol style="list-style-type: none"> 1. Weiji Investment Co., Ltd., a juristic person shareholder, holds more than 5% of the Company's issued shares and is the Company's largest shareholder. 2. Mr. CHEN, CHENG-FONG(@Eric Chen) was elected director as the designated representative of Weiji Investment Co., Ltd. 3. The rest have been verified in accordance with the independence requirements listed in the "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies" promulgated by the Financial Supervisory Commission, and still meet the relevant independence requirements and still meet the relevant independence requirements.. 	0
CHEN, KUAN-HUA (@Bill Chen)	Mr. Chen holds two master degrees, master of Financial Engineering degree from Carnegie Mellon University and master of Computer Science & Information Engineering degree from National Taiwan University. He is a director at King Yuan Electronics Co., Ltd., and is also President and Director at Chan-Cheng Investment Co., Ltd. Mr. Chen brings to the Board extensive knowledge of semiconductor industry development, investment portfolio management, accounting information and financial analysis, industry and technology application insights.	<ol style="list-style-type: none"> 1. A relative within the second degree of kinship of the Company's top ten natural person shareholders. 2. The rest have been verified in accordance with the independence requirements listed in the "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies" promulgated by the Financial Supervisory Commission, and still meet the relevant independence requirements and still meet the relevant independence requirements. 	0
TSAI, YU-PING (@Edward Tsai) (Independent Director)	Mr. Tsai is the chairman of Paradigm Venture Partners, L.L.C., a venture capital company that provides fund to ventures mainly in the semiconductor, telecommunication, software development, opto-electronics, bio-tech, medical	According to the Company's Articles of Association and the "Corporate Governance Best Practice Principles", directors are selected by the candidate nomination system. During the nomination and selection of board	1

Criteria Name	Qualifications and Experience	Independence	Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
	<p>equipment, aerospace and materials sectors. He has served as President & CEO at President Securities Investment Trust Co., Ltd, Chief Strategy Officer at Allianz President Insurance Group, President at Allianz-President General Insurance Co., Ltd.. Mr. Tsai holds a Juris Doctor degree from Santa Clara University, California. He was a lawyer at Baker & McKenzie and at Diepenbrock Wulff Plant & Hannegan, California. He was also an associate professor of Department of Law at National Chung Hsing University. Mr. Tsai brings to the Board legal expertise and significant experiences in the areas of law, finance, tech companies management and corporate governance. Although Mr. Tsai has served as independent directors of the Company for more than 3 consecutive terms (9 years), none of the violations of Article 30 of the Company Act has occurred. He continues to take on the responsibilities as independent director and audit committee to enhance the quality of the Company's corporate governance and the supervision of the audit committee by providing the Board with insightful industry analysis and integration, risk management, legal strategy / compliance and management decision-making opinions on the operation and management.</p>	<p>members, the Company has obtained the written statement, work experience, current incumbency certificate, and kinship table provided by each director to verify and confirm the independence of themselves, their spouses and their relatives within the third degree kinship to the Company. The Company has also verified that the 3 independent directors are in compliance with the qualification requirements stipulated in the " Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies" and Article 14-2 of the Securities and Exchange Act promulgated by the Financial Supervisory Commission during the two years before their election and during their tenure. In addition, independent directors have been given the power to fully participate in decision-making and express opinions in accordance with Article 14-3 of the Securities and Exchange Act to perform relevant functions and powers accordingly.</p>	
<p>LIN, HUNG (@Vincent Lin) (Independent Director)</p>	<p>Mr. Lin holds an Executive Master of Business Administration (EMBA) degree from National Cheng Chi University. Currently, he is the Chairman of Hua Shuai Hospitality Management Consulting Co. Ltd., the President of Harbor View Hotel, and the Chairman of Dragonfly Gallery Co., Ltd. and the Director of Taiwan Miner's General Hospital. He has also served as the President of Ahotel, Taiwan Fine Business Travel Alliance, the Director of the National Federation of the Republic of China Hotel Association and the Director of Leatec Fine Ceramics Co., Ltd. He is committed to the success of the tourism hotel service industry with his familiarity with commercial laws and expertise in corporate governance. Although Mr. Lin has served as an independent director of</p>		<p>0</p>

Criteria Name	Qualifications and Experience	Independence	Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
	<p>the Company for more than 3 consecutive terms (9 years), none of the violations of Article 30 of the Company Act has occurred. He brings to the Board with extensive experience and vision in various industries and provides the Board timely diversified opinions on operation and management, so that the Board can have a more versatile way of thinking in terms of operation and management strategies, which strengthens the supervision and management quality of the board of directors and the audit committee.</p>		
<p>YU, HSUEH-PING (@Peggy Yu) (Independent Director)</p>	<p>Ms. Yu holds a Master of Commerce degree in accounting from National Taiwan University and with professional qualifications in accounting. Currently, she is the Vice President of Grand Aspect International Ltd., Vice President at Grand China Ltd., and Director of Printec International Co., Ltd. She has served as Senior Vice President at Standard Chartered International Commercial Bank, Independent Director at CastleNet Technology and Supervisor of Promate Electronic Co., Ltd. Ms. Yu brings to the Board extensive experiences in areas of corporate finance and accounting, business execution, marketing and sales, high tech industry analysis, management and corporate governance, which strengthen the supervision and management quality of the board of directors and the audit committee. Ms. Yu has served as independent director of the Company for less than 3 consecutive terms of the second term, and there has been no violation of Article 30 of the Company Act.</p>		<p>0</p>

2. Director Diversity and Independence

(1) Diversity of board members and their achievement:

Since June 2018, the election of all directors of the Company has adopted the candidate nomination system; according to the Company's "Corporate Governance Best Practice Principles", the structure of the board of directors shall be based on the scale of the Company's business development and the shareholding situation of its major shareholders, taking into account the needs of practical operations, and in accordance with the Company's articles of association to determine the appropriate number of directors for 5 to 9 seats; the composition of the board of directors shall consider diversity, except that directors who also serve

as managerial personnel of the Company shall not exceed one-third of the number of directors, and formulate an appropriate diversity policy based on their own operation, operating pattern and development needs. Board members shall have different professional knowledge and skills (e.g., law, accounting, industry, finance, marketing or industrial technology professional background, professional skills and industry experience, etc.) or gender, age, etc. In order to achieve the ideal goals of corporate governance, the board of directors as a whole shall have the following capabilities:

- ① Ability to make operational judgments and decisions.
- ② Business strategies management and leadership skills.
- ③ Crisis analysis, decision- making and administration skills.
- ④ Industry development and technology application insight.
- ⑤ Foresight of sustainable development pulsation.
- ⑥ Accounting information and financial analysis capability.

The seven current directors of the Company are all Taiwanese nationalities, and all have the necessary knowledge, skills and education to perform their duties (please refer to the above-mentioned directors' education and experience), and have extensive experience in accounting, finance, commerce, law, marketing or Industrial technology and other majors; among all directors, there is one female director (14.3%, YU, HSUEH-PING(@Peggy Yu)) ; the age range of directors, of which five are in the 61~70 age range (71.4%, HU, CHIU-CHIANG(@Douglas Hu), CHI, TING-FANG(@Stan Chi), CHEN, CHENG-FONG(@Eric Chen), TSAI, YU-PING(@Edward Tsai), and YU, HSUEH-PING(@Peggy Yu)), one in the 51~60 age range (14.3%, LIN, HUNG(@Vincent Lin)), and one in the 41~50 age range (14.3%, CHEN, KUAN-HUA(@Bill Chen)).

The diversity of board members is as follows:

Director's Name	Gender & Age	Serves as an Independent Director		Diversified Core Expertise				
		Less than 3 terms	More than 3 terms	Finance & Accounting	Commerce	Law	Marketing	Industrial Technology
HU, CHIU-CHIANG(@Douglas Hu)	M 61~70			✓	✓		✓	✓
TSAI, YU-PING (@Edward Tsai) (Independent Director)	M 61~70		✓	✓	✓	✓		✓
LIN, HUNG (@Vincent Lin) (Independent Director)	M 51~60		✓	✓	✓		✓	
YU, HSUEH-PING(@Peggy Yu) (Independent Director)	F 61~70	✓		✓	✓		✓	✓
WEIJI INVESTMENT CO., LTD. (Representative : CHEN, CHENG-FONG (@Eric Chen)	M 61~70				✓		✓	✓

Director's Name	Gender & Age	Serves as an Independent Director		Diversified Core Expertise				
		Less than 3 terms	More than 3 terms	Finance & Accounting	Commerce	Law	Marketing	Industrial Technology
CHI, TING-FANG(@Stan Chi)	M 61~70				✓		✓	✓
CHEN, KUAN-HUA(@Bill Chen)	M 41~50			✓	✓			✓

(2)Independence of the Board of Directors:

①Board structure:

The Company has established a director selection system. The selection process of all directors is open and fair, which is in line with the Company's "Articles of Association", "Rules for Election of Directors", "Corporate Governance Best Practice Principles", "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies", "Article 14-2 of the Securities and Exchange Act", etc., the composition of the current board of directors consists of 3 independent directors (42.9%) and 4 non-independent directors (57.1%), of which 2 are directors with employee/managerial personnel (28.5%, less than 1/3 of all directors). None of the directors has a spouse or family relationship within the second degree of kinship, which complies with the provisions of Paragraphs 3 and 4 of Article 26-3 of the Securities and Exchange Act.

②The Board of Directors is independent:

The board of directors of the Company guides the Company's strategy, supervises the management level, and is responsible to the company and shareholders. In the operation and arrangement of the corporate governance system, the board of directors exercises its functions and powers in accordance with laws, the Company's articles of association or the resolutions of the shareholders' meeting. The board of directors of the Company emphasizes the functions of independent operation and transparency. Directors and independent directors are independent individuals and exercise their powers independently. The three independent directors also abide by the relevant laws and regulations, cooperate with the powers of the audit committee, review the management and control of the Company's existing or potential risks, etc., so as to supervise the effective implementation of the Company's internal control, the selection (dismissal) of certified public accountants and their independence, and the fair preparation of financial statements. In addition, according to the Company's "Rules for Election of Directors", the cumulative voting system and candidate nomination system are adopted for the selection of directors and independent directors, and shareholders are encouraged to participate. Shareholders who hold a certain number of shares or more may submit a list of director candidates. Qualification review and confirmation of any violations listed in Article 30 of the Company Act shall be conducted and announced in accordance with the law to protect the rights and interests of shareholders, avoid monopoly or excessive nomination rights, and maintain independence.

The Company has established a performance assessment system for the board of directors, and carries out an internal self-

assessment of the board of directors and board members every year; the content of the performance self-assessment of the board of directors includes (1) level of participation in company operations, (2) enhancement of the board's strategic decision-making quality, (3) composition and structure of the board of directors, (4) election and continuous education of directors, and (5) internal control; the self-assessment of board members includes (1) alignment of the Company's objectives and missions, (2) awareness of a director's duties, (3) level of participation in company operations, (4) management and communication of internal relations, (5) directors' professionalism and continuous education, and (6) internal control. The above-mentioned relevant self-assessment results are disclosed in the Company's annual report and official website after reporting to the Board of Directors.

In addition, in order to let the investing public fully understand the operation of the board of directors of the Company, relevant information has also been disclosed in the Company's annual report, official website or the Taiwan Stock Exchange Market Observation Post System (MOPS):

- a. Attendance status of board members participating in meetings;
- b. Contents of motion and resolutions of the board of directors;
- c. Continuing education of directors;
- d. Changes in shareholding of directors (shareholding ratio, share transfer, pledge setting, etc., please refer to the Taiwan Stock Exchange MOPS).

(iii) Management Team

As of April 18, 2022

Title	Nationality	Name	Gender	Date Effective	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Managers who are Spouses or Within Two Degrees of Kinship		
					Shares	%	Shares	%	Shares	%			Title	Name	Relation
President & CEO (Note)	Taiwan(R.O.C)	HU, CHIU-CHIANG (@Douglas Hu)	M	2002.7.1	8,843,627	2.10	467,059	0.11	---	---	<ul style="list-style-type: none"> ·Ph.D. of Institute of Management of Technology, National Chiao Tung University, Taiwan ·Master of Business Administration, Da-Yeh University, Taiwan ·Executives Program, Graduate School of Business Administration, National Cheng-Chi University ·Bachelor of Science in Communications Engineer, National Chiao Tung University, Taiwan ·R&D Engineer, SAMPO Co., Ltd. ·Chairman & CEO, Weikeng Industrial Co., Ltd. and its affiliates ·Chairman, Taipei County Computer Association (TCCA) ·Executive Director, Taipei Electronic Components Suppliers' Association (TECSA) 	<ul style="list-style-type: none"> ·Independent Director & Remuneration Committee, V-TAC Technology Co., Ltd. ·Independent Director, Remuneration Committee, and Audit Committee, CIPHERLAB Co., Ltd. ·Director, Promate Electronic Co., Ltd. ·Director (Representative of Juristic Person/ Promate Electronic Co., Ltd.), Promate Solutions Co., Ltd. ·Director, Amazing Microelectronic CO., Ltd. ·Director, LEADTEL Co., Ltd. ·Supervisor, EVGA Technology Incorporated ·Chairman & President, Nominating Committee and Sustainable Development Committee, Weikeng Industrial Co., Ltd. ·Chairman, WEIJI Investment Co., Ltd. ·Chairman, Weikeng International Co., Ltd. ·Chairman, Weikeng Technology Pte Ltd. ·Chairman, Weikeng Technology Co., Ltd. 	---	---	---
Group Chief Operating Officer	Taiwan(R.O.C)	CHI, TING-FANG (@Stan Chi)	M	2002.7.1	6,278,150	1.49	146,817	0.04	---	---	<ul style="list-style-type: none"> ·Bachelor of Science in Control Engineering, National Chiao Tung University, Taiwan ·President, Weikeng Industrial Co., Ltd. ·Associate Engineer, Institute of Machinery, Industrial Technology Research Institute (ITRI) 	<ul style="list-style-type: none"> ·Director & Chief Operating Officer, and Sustainable Development Committee, Weikeng Industrial Co., Ltd. ·Managing Director, Weikeng Technology Pte Ltd. ·Director, Weikeng Technology Co., Ltd. 	---	---	---
Executive VP & General Manager (China)	Taiwan(R.O.C)	CHANG, CHIN-HAO (@Asser Chang)	M	2011.071	4,102,704	0.97	5,940	0.00	---	---	<ul style="list-style-type: none"> · National Taiwan Ocean University - Department of Electrical Engineering - B.S.degree 	Statutory Representative, Weikeng International (Shanghai) Co., Ltd.	---	---	---

Title	Nationality	Name	Gender	Date Effective	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Managers who are Spouses or Within Two Degrees of Kinship		
					Shares	%	Shares	%	Shares	%			Title	Name	Relation
Executive VP	Taiwan(R.O.C)	CHEN, CHENG-HUNG (@ Tom Chen)	M	2011.07.01	76,027	0.02	77,000	0.02	---	---	· Sampo Corporation · Chung Yuan Christian University - Department of Electronic Engineering - B.S.degree · Weikeng Industrial Co., Ltd.		---	---	---
Chief Marketing Officer	Taiwan(R.O.C)	LI, PEI-TING (@ Calvin Li)	M	2018.5.2	---	---	924	0.00	---	---	· National Chiao Tung University EMBA - Master · Bachelor of Science in Control Engineering, National Chiao Tung University, Taiwan · Macnica Galaxy Inc · NovaMake Technology · Promate Electronic Co., Ltd.		---	---	---
Chairman Office (Overseas) Senior VP	Taiwan(R.O.C)	HUNG, TUNG-HUI (@Tony Hung)	M	2017.3.1	977,893	0.23	8,620	0.00	---	---	· National Taiwan Institute of Technology - B.S. degree · New Southern Engineering Enterprises Co., Ltd.	Director (Representative of Juristic Person/ Weikeng Industrial Co., Ltd.), Weikeng Technology Pte Ltd.	---	---	---
FAE Division Senior VP	Taiwan(R.O.C)	HSIEH, CHI-HUNG (@Kevin Hsieh)	M	2017.7.1	197,121	0.05	---	---	---	---	· Chung Yuan Christian University - Department of Electronic Engineering - B.S. degree · Elitegroup Computer Systems		---	---	---
Marketing Development Division Corporate VP	Taiwan(R.O.C)	LU, SSU-HUI (@Josie Lu)	F	2013.3.18	383	0.00	---	---	---	---	· Fu Jen Catholic University - Department of International Trade - B.S. degree · Cypress Semiconductor Taiwan Branch .		---	---	---
ELCOM Business Sales Div. I Corporate VP	Taiwan(R.O.C)	YANG, CHIN-MING (@James Yang)	M	2020.2.14	---	---	---	---	---	---	· Mingshin Institute of Technology - Department of Electronic Engineering · Cypress Semiconductor Taiwan Branch · Emax Tech Co., Ltd		---	---	---
ELCOM Business Division III Senior VP	Taiwan(R.O.C)	SU, MING-SUNG	M	2012.7.1	---	---	48,153	0.01	---	---	· West Texas A&M University MBA · Advanced Micro Devices, Inc. · National Semiconductor		---	---	---
ELCOM Business Division III Division Assistant VP	Taiwan(R.O.C)	YANG, CHUNG-YI (@ Jeffrey Yang)	M	2020.7.13	5,946	0.00	131	0.00	---	---	· Chung Yuan Christian University - Department of Electronic Engineering - B.S. degree · New Mercury Industrial Corp.		---	---	---
ELCOM Business Division V Department Director	Taiwan(R.O.C)	SHEN, HUNG-CHIEN (@Jason Shen)	M	2018.7.1	35,000	0.01	6,000	0.00	---	---	· Takming Commercial Junior College - Accounting and Statistics Department · Acromax Inc.		---	---	---
ELCOM Business Division VII Division Assistant VP	Taiwan(R.O.C)	SHEN, HSIN-CHUEH (@Peter Shen)	M	2013.7.1	31,436	0.01	---	---	---	---	· National Taiwan University of Science and Technology, EMBA · Yonglin Optoelectronics Co., Ltd.		---	---	---

Title	Nationality	Name	Gender	Date Effective	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Managers who are Spouses or Within Two Degrees of Kinship		
					Shares	%	Shares	%	Shares	%			Title	Name	Relation
ELCOM Business Sales Div. VIII Corporate VP	Taiwan(R.O.C)	CHANG, SHAO-HENG (@Walter Chang)	M	2020.8.1	329,870	0.08	89,273	0.02	---	---	· National Chiao Tung University - Department of Electronics Engineering - B.S. degree · Tvia Inc		---	---	---
ELCOM Business Division IX Senior VP	Taiwan(R.O.C)	CHEN, YUNG-HSIN (@Rick Chen)	M	2017.7.1	130,883	0.03	5,898	0.00	---	---	· China Junior College of Technology - Department of Electronic Engineering · Weikeng Industrial Co., Ltd.		---	---	---
ELCOM Business Division IX Division Assistant VP	Taiwan(R.O.C)	SHIH, CHENG-YU (@ Gary Shih)	M	2020.7.1	---	---	---	---	---	---	· University of Florida - Master of Industrial Engineering Institute · TECHMOSA INTERNATIONAL INC.		---	---	---
	Taiwan(R.O.C)	HUANG,CHIEN-CHUNG (@Ted Huang)	M	2022.3.7	---	---	---	---	---	---	· Tamkang University - Department of International Business · Weikeng Industrial Co., Ltd.		---	---	---
ELCOM Business Division X Corporate VP	Taiwan(R.O.C)	CHEN, CHANG-YAO (@ Frank Chen)	M	2016.7.1	---	---	---	---	---	---	· Royal Roads University MBA · Ensoar Technologies Corp.		---	---	---
ELCOM Business Division X Division Assistant VP	Taiwan(R.O.C)	TSENG, HSIEN-WEN (Robert Tseng)	M	2015.5.18	11,173	0.00	18,669	0.00	---	---	· Vanung Junior College of Technology - Department of Electronic Engineering · ASEC INTERNATIONAL CORPORATION		---	---	---
Chairman Office (Overseas) Senior VP	Taiwan(R.O.C)	LU, CHAO-CHIEH (@Bert Lu)	M	2009.7.1	938,168	0.23	---	---	---	---	· National Taipei Institute of Technology - Department of Electronic Engineering · Texas Instruments		---	---	---
Chairman Office (Overseas) Division VP	Taiwan(R.O.C)	CHIU, CHIEN-TSANG (Rock Chiu)	M	2017.7.1	---	---	---	---	---	---	· Ming Chi Institute of Technology - Department of Electrical Engineering · Winbond Electronics Corp.		---	---	---
Chairman Office (Overseas) Division Assistant VP	Taiwan(R.O.C)	CHEN, LI-WEI (@ Vincent Chen)	M	2018.3.19	---	---	---	---	---	---	· Tamsui Institute of Business Administration - Department of Information Management · Zthc (Shanghai) Co Ltd		---	---	---
Chairman Office (Overseas) Division Assistant VP	Taiwan(R.O.C)	LIANG, JIH-HSIN (@Hubert Liang)	M	2018.8.16	---	---	---	---	---	---	· The University of Auckland - Bachelor of Finance - B.S. degree · Zthc (Shanghai) Co Ltd		---	---	---
Administration & Finance Division Senior VP & Spokesperson	Taiwan(R.O.C)	CHOU, KAN-LIN (@Fama Chou)	M	2011.7.1	182,766	0.04	---	---	---	---	· National Chung Cheng University - Graduate Institute of Finance - M.S. degree · Yuanta Securities Co., Ltd	· Supervisor (Representative of Juristic Person/ Weikeng Industrial Co., Ltd.), Weikeng Technology Co., Ltd. · Director & Chairman, Genlog Industrial Co., Ltd.	---	---	---
Corporate Governance Officer				2021.5.13											
Audit Office Department Director	Taiwan(R.O.C)	CHIU, YU-FENG (@David Chiu)	M	2007.7.1	---	---	---	---	---	---	· National Cheng Kung University - Department of Accountancy - B.S. degree		---	---	---

Title	Nationality	Name	Gender	Date Effective	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Managers who are Spouses or Within Two Degrees of Kinship		
					Shares	%	Shares	%	Shares	%			Title	Name	Relation
Administration & Finance Division Corporate VP	Taiwan(R.O.C)	WU, CHE-PIN (@Jason Wu)	M	2019.7.1.	18,647	0.00	---	---	242,921	0.06	<ul style="list-style-type: none"> · Charoen Pokphand Enterprise Co., Ltd. · National Chengchi University - Executive Master of Business Administration - M.S. degree · International Bank of Taipei 		---	---	---
Financing Division (Overseas) Division Assistant VP	Taiwan(R.O.C)	WU, SHIH-HAO (@Hook Wu)	M	2013.7.1	14,031	0.00	---	---	---	---	<ul style="list-style-type: none"> · Feng Chia University - Department of International Business - B.S. degree · JihSun Bank 		---	---	---
Accounting Department Manager	Taiwan(R.O.C)	HUANG, LI-HSIANG (@Alice Huang)	F	2011.7.1	91,972	0.03	---	---	---	---	<ul style="list-style-type: none"> · Chinese Culture University - Department of Accountancy - B.S. degree · Fastfame Technology Co., Ltd. 		---	---	---

Note: Where the chairperson of the Board of Directors and the general manager or person of an equivalent post (the highest level manager) of a company are the same person, spouses, or relatives within the first degree of kinship, an explanation shall be given of the reason for, reasonableness, necessity thereof, and the measures adopted in response thereto:

As of now, the chairperson of the Board of Directors and the president of the Company are the same person based on the consideration of operational needs and needed to improve decision-making execution and operating efficiency. However, in terms of corporate governance, Board members fully communicate and discuss all matters pertaining to the powers of the Board, then the management team enables to give the power to plan, execute, and control after being approved the relevant proposals by the Board to form a basis for decision-making or execution. In the future, the Company will increase the number of independent directors within the time limit (before end of 2023) prescribed by the relevant laws or regulations, or select suitable candidates from the management team to cultivate as president to avoid the situation of the chairperson and president are the same person.

iii. Remuneration of Directors, President, and Vice Presidents

(i) Remuneration of Directors

Unit: NT\$

Title	Name	Remuneration										Relevant Remuneration Received by Directors Who are Also Employees								Total Remuneration (A+B+C+D+E+F+G) and its ratio to Net Income (%)	Compensation Paid to Directors from an Invested Company Other than the Company's Subsidiary			
		Base Compensation (A)		Severance Pay (B)		Directors Compensation(C)		Allowances (D)		Total Remuneration (A+B+C+D) and its ratio to Net Income (%)		Salary, Bonuses, and Allowances (E)		Severance Pay (F)		Employee Remuneration (G)								
		The Company	All companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	Cash	Stock			Cash	Stock	The Company
Chairman	HU, CHIU-CHIANG (@Douglas Hu)																							
Director	CHI, TING-FANG (@Stan Chi)	--	--	--	--	14,363,400	14,363,400	240,000	240,000	14,603,400	14,603,400	0.85%	0.85%	18,638,400	56,741,080	131,616	131,616	24,000,000	--	24,000,000	--	57,373,416	95,476,096	--
Director	CHEN, KUAN-HUA (@Bill Chen)																							
Director	WEIJI INVESTMENT CO., LTD. Representative : CHEN, CHENG-FONG (@Eric Chen)					19,151,200	19,151,200	70,000	70,000	19,221,200	19,221,200	1.12%	1.12%	--	--	--	--	--	--	--	--	19,221,200	19,221,200	--
Independent Director	TSAI, YU-PING (@Edward Tsai)																							
Independent Director	LIN, HUNG (@Vincent Lin)	--	--	--	--	14,363,400	14,363,400	510,000	510,000	14,873,400	14,873,400	0.86%	0.86%	--	--	--	--	--	--	--	--	14,873,400	14,873,400	--
Independent Director	YU, HSUEH-PING (@Peggy Yu)																							

- The remuneration paid by the Company to directors (including independent directors) includes remuneration provided in accordance with Article 22 of the Company's Articles of Association (subject to the approval of the Remuneration Committee and the Board of Directors, and the report of the Shareholders' Meeting) and business execution fees (only the attendance fee for attending the meeting). According to the Company's "Rules for Remuneration Management of Directors and Executive Managers" and "Rules for Board of Directors Performance Assessment", the Company will pay independent directors' remuneration after the Shareholders' Meeting.
- Except as disclosed in the above table, the remuneration received by the directors of the Company in the most recent year(2021) for providing services (such as serving as a consultant to non-employees of the parent company / all companies listed in the financial report / reinvestment enterprises, etc.): None

Range of Remuneration	Name of Directors			
	Total of (A+B+C+D)		Total of (A+B+C+D+E+F+G)	
	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements
Under NT\$ 1,000,000				
NT\$1,000,000 ~ NT\$2,000,000 (Not included)				
NT\$2,000,000 ~ NT\$3,500,000 (Not included)				
NT\$3,500,000 ~ NT\$5,000,000 (Not included)	HU, CHIU-CHIANG (@Douglas Hu) CHI, TING-FANG (@Stan Chi) CHEN, KUAN-HUA (@Bill Chen) TSAI, YU-PING (@Edward Tsai) LIN, HUNG (@Vincent Lin) YU, HSUEH-PING (@Peggy Yu)	HU, CHIU-CHIANG (@Douglas Hu) CHI, TING-FANG (@Stan Chi) CHEN, KUAN-HUA (@Bill Chen) TSAI, YU-PING (@Edward Tsai) LIN, HUNG (@Vincent Lin) YU, HSUEH-PING (@Peggy Yu)	CHEN, KUAN-HUA (@Bill Chen) TSAI, YU-PING (@Edward Tsai) LIN, HUNG (@Vincent Lin) YU, HSUEH-PING (@Peggy Yu)	CHEN, KUAN-HUA (@Bill Chen) TSAI, YU-PING (@Edward Tsai) LIN, HUNG (@Vincent Lin) YU, HSUEH-PING (@Peggy Yu)
NT\$5,000,000 ~ NT\$10,000,000 (Not included)				
NT\$10,000,000 ~ NT\$15,000,000 (Not included)				
NT\$15,000,000 ~ NT\$300,000,000 (Not included)	WEIJI INVESTMENT CO., LTD	WEIJI INVESTMENT CO., LTD	HU, CHIU-CHIANG (@Douglas Hu) CHI, TING-FANG (@Stan Chi) WEIJI INVESTMENT CO., LTD	WEIJI INVESTMENT CO., LTD HU,
NT\$300,000,000 ~ NT\$500,000,000 (Not included)				CHIU-CHIANG (@Douglas Hu) CHI, TING-FANG (@Stan Chi)
NT\$500,000,000 ~ NT\$1,000,000,000 (Not included)				
Over NT\$1,000,000,000				
Total	7	7	7	7

(ii) Remuneration of the President and Vice Presidents

Unit: NT\$

Title	Name	Salary(A)		Severance Pay (B)		Bonuses and Allowances (C)		Employee Remuneration (D)				Total Remuneration (A+B+C+D) and its ratio to net income (%)		Compensation Paid to the President and Vice Presidents from an Invested Company Other than the Company's Subsidiary
		The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company		Companies in the consolidated financial statements		The Company	Companies in the consolidated financial statements	
								Cash	Stock	Cash	Stock			
President & CEO	HU, CHIU-CHIANG (@Douglas HU)	27,268,800	36,550,496	838,608	838,608	39,650,000	104,207,395	78,680,000	---	78,680,000	---	146,437,408 8.51%	220,276,499 12.80%	None
Group Chief Operating Officer	CHI, TING-FANG (@Stan Chi)													
Executive VP & General Manager-China	CHANG, CHIN-HAO (@Asser Chang)													
Executive VP	CHEN, CHENG-HUNG (@ Tom Chen)													
Chief Marketing Officer	LI, PEI-TING (@ Calvin Li)													
Senior VP	LU, CHAO-CHIEH (@Bert Lu)													
Senior VP	SU, MING-SUNG													
Senior VP	HUNG, TUNG-HUI (@Tony Hung)													
Senior VP	HSIEH, CHI-HUNG (@Kevin Hsieh)													
Senior VP	CHEN, YUNG-HSIN (@Rick Chen)													
Senior VP / Spokesperson & Corporate Governance Officer	CHOU, KAN-LIN (@Fama Chou)													

Range of Remuneration	Name of President and Vice Presidents	
	The company	Companies in the consolidated financial statements
Under NT\$ 1,000,000		
NT\$1,000,000 ~ NT\$2,000,000 (Not included)		
NT\$2,000,000 ~ NT\$3,500,000 (Not included)		0
NT\$3,500,001 ~ NT\$5,000,000 (Not included)		0
NT\$5,000,000 ~ NT\$10,000,000 (Not included)	LU, CHAO-CHIEH (@Bert Lu) SU, MING-SUNG HUNG,TUNG-HUI (@Tony Hung) HSIEH, CHI-HUNG (@Kevin Hsieh) CHOU, KAN-LIN (@Fama Chou)	HUNG,TUNG-HUI (@Tony Hung) SU, MING-SUNG HSIEH, CHI-HUNG (@Kevin Hsieh) CHOU, KAN-LIN (@Fama Chou)
NT\$10,000,000 ~ NT\$15,000,000 (Not included)	CHANG,CHIN-HAO (@Asser Chang) LI, PEI-TING (@ Calvin Li) CHEN,YUNG-HSIN (@Rick Chen)	LI, PEI-TING (@ Calvin Li) CHEN,YUNG-HSIN (@Rick Chen)
NT\$15,000,000 ~ NT\$30,000,000 (Not included)	HU, CHIU-CHIANG (@Douglas HU) CHI, TING-FANG (@Stan Chi) CHEN,CHENG-HUNG (@ Tom Chen)	CHEN,CHENG-HUNG (@ Tom Chen) LU, CHAO-CHIEH (@Bert Lu)
NT\$30,000,000 ~ NT\$50,000,000 (Not included)		HU, CHIU-CHIANG (@Douglas HU) CHI, TING-FANG (@Stan Chi) CHANG,CHIN-HAO (@Asser Chang)
NT\$50,000,000 ~ NT\$100,000,000 (Not included)		
Over NT\$100,000,000		
Total	11	11

(iii)Distribution of Employees’ Remuneration to Executive Officers

Unit: NT\$

	Title	Name	Employee Remuneration - in Stock (Fair Market Value)	Employee Remuneration - in Cash	Total	Ratio of Total Amount to Net Income (%)
Executive Officers	President & CEO	HU, CHIU-CHIANG (@Douglas HU)	---	80,960,000	80,960,000	4.70%
	Group Chief Operating Officer	CHI, TING-FANG (@Stan Chi)				
	Executive VP & General Manager (China)	CHANG, CHIN-HAO (@Asser Chang)				
	Executive VP	CHEN, CHENG- HUNG (@ Tom Chen)				
	Chief Marketing Officer	LI, PEI-TING (@ Calvin Li)				
	Senior VP	HSIEH, HI-HUNG (@Kevin Hsieh)				
	Senior VP	CHEN, YUNG-HSIN (@Rick Chen)				
	Senior VP	LU, CHAO-CHIEH (@Bert Lu)				
	Senior VP	SU, MING-SUNG				
	Senior VP	HUNG, TUNG-HUI (@Tony Hung)				
	Senior VP / Spokesperson & Corporate Governance Officer	CHOU, KAN-LIN (@Fama Chou)				
	Administration & Finance Division Corporate VP	WU, CHE-PIN (@Jason Wu)				
	Accounting Department Manager	HUANG, LI- HSIANG (@Alice Huang)				

(iv) Comparison of Remuneration for Directors, Supervisors, President and Vice Presidents in the Most Recent Two Fiscal Years and Remuneration Policy for Directors, Supervisors, President and Vice Presidents

Unit: NT\$ thousands

Paid to	2020				2021			
	Total remuneration		Ratio of total remuneration to net income (%) (Note)		Total remuneration		Ratio of total remuneration to net income (%) (Note)	
	The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements
Directors	20,541	20,541	2.94	2.94	48,698	48,698	2.83	2.83
Supervisors	0	0	0	0	0	0	0	0
President and vice presidents	98,319	142,849	14.06	20.43	146,437	220,276	8.51	12.80
Total	118,860	163,390	17.00	23.37	195,135	268,974	11.34	15.63

Note: The Company's 2020 and 2021 individual financial reports after-tax net income were NT\$699,309,000 and NT\$1,721,140,000, respectively.

In the past two years of 2020 and 2021, the ratio of total remuneration paid to the Company's directors, supervisors, president and vice presidents to net income was 17.00% and 11.34% respectively in the Company's individual statements, and 23.37% and 15.63% in the consolidated statements respectively. The correlations between the Company's emoluments (salary and remuneration) policy of directors and executive officers and the operating performance are as follows:

1. Remuneration to directors including directors' remuneration and business execution fees.
 - (1) The Company pays the remuneration of directors, including the remuneration appropriated by the Company's articles of association and business execution fees (only the attendance fee for attending the meeting). The total appropriated amount of directors' remuneration shall be set at a maximum of 2.5% of the net profit before tax stated in the articles of association of the Company. However, if the Company still has accumulated losses, it shall first be offset against any deficit.
 - (2) The total amount of directors' remuneration for 2020 provided in accordance with the Company's Articles of Association was NT\$19,610,600, which has been paid to all directors on June 30, 2021 in accordance with the Company's "Rules for Remuneration Management of Directors and Executive Managers" and "Rules for Board of Directors Performance Assessment", and had been reported to the 2021 shareholders meeting. The 2021 director's remuneration totaling NT\$47,878,000 has been approved by the Remuneration Committee and the Board of Directors on March 25, 2022, and once reported to the 2022 General Meeting of Shareholders, the Company will paid the above amount to all directors according to the Company's "Rules for Remuneration Management of Directors and Executive Managers" and "Rules for Board of Directors Performance Assessment".
 - (3) For the performance assessments of the Board of Directors and board members, please refer to page 37~39 of the Company's 2021 Annual Report.
2. Emoluments paid to executive officers are divided into fixed salary and variable remuneration.
 - (1) Fixed salary includes base pay, duty allowance and meal allowance, which are determined by the following factors such as education,

experience, skills, degree of decision-making responsibility & risk, contribution to the Company, and the typical pay levels adopted by peer companies. The annual salary adjustment is carried out in accordance with the Company's operating conditions, the domestic economic growth rate, price index, the salary adjustment status of the industry, the personal performance appraisal and the Company's annual budget target.

- (2) Variable remuneration includes year-end bonus and employee remuneration.
- ① The year-end bonus is the amount of accumulated reserves appropriates in the accounting entry in advance on a monthly basis based on the achievement rate of the budget profit target; prior to the distribution of the bonus to executive officers, the top management must first complete a comprehensive assessments, including personal performance appraisal, education, experience, skills, degree of decision-making responsibility & risk, contribution to the Company, the typical pay levels adopted by peer companies, etc., after which the Company distributes year-end bonuses to executive officers based on the approved allocation plan. However, the distribution plan of year-end bonus belongs to executive officers must be approved by the resolution of the Remuneration Committee and the Board of Directors.
- ② Employees and executive officers' remuneration is the total appropriated amount in accordance with the Company's Articles of Association, which amount is first approved by the resolution of the Remuneration Committee and the Board of Directors and reported to the shareholders' meeting; the procedures for the distribution of remuneration to executive officers are the same as described in the preceding subparagraph①.
- (3) Appropriation of employees and executive officers remuneration
- ① In accordance with the Articles of Association of the Company, the earning in the Company's annual final accounts if any shall first be offset against any deficit, then, 6% to 10% of net profit before tax (before deducting remuneration to employees, executive officers, and directors) will be distributed as employees and executive officers' remuneration. Employees and executive officers who are entitled to receive the above mentioned remuneration, in share or cash, include the employees of the subsidiaries of the Company who meet certain specific requirements.
- ② The 2020 employees remuneration amount NT\$78,442,400 appropriated in accordance with the Company's articles of association has been paid in cash on June 30, 2021 based on employee's performance assessment; the total remuneration of employees (including managers) for 2021 is approximately NT\$191,512,000, which has been approved by the Remuneration Committee and the Board of Directors on March 25, 2022. The payment will be made in cash, it will be submitted to the shareholders' meeting in 2022 and will be distributed based on the performance appraisal of employees (including executive officers), but the payment to executive officers is subject to the approval of the Remuneration Committee and the Board of Directors.

iv. Implementation of Corporate Governance

(i) Board of Directors

A total of 9 (A) and 2 (A) meetings of the Board of Directors were held in 2021 and as of the end of April in 2022 respectively. The attendance of director were as follows:

Title	Name	Attendance in Person (B)		By Proxy		Attendance Rate (%) 【 B/A 】		Remarks
		2021	As of the end of April 2022	2021	As of the end of April 2022	2021	As of the end of April 2022	
Chairman	HU, CHIU-CHIANG (@Douglas Hu)	9	3	-	-	100.0	100.0	Re-elected on 2020/7/20
Director	CHI, TING-FANG (@Stan Chi)	9	3	-	-	100.0	100.0	Re-elected on 2020/7/20

Director	WEIJI INVESTMENT CO., LTD. (Representative : CHEN, CHENG-FONG (@Eric Chen)	8	3	1	-	88.89	100.0	Re-elected on 2020/7/20
Director	CHEN, KUAN-HUA (@Bill Chen)	9	3	-	-	100.0	100.0	Re-elected on 2020/7/20
Independent director	TSAI, YU-PING (@Edward Tsai)	9	3	-	-	100.0	100.0	Re-elected on 2020/7/20
Independent director	LIN, HUNG (@Vincent Lin)	9	3	-	-	100.0	100.0	Re-elected on 2020/7/20
Independent Director	YU, HSUEH-PING (@Peggy Yu)	9	3	-	-	100.0	100.0	Re-elected on 2020/7/20

Other mentionable items:

i. If any of the following circumstances occur, the dates of the meetings, sessions, contents of motion, all independent directors' opinions and the company's response should be specified:

(i) Matters referred to in Article 14-3 of the Securities and Exchange Act.

Date of Meeting	Meeting sessions	Contents of motion	Independent directors' opinions	The Company's response to the independent directors' opinion
2021/03/26	2 nd meeting in 2021	Discussion on the Company's 2020 Internal Control System Statement	Approved as proposed after the chairperson consulted all attending directors.	Execution in accordance with the resolution
		Discussion on the Company's endorsements and guarantees for 100% owned subsidiary WEIKENG INTERNATIONAL CO., LTD.	Approved as proposed after the chairperson consulted all attending directors.	Execution in accordance with the resolution
		Discussion on the Company's endorsements and guarantees for 100% owned subsidiary WEIKENG TECHNOLOGY PTE LTD.	Approved as proposed after the chairperson consulted all attending directors.	Execution in accordance with the resolution
2021/5/13	3 rd meeting in 2021	Discussion on participation in subscribing to the cash capital increase of WEIKENG INTERNATIONAL CO., LTD, a 100% owned subsidiary in Hong Kong	Approved as proposed after the chairperson consulted all attending directors.	Execution in accordance with the resolution
		Discussion on the Company's endorsements and guarantees for 100% owned subsidiary WEIKENG TECHNOLOGY PTE LTD.	Approved as proposed after the chairperson consulted all attending directors.	Execution in accordance with the resolution
		Discussion on the Company's endorsements and guarantees for 100% owned subsidiary WEIKENG INTERNATIONAL CO., LTD.	Approved as proposed after the chairperson consulted all attending directors.	Execution in accordance with the resolution
2021/6/29	4 th meeting in 2021	Discussion on the Company's endorsements and guarantees for 100% owned subsidiary WEIKENG INTERNATIONAL CO., LTD.	Approved as proposed after the chairperson consulted all attending directors.	Execution in accordance with the resolution
		Discussion on the Company's endorsements and guarantees for 100% owned subsidiary WEIKENG TECHNOLOGY PTE LTD.	Approved as proposed after the chairperson consulted all attending directors.	Execution in accordance with the resolution
		Discussion on the Company's endorsements and guarantees for 100% owned subsidiary WEIKENG INTERNATIONAL (SHANGHAI) CO., LTD.	Approved as proposed after the chairperson consulted all attending directors.	Execution in accordance with the resolution
2021/8/12	6 th meeting in 2021	Discussion on the Company's endorsements and guarantees for 100% owned subsidiary WEIKENG INTERNATIONAL CO., LTD.	Approved as proposed after the chairperson consulted all attending directors.	Execution in accordance with the resolution
		Discussion on the Company's endorsements and guarantees for 100% owned subsidiary WEIKENG TECHNOLOGY PTE LTD.	Approved as proposed after the chairperson consulted all attending directors.	Execution in accordance with the resolution
2021/10/7	7 th meeting in 2021	Discussion on the Company's endorsements and guarantees for 100% owned subsidiary WEIKENG INTERNATIONAL CO., LTD.	Approved as proposed after the chairperson consulted all attending directors.	Execution in accordance with the resolution

		Discussion on the Company's endorsements and guarantees for 100% owned subsidiary WEIKENG INTERNATIONAL (SHANGHAI) CO., LTD.	Approved as proposed after the chairperson consulted all attending directors.	Execution in accordance with the resolution
2021/11/11	8 th meeting in 2021	Discussion on the Company's 2022 audit plan.	Approved as proposed after the chairperson consulted all attending directors.	Execution in accordance with the resolution
		Discussion on the Company's endorsements and guarantees for 100% owned subsidiary WEIKENG INTERNATIONAL CO., LTD.	Approved as proposed after the chairperson consulted all attending directors.	Execution in accordance with the resolution
2021/12/30	9 th meeting in 2021	Discussion on the Company's professional fees of CPA for 2022	Approved as proposed after the chairperson consulted all attending directors.	Execution in accordance with the resolution
		Discussion on the Company's endorsements and guarantees for 100% owned subsidiary WEIKENG INTERNATIONAL CO., LTD.	Approved as proposed after the chairperson consulted all attending directors.	Execution in accordance with the resolution
2022/3/25	2 nd meeting in 2022	Discussion on the appointment of Certified Public Accountants for the Company's 2022 financial statements	Approved as proposed after the chairperson consulted all attending directors.	Execution in accordance with the resolution
		Discussion on the Company's 2021 Internal Control System Statement	Approved as proposed after the chairperson consulted all attending directors.	Execution in accordance with the resolution
		Discussion on the some amendments to the Company's "Procedures for Acquisition or Disposal of Assets"	Approved as proposed after the chairperson consulted all attending directors.	Execution in accordance with the resolution
		Discussion on the Company's issuance of the 6 th domestic unsecured convertible corporate bonds	Approved as proposed after the chairperson consulted all attending directors.	Execution in accordance with the resolution
		Discussion on the evaluation of CPA's independence and suitability for the Company's 2022 annual financial statements	Approved as proposed after the chairperson consulted all attending directors.	Execution in accordance with the resolution
		Discussion on the Company's endorsements and guarantees for 100% owned subsidiary WEIKENG INTERNATIONAL CO., LTD.	Approved as proposed after the chairperson consulted all attending directors.	Execution in accordance with the resolution
		Discussion on the Company's endorsements and guarantees for 100% owned subsidiary WEIKENG TECHNOLOGY PTE LTD.	Approved as proposed after the chairperson consulted all attending directors.	Execution in accordance with the resolution
2022/4/20	3 rd meeting in 2022	Discussion on the some amendments to the Company's "Procedures for Acquisition or Disposal of Assets"	Approved as proposed after the chairperson consulted all attending directors.	Execution in accordance with the resolution
		Discussion on the ratification of the Company's acquisition of the right-of-use assets from its 100% subsidiary Weikeng International Co., Ltd.	Approved as proposed after the chairperson consulted all attending directors.	Execution in accordance with the resolution

(ii) Other matters involving objections or expressed reservations by independent directors that were recorded or stated in writing that require a resolution by the Board of Directors: None

ii. If there are directors' avoidance of motions in conflict of interest, the directors' names, contents of motion, causes for avoidance and voting should be specified: None.

iii. Implementation of self-assessment for the Company's Board of Directors, Individual Board Members, and Functional Committee

Assessment cycle	Once a year
Assessment period	January 1, 2021 to December 31, 2021
Scope of assessment	Board of Directors, Individual Board Members, and Functional Committees
Method of Assessment	Board of Directors internal assessment and Board Members self-assessment

Date of Assessment		2022/1/1~2022/1/10		
Date of Assessment's Result Reported to the Board		2022/1/14		
Internal assessment for the Performance of the Board of Directors	Items of Assessment	Total Score	Average Actual Score	Hit Rate %
	Level of participation in company operations	60	51	85.00
	Enhancement of the board's strategic decision-making quality	60	56	93.33
	Composition and structure of the Board of Directors	35	29	82.86
	Election and continuous education of directors	35	30	85.71
	Internal control	35	32	91.43
	Total	225	198	88.00
	Items to be improved and improvement plans/ suggestions	<p>Items to be improved:</p> <ol style="list-style-type: none"> 1. The chairman and president are the same person. 2. There are two independent directors who have served for more than three consecutive terms. 3. Currently, there is only one female director among the board members. <p>Improvement Plans:</p> <ol style="list-style-type: none"> 1. The chairman and the president are the same person, and the number of independent directors will be increased by the end of 2023 according to regulations, or the chairman will no longer be the president, and the board of directors will appoint a new president. 2. The appropriate seats for female directors recommended by the regulations will be considered in due course, and those who meet the requirements of qualifications, experience and independence will be nominated for election at the shareholders' meeting. 		
Self-assessment for Individual Board Members	Items of Assessment	Total Score	Average Actual Score	Hit Rate%
	Alignment of the Company's objectives and missions	15	14.71	98.10
	Awareness of a director's duties	15	14.14	94.29
	Level of participation in company operations	40	33.57	83.93
	Management and communication of internal relations	15	12.86	85.71
	Directors' professionalism and continuous education	15	13.71	91.43
	Internal control	15	13.29	88.57
	Total	115	102.29	88.94

	Items to be improved and improvement plans/ suggestions	<p>Items to be improved:</p> <p>1. Some directors concurrently serve as directors of several other companies.</p> <p>Recommendations for improvement:</p> <p>1. Although some directors have concurrently served as directors of multiple companies, the shareholders' meeting of the Company has resolved to approve the releasing from the non-competition restriction on directors, and their level of participation in the operation of the Company and the management and communication of internal relations are still in line with expectations.</p>		
Internal assessment for Functional Committees	Items of Assessment	Total Score	Average Actual Score	Hit Rate%
	Level of participation in company operations	20	17	85.00
	Awareness of the Functional Committee's duties	40	30	75.00
	Enhancement of the Functional Committee's decision-making quality	35	31	88.50
	Composition of the Function Committee and election of its members	20	13	65.00
	Internal control	15	14	93.33
	Total	130	105	80.77
	Items to be improved and improvement plans/ suggestions	<p>Items to be improved:</p> <p>1. The Company has not established a Nominating Committee yet.</p> <p>2. The succession plan of top management is not yet clear. (Note: The key senior management succession planning has been reported to the Board of Directors on March 25, 2022.)</p> <p>Improvement plan:</p> <p>1. The Nominating Committee will be completed by 2023 as required. (Note: The Nominating Committee was established on March 25, 2022 by the resolution of the Board of Directors.)</p> <p>2. Plans for top management (for example, the chairman no longer serves as the president, etc.), which will be clarified before the end of 2023</p>		

iv. Measures taken to strengthen the functionality of the board: In 2021 and 2022 (as of the publication date of this Annual Report), the Company has established the following functional committees to assist in strengthening the functions of the Board of Directors:

(i) Establishment of the Audit Committee

In accordance with Article 14-4 of the Securities and Exchange Act, the Company has re-elected directors at the general meeting of shareholders on July 20, 2021, and three newly elected independent directors (TSAI, YU-PING(@Edward Tsai), LIN, HUNG(@Vincent Lin), and YU, HSUEH-PING(@Peggy Yu)) formed the Audit Committee (2nd term), they perform their functions and powers in accordance with Articles 14-3 and

14-5 of the Securities and Exchange Act and the "the Audit Committee Chart", and meet at least once a quarter. The task focuses on:

1. Appropriate disclosure of the Company financial reports ;
2. Selection (discharge) of certified public accountants as well as the independence and performance thereof;
3. The offering, issuance, or private placement of any equity-type securities;
4. Effective implementation of internal control of the Company;
5. Compliance with relevant laws and regulations of the Company;
6. Control of existing and potential risks of the Company.

(ii) Establishment of the Remuneration Committee

In accordance with Article 14-6 of the Securities and Exchange Act, the Company has formulated the "Remuneration Committee Chart", and has completed the establishment of the 5th Remuneration Committee after the re-election of all directors at the general meeting of shareholders on July 20, 2021, which is composed of independent directors TSAI, YU-PING (@Edward Tsai) and LIN, HUNG (@Vincent Lin), and the adjunct professor of Department of Adult & Continuing Education, National Taiwan Normal University, Mr. Lin, Jenn-Chuen, who are responsible for formulating and regularly reviewing the annual and long-term performance goals of directors and executive officers, as well as policies, systems, standards and structures for remuneration. In a professional and objective position, the Committee regularly evaluates the achievement of the performance objectives of the directors and executive officers of the Company, assess the content and amount of their individual remuneration, and makes recommendations to the board of directors for reference in decision-making.

(iii) Establishment of the Nominating Committee

On March 25, 2022, the board of directors of the Company formulated the "Nomination Committee Chart", and appointed the Chairman (HU, CHIU-CHIANG (@Douglas Hu)) and all independent directors (three seats, including LIN, HUNG (@Vincent Lin), TSAI, YU-PING (@Edward Tsai), and YU, HSUEH-PING (@Peggy Yu)) to establish the 1st term Nominating Committee (four seats), with a term of office from the date of appointment by the resolution of the Board of Directors (2022/3/25) to the date of expiration of the current Directors' term of office (i.e. July 19, 2024 or the date of the full re-election of directors at the 2024 general meeting of shareholders, whichever is the former), resignation from the Committee or the director's position, or another resolution by the Board of Directors to replace the original director as a member of the Committee. Mr. LIN, HUNG (@Vincent Lin), an independent director, serves as the convener of the Committee and the chairman of the meeting. The official powers of the Committee are as follows:

1. To establish criteria for the diversity of backgrounds and independence in terms of expertise, skills, experience, and gender required of Board members and senior management and identify, review, and nominate candidates for directors and senior management accordingly.
2. To establish and develop the organizational structure of the Board of Directors and committees, to evaluate the performance of the Board of Directors, committees, directors and senior management, and to evaluate the independence of independent directors.
3. To establish and periodically review directors' continuing education programs and succession plans for directors and senior management.
4. To revise the Company's Corporate Governance Best Practice Principles.

(iv) Establishment of the Sustainable Development Committee

On March 25, 2022, the board of directors of the Company formulated the "Sustainable Development Committee Chart", and appointed the Chairman (HU, CHIU-CHIANG (@Douglas Hu)), director concurrently assuming the duty of Chief Operating Officer (CHI, TING-FANG (@Stan Chi)), and all independent directors (three seats, including LIN, HUNG (@Vincent Lin), TSAI, YU-PING (@Edward Tsai), and YU, HSUEH-PING (@Peggy Yu)) to establish the 1st term Sustainable Development Committee (five seats), with a term of office from the date of appointment by the resolution of the Board of Directors (2022/3/25) to the date of expiration of the current Directors' term of office (i.e. July 19, 2024 or the date of the full re-election of directors at the 2024 general meeting of shareholders, whichever is the former),

resignation from the Committee or the director's position, or another resolution by the Board of Directors to replace the original director as a member of the Committee. YU, HSUEH-PING (@Peggy Yu), an independent director, serves as the convener of the Committee and the chairman of the meeting. The official powers of the Committee are as follows:

1. To formulate the Company's policy on sustainable development.
2. To formulate the goals, strategies and implementation plans for the sustainable corporate development, including sustainable governance, ethical management, others in environmental and social aspects.
3. To review, track and revise the implementation and effectiveness of the Company's sustainable development and report to the Board of Directors on a regular basis.
4. To focus on issues of concern to stakeholders and to supervise communication plans.
5. To review risk management policy, including but not limited to information security, etc.
6. To review the appropriateness of the risk management framework.
7. To review major risk management strategies, including risk appetite or tolerance.
8. To review the management reports of major risk issues and supervise the improvement mechanism and report the risk management performance to the Board of Directors on a regular basis.

(ii) Audit Committee

A total of 7 (A) and 1 (A) meetings of the Audit Committee were held in 2021 and as of the end of April in 2022 respectively. The attendance of director were as follows:

Title	Name	Attendance in Person (B)		By Proxy		Attendance Rate (%) 【 B/A 】		Remarks
		2021	As of the end of April 2022	2021	As of the end of April 2022	2021	As of the end of April 2022	
Independent director	TSAI, YU-PING (@Edward Tsai)	7	2	-	-	100.0	100.0	Re-elected on 2020/7/20
Independent director	LIN, HUNG (@Vincent Lin)	7	2	-	-	100.0	100.0	Re-elected on 2020/7/20
Independent Director	YU, HSUEH-PING (@Peggy Yu)	7	2	-	-	100.0	100.0	Re-elected on 2020/7/20

Other mentionable items:

- i.** If any of the following circumstances occur, the dates of meetings, sessions, contents of motion, resolutions of the Audit Committee and the Company's response to the Audit Committee's opinion should be specified:
(i) Matters referred to in Article 14-5 of the Securities and Exchange Act.

Date of Meeting	Meeting sessions	Contents of motion	Contents of independent directors' objections, reservations or significant recommendations	Resolutions	The Company's response to the Audit Committee's opinion
2021/3/26	1 st meeting in 2021	Recognition on the 2020 Financial Statements, including individual financial statements and consolidated financial statements	No objections, reservations or significant recommendations	Approved as proposed after the chairperson consulted all attending committee members and submitted proposal to the Board of Directors for resolution.	Execution in accordance with the resolution
		Discussion on the Company's 2020 Internal Control System Statement	No objections, reservations or significant recommendations	Approved as proposed after the chairperson consulted all attending committee members and submitted proposal to the Board of Directors for resolution.	Execution in accordance with the resolution
		Discussion on the Company's endorsements and guarantees for 100% owned subsidiary WEIKENG INTERNATIONAL CO., LTD.	No objections, reservations or significant recommendations	Approved as proposed after the chairperson consulted all attending committee members and submitted proposal to the	Execution in accordance with the resolution

				Board of Directors for resolution.	
		Discussion on the Company's endorsements and guarantees for 100% owned subsidiary WEIKENG TECHNOLOGY PTE LTD.	No objections, reservations or significant recommendations	Approved as proposed after the chairperson consulted all attending committee members and submitted proposal to the Board of Directors for resolution.	Execution in accordance with the resolution
2021/5/13	2 nd meeting in 2021	Discussion on participation in subscribing to the cash capital increase of WEIKENG INTERNATIONAL CO., LTD, a 100% owned subsidiary in Hong Kong	No objections, reservations or significant recommendations	Approved as proposed after the chairperson consulted all attending committee members and submitted proposal to the Board of Directors for resolution.	Execution in accordance with the resolution
		Discussion on the Company's endorsements and guarantees for 100% owned subsidiary WEIKENG TECHNOLOGY PTE LTD.	No objections, reservations or significant recommendations	Approved as proposed after the chairperson consulted all attending committee members and submitted proposal to the Board of Directors for resolution.	Execution in accordance with the resolution
		Discussion on the Company's endorsements and guarantees for 100% owned subsidiary WEIKENG INTERNATIONAL CO., LTD.	No objections, reservations or significant recommendations	Approved as proposed after the chairperson consulted all attending committee members and submitted proposal to the Board of Directors for resolution.	Execution in accordance with the resolution
2021/6/29	3 rd meeting in 2021	Discussion on the Company's endorsements and guarantees for 100% owned subsidiary WEIKENG TECHNOLOGY PTE LTD.	No objections, reservations or significant recommendations	Approved as proposed after the chairperson consulted all attending committee members and submitted proposal to the Board of Directors for resolution.	Execution in accordance with the resolution
		Discussion on the Company's endorsements and guarantees for 100% owned subsidiary WEIKENG INTERNATIONAL CO., LTD.	No objections, reservations or significant recommendations	Approved as proposed after the chairperson consulted all attending committee members and submitted proposal to the Board of Directors for resolution.	Execution in accordance with the resolution
2021/8/12	4 th meeting in 2021	Discussion on the Company's endorsements and guarantees for 100% owned subsidiary WEIKENG INTERNATIONAL CO., LTD	No objections, reservations or significant recommendations	Approved as proposed after the chairperson consulted all attending committee members and submitted proposal to the Board of Directors for resolution.	Execution in accordance with the resolution
		Discussion on the Company's endorsements and guarantees for 100% owned subsidiary WEIKENG TECHNOLOGY PTE LTD.	No objections, reservations or significant recommendations	Approved as proposed after the chairperson consulted all attending committee members and submitted proposal to the Board of Directors for resolution.	Execution in accordance with the resolution

2021/10/7	5 th meeting in 2021	Discussion on the Company's endorsements and guarantees for 100% owned subsidiary WEIKENG INTERNATIONAL CO., LTD	No objections, reservations or significant recommendations	Approved as proposed after the chairperson consulted all attending committee members and submitted proposal to the Board of Directors for resolution.	Execution in accordance with the resolution
		Discussion on the Company's endorsements and guarantees for 100% owned subsidiary WEIKENG INTERNATIONAL (SHANGHAI) CO., LTD.	No objections, reservations or significant recommendations	Approved as proposed after the chairperson consulted all attending committee members and submitted proposal to the Board of Directors for resolution.	Execution in accordance with the resolution
2021/11/11	6 th meeting in 2021	Discussion on the Company's 2022 audit plan	No objections, reservations or significant recommendations	Approved as proposed after the chairperson consulted all attending committee members and submitted proposal to the Board of Directors for resolution.	Execution in accordance with the resolution
		Discussion on the Company's endorsements and guarantees for 100% owned subsidiary WEIKENG INTERNATIONAL CO., LTD.	No objections, reservations or significant recommendations	Approved as proposed after the chairperson consulted all attending committee members and submitted proposal to the Board of Directors for resolution.	Execution in accordance with the resolution
2021/12/30	7 th meeting in 2021	Discussion on the Company's professional fees of CPA for 2022	No objections, reservations or significant recommendations	Approved as proposed after the chairperson consulted all attending committee members and submitted proposal to the Board of Directors for resolution.	Execution in accordance with the resolution
		Discussion on the Company's endorsements and guarantees for 100% owned subsidiary WEIKENG INTERNATIONAL CO., LTD.	No objections, reservations or significant recommendations	Approved as proposed after the chairperson consulted all attending committee members and submitted proposal to the Board of Directors for resolution.	Execution in accordance with the resolution
2022/3/25	1 st meeting in 2022	Recognition on the 2021 Financial Statements, including individual financial statements and consolidated financial statements	No objections, reservations or significant recommendations	Approved as proposed after the chairperson consulted all attending committee members and submitted proposal to the Board of Directors for resolution.	Execution in accordance with the resolution
		Discussion on the Company's 2021 Internal Control System Statement	No objections, reservations or significant recommendations	Approved as proposed after the chairperson consulted all attending committee members and submitted proposal to the Board of Directors for resolution.	Execution in accordance with the resolution
		Discussion on the appointment of Certified Public Accountants for the Company's 2022 financial statements	No objections, reservations or significant recommendations	Approved as proposed after the chairperson consulted all attending committee members and	Execution in accordance with the resolution

				submitted proposal to the Board of Directors for resolution.	
		Discussion on the some amendments to the Company's "Procedures for Acquisition or Disposal of Assets"	No objections, reservations or significant recommendations	Approved as proposed after the chairperson consulted all attending committee members and submitted proposal to the Board of Directors for resolution.	Execution in accordance with the resolution
		Discussion on the Company's issuance of the 6th domestic unsecured convertible corporate bonds	No objections, reservations or significant recommendations	Approved as proposed after the chairperson consulted all attending committee members and submitted proposal to the Board of Directors for resolution.	Execution in accordance with the resolution
		Discussion on the evaluation of CPA's independence and suitability for the Company's 2022 annual financial statements	No objections, reservations or significant recommendations	Approved as proposed after the chairperson consulted all attending committee members and submitted proposal to the Board of Directors for resolution.	Execution in accordance with the resolution
		Discussion on the Company's endorsements and guarantees for 100% owned subsidiary WEIKENG INTERNATIONAL CO., LTD.	No objections, reservations or significant recommendations	Approved as proposed after the chairperson consulted all attending committee members and submitted proposal to the Board of Directors for resolution.	Execution in accordance with the resolution
		Discussion on the Company's endorsements and guarantees for 100% owned subsidiary WEIKENG TECHNOLOGY PTE LTD.	No objections, reservations or significant recommendations	Approved as proposed after the chairperson consulted all attending committee members and submitted proposal to the Board of Directors for resolution.	Execution in accordance with the resolution
		Discussion on the Company's endorsements and guarantees for 100% owned subsidiary WEIKENG INTERNATIONAL (SHANGHAI) CO., LTD.	No objections, reservations or significant recommendations	Approved as proposed after the chairperson consulted all attending committee members and submitted proposal to the Board of Directors for resolution.	Execution in accordance with the resolution
2022/4/20	2 nd meeting in 2022	Discussion on the some amendments to the Company's "Procedures for Acquisition or Disposal of Assets"	No objections, reservations or significant recommendations	Approved as proposed after the chairperson consulted all attending committee members and submitted proposal to the Board of Directors for resolution.	Execution in accordance with the resolution
		Discussion on the ratification of the Company's acquisition of the right-of-use assets from the related party 100% owned subsidiary Weikeng International Co., Ltd.	No objections, reservations or significant recommendations	Approved as proposed after the chairperson consulted all attending committee members and submitted proposal to the Board of Directors for resolution.	Execution in accordance with the resolution

(ii) Other matters, which were not approved by the Audit Committee but were approved by two-thirds or more of all directors: None.

ii. If there are independent directors' avoidance of motions in conflict of interest, the directors' names, contents of motion, causes for avoidance and voting should be specified: None

iii. Communications between the independent directors, the Company's chief internal auditor and CPAs (e.g. the material items, methods and results of audits of corporate finance or operations, etc.):

(i) Normally, internal audit supervisor and CPA may communicate directly with independent directors / Audit Committee member by e-mail, telephone or meeting as needed. In principle, the head of internal audit attends the Audit Committee at least once a quarter (at least four times a year) to report and communicate with the independent directors; while CPA communicates with independent directors (Audit Committee) at least twice a year in a symposium.

(ii) The communication situation is as the below table:

Year	Frequency of Communication (Number of Times)	Way of Communication	Remark
2022 (As of the end of March)	1	Head of Internal Audit attended Audit Committee	No non-independent directors and management were present at the time.
	1	Symposium between CPA and members of the Audit Committee	
2021	7	Head of Internal Audit Attended Audit Committee	No non-independent directors and management were present at the time.
	2	Symposium between accountants and members of the audit committee	

(iii) The content of communication is as follows:

1. In 2021

Date	Way of Communication	Highlights of Communication	Results of Communication
2021/3/26	Communication meeting between independent auditor(CPA) and Audit Committee(Independent Directors)	<ol style="list-style-type: none"> 1. The independence of CPA 2. The responsibility of CPA and auditor for auditing financial statements 3. The scope of audit 4. The auditing discovery 5. Matters Concerned by the Competent Authority 6. Updates to important securities management laws and regulations 	<ol style="list-style-type: none"> 1. Key audit items in the 2020 financial statements: <ol style="list-style-type: none"> (1) Income recognition (individual & consolidated) (2) Inventory evaluation (individual & consolidated) (3) Investment using the equity method (individual) 2. The auditors' opinion of 2020 financial statement: unqualified opinion. 3. Matters Concerned by the Competent Authority: <ol style="list-style-type: none"> (1) Strengthen the internal control process of evaluating investment cycles, focusing on the risk management of financial products and fund investment. (2) The CPA shall strengthen the assessment of the impact of the COVID-19 epidemic on the Company's ability to continue operations, asset impairment and financing risks in the auditing and attesting of the 2020 financial report, and enhance the relevant auditing procedures.

			4. Updates to important securities management laws and regulations: Emphasize that the financial report preparation ability of listed companies should cooperate in handling matters.
	Supervisor of internal auditor attended the Audit Committee (Independent Directors)	1. Presentation of Audit report 2. Review the 2020 internal control statement	1. No major lack of internal control and abnormal events, and report to the Board of Directors. 2. Agreed to submit the 2020 internal control statement to Board of Directors for resolution.
2021/5/13	Supervisor of internal auditor attended the Audit Committee (Independent Directors)	Presentation of Audit report	No major lack of internal control and abnormal events, and report to the Board of Directors.
2021/6/29	Supervisor of internal auditor attended the Audit Committee (Independent Directors)	Presentation of Audit report	No major lack of internal control and abnormal events, and report to the Board of Directors.
2021/8/12	Supervisor of internal auditor attended the Audit Committee (Independent Directors)	Presentation of Audit report	No major lack of internal control and abnormal events, and report to the Board of Directors.
2021/10/7	Supervisor of internal auditor attended the Audit Committee (Independent Directors)	Presentation of Audit report	No major lack of internal control and abnormal events, and report to the Board of Directors.
2021/11/11	Supervisor of internal auditor attended the Audit Committee (Independent Directors)	1. Presentation of Audit report 2. Discussion on the 2022 internal audit plan	1. No major lack of internal control and abnormal events, and report to the Board of Directors. 2. Agreed to submit the 2022 internal audit plan to Board of Directors for resolution.
2021/12/30	Communication meeting between independent auditor(CPA) and Audit Committee(Independent Directors)	1. Independence: auditors, firms and alliance firms 2. 2021 audit plan: audit scope and proposed key audit items 3. Important statute updates	1. KPMG has all complied with the declaration of independence norms, and there are no matters that affect independence. 2. Individuals within the scope of audit include: (1) Major: Weikeng Industrial Co., Ltd., Weikeng International Co., Ltd, Weikeng International (Shanghai) Co., Ltd. (2) Not material: Weitech International Co., Ltd, Weikeng Electronic Technology (Shanghai) Co., Ltd., Weikeng Technology Pte. Ltd. and Weikeng Technology Co., Ltd. 3. Key audit items: (1) Individual financial reports: sales revenue recognition, inventory evaluation, and investments recognized by the equity method (2) Consolidated financial report: sales revenue recognition and inventory evaluation 4. Important statute updates:

			<p>(1) Amendments to the Q & A of Regulations Governing Procedure for Board of Directors Meetings-Procedures for the approval of the interim financial report for review: (Choose one)</p> <p>(2) Amendment to the establishment of corporate governance officer standards for listed companies</p> <p>(3) Amendment to the regulations of material information announcement-occurrences of information communication security incidents</p> <p>(4) Explanation of the draft amendment to Article 9-1 of Regulations Governing Establishment of Internal Control Systems by Public Companies: It clearly stipulates that appropriate human resources and equipment should be allocated to plan, monitor, and perform information security management operations for the information security system. If it meets certain conditions, the competent authority may order to appoint a person who comprehensively manages information security policy promotion and resource scheduling affairs to concurrently serve as the chief information security officer, and set up dedicated information security units, supervisors and personnel to facilitate differentiated management. The Company is a second-tier company and should have a dedicated information security officer and at least one dedicated information security personnel, and the establishment will be completed by the end of 2023.</p>
	Supervisor of internal auditor attended the Audit Committee (Independent Directors)	Presentation of Audit report	No major lack of internal control and abnormal events, and report to the Board of Directors.

2. As of the end of March in 2022

Date	Way of Communication	Highlights of Communication	Results of Communication
2022/3/25	Symposium between CPA and members of the Audit Committee	1. Independence: auditors, firms and alliance firms	1. KPMG has all complied with the declaration of independence norms,

		<ol style="list-style-type: none"> 2. The responsibility of CPA and auditor for auditing financial statements 3. The scope of audit for 2021 financial report 4. The auditing discovery for 2021 financial report 5. Important statute updates 	<p>and there are no matters that affect independence.</p> <ol style="list-style-type: none"> 2. The audit work is performed by KPMG, but the management and governance units cannot relieve their responsibilities for the financial statements. 3. Individuals within the scope of audit include: <ol style="list-style-type: none"> (3) Major: Weikeng Industrial Co., Ltd., Weikeng International Co., Ltd, Weikeng International (Shanghai) Co., Ltd. (4) Not material: Weitech International Co., Ltd, Weikeng Electronic Technology (Shanghai) Co., Ltd., Weikeng Technology Pte. Ltd. and Weikeng Technology Co., Ltd. 4. Key audit items: <ol style="list-style-type: none"> (3) Individual financial reports: sales revenue recognition, inventory evaluation, and investments recognized by the equity method. (4) Consolidated financial report: sales revenue recognition and inventory evaluation. (5) The auditors' opinion of 2021 financial statement: unqualified opinion. 5. Important statute updates: <ol style="list-style-type: none"> (1) Amendments to the "Regulations Governing Information to be Published in Annual Reports of Public Companies": <ol style="list-style-type: none"> A. Information on Information and Cyber Security. B. Environmental and Social Information Disclosure. C. Annual Report Announcement Period. (2) Amendments to the "Regulations Governing Establishment of Internal Control Systems by Public Companies": The Company shall set up a dedicated information security unit, supervisor and at least one dedicated staff before the end of 2023. (3) Amendment of the Company Act and the applicable conditions of the video shareholders meeting: The Company will adopt a hybrid type (holding a physical meeting and assisting with video), and pay attention to the
--	--	--	---

			<p>applicable conditions, and will revise the Company's articles of association to apply it.</p> <p>(4) Amendments to the "Procedures for Acquisition or Disposal of Assets:</p> <p>A. Professional appraisers and their appraisers, accountants, lawyers, or securities underwriters should follow the self-discipline rules of their respective industrial associations when issuing appraisal reports or opinions.</p> <p>B. If the public offering company or its subsidiary that is not a domestic public offering company acquires or disposes of assets from a related party, and the transaction amount exceeds 10% of the total assets of the public offering company, the public offering company shall submit the relevant information to the shareholders' meeting for approval before doing so.</p> <p>C. The company has revised the Procedure in accordance with the relevant provisions, and will submit it to the recent Board of Directors and the 2022 Annual General Meeting of shareholders for approval.</p>
	Supervisor of internal auditor attended the Audit Committee (Independent Directors)	<ol style="list-style-type: none"> 1. Presentation of Audit report for January to February, 2022. 2. Review the 2021 internal control statement. 	<ol style="list-style-type: none"> 1. No major lack of internal control and abnormal events, and report to the Board of Directors. 2. Agreed to submit the 2021 internal control statement to Board of Directors for resolution.

(iii) The Company's implementation of corporate governance and the differences from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the reasons therefor.

Evaluation items	The state of operations (Note 1)			The differences from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the reasons.
	Yes	No	Summary description	
I. Has the Company formulated and disclosed its corporate governance practice principles in accordance with the "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies"?	✓		The Company has established its "Corporate Governance Best Practice Principles" in accordance with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies, which has been disclosed on the Company's official website and the Market Observation Post System (MOPS).	No material difference
II. The Company's equity structure and shareholders' equity				
(1) Has the Company established internal operating procedures to handle shareholder recommendations, doubts, disputes and litigations, and implemented them in accordance with the procedures?	✓		(1) The Company has established the "Management Regulations Governing for Stock Affairs Operations" to incorporate the management of stock affairs operations into the control operations of the internal control system. It has a dedicated stock affairs staff (by phone or email) to handle shareholder proposals or disputes in accordance with the regulations.	No material difference
(2) Does the Company have a list of the major shareholders who actually control the Company and those who ultimately have control over the major shareholders?	✓		(2) The Company has a dedicated stock affairs staff and a stock affairs agency to keep track of the list of major shareholders and the list of those who ultimately have control over the major shareholders and report changes in information in accordance with the regulations.	No material difference
(3) Has the Company established and	✓		(3) The Company has established the "Rules Governing Financial and Business Matters	No material

Evaluation items	The state of operations (Note 1)		Summary description	The differences from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the reasons.
	Yes	No		
implemented risk control and firewall mechanisms between affiliated companies?			with Affiliated Companies, Group Enterprises and Specified Companies", "Operational Management/administration rules for Overseas Subsidiaries", "Rules for Governing Operations of Subsidiaries", "Rules for the Supervision of Invested Enterprises with Controlling Power", etc., which provide clear strategies and regulations for financial and business matters. The financial and business transactions with each affiliate are performed independently. The internal auditors implement audits on a regular and irregular basis and submit the audit results to the Audit Committee and the Board of Directors.	difference
(4) Has the Company formulated internal regulations to prevent insiders from trading securities using undisclosed information on the market?	✓		(4) In order to protect shareholders' rights and interests and to treat shareholders fairly, the Company has established the "Operating Procedures for Handling Material Inside Information" to implement a mechanism for handling and disclosing material internal information to prevent inappropriate leakage of material inside information that may result in insider trading or short swing trading with asymmetric information, and to provide timely guidance to insiders, such as directors, managerial officers or employees of the Company, that insider trading/short swing trading or profiting from asymmetric market information is prohibited. The Procedures specify that the Company's insiders from the date of learning about the Company's financial report or related business performance, including (but not limited to) directors not allowed to trade their shares of the Company that are listed on an exchange or an over-the-counter market, or any other equity-type security of the Company during the lock-up period 30 days before the announcement of the annual financial report and 15 days before the announcement of the quarterly financial report. And if the above-mentioned content information will have a material impact on the price of the aforementioned securities issued by the Company, the insiders of the Company shall	No material difference

Evaluation items	The state of operations (Note 1)		Summary description	The differences from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the reasons.
	Yes	No		
			not violate the provisions of the information precipitation period stipulated in Article 157-1 of the Securities and Exchange Act, that is, after the information is precise, and prior to the public disclosure of such information or within 18 hours after its public disclosure, the Company's insiders shall not purchase or sell, in the person's own name or in the name of another, shares of the Company that are listed on an exchange or an over-the-counter market, or any other equity-type security of the Company.	
<p>III. Composition and responsibilities of the Board of Directors</p> <p>(1) Has the Board of Directors formulated and implemented a diversity policy on membership and specific management objectives?</p>	✓		<p>(1) Since June 2018, the Company has adopted the candidate nomination system for the election of all directors of the Company. In accordance with the Company's "Corporate Governance Best Practice Principles", the Board of Directors shall have five or more members as appropriate. The scale of the Company's business and development, the shareholdings of its major shareholders, and the practical operational needs should be taken into account when determining the structure of the Board of Directors. The composition of the Board of Directors shall be diversified. The number of directors who are also executive officers of the Company shall not exceed one-third of the number of directors. An appropriate diversity policy shall be formulated with respect to its functions, operation type and development needs. The members of the Board of Directors shall have different professional knowledge and skills (legal, accounting, industrial, financial, marketing or industrial technology professional background, professional skills and industrial experience, etc.) or gender, age, etc. In order to achieve the desired objectives of corporate governance, it is desirable that the Board of Directors as a whole have the following competencies:</p> <p>1. Ability to make operational judgments and decisions.</p>	No material difference

Evaluation items	The state of operations (Note 1)		Summary description	The differences from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the reasons.																													
	Yes	No																															
			<p>2. Business strategies management and leadership skills.</p> <p>3. Crisis analysis, decision- making and administration skills.</p> <p>4. Industry development and technology application insight.</p> <p>5. Foresight of sustainable development pulsation.</p> <p>6. Accounting information and financial analysis capability.</p> <p>All of the seven directors of the Company are the nationals of Taiwan R.O.C. They possess the knowledge, skills, and education necessary to perform their duties and have extensive professional experience in accounting, finance, business, law, marketing, industrial technology, etc. Among them, there is one female director (14.3%, Yu, Hsueh-ping(@Peggy Yu)); age range, there are five directors in the age range of 61~70 (71.4%, Hu, Chiu-Chiang(@Douglas Hu), Chi, Ting-Fang(@Stan Chi), Chen, Cheng-Fong(@Eric Chen), Tsai, Yu-Ping(@Edward Tsai), Yu, Hsueh-Ping(@Peggy Yu)), one in the age range of 51~60 (14.3%, Lin, Hung(@Vincent Lin)), and one in the age range of 41~50 (14.3%, Chen, Kuan-Hua(@Bill Chen)).</p> <p>The diversity of the Board of Directors is as follows:</p> <table border="1"> <thead> <tr> <th rowspan="2">Name of directors</th> <th colspan="5">Diversified core expertise</th> </tr> <tr> <th>Finance and Accounting</th> <th>Commerce</th> <th>Law</th> <th>Marketing</th> <th>Industrial Technology</th> </tr> </thead> <tbody> <tr> <td>Hu, Chiu-Chiang (@Douglas Hu)</td> <td>✓</td> <td>✓</td> <td></td> <td>✓</td> <td>✓</td> </tr> <tr> <td>Tsai, Yu-Ping (@Edward Tsai) (Independent director)</td> <td>✓</td> <td>✓</td> <td>✓</td> <td></td> <td>✓</td> </tr> <tr> <td>Lin, Hung (@Vincent Lin)</td> <td>✓</td> <td>✓</td> <td></td> <td>✓</td> <td></td> </tr> </tbody> </table>	Name of directors	Diversified core expertise					Finance and Accounting	Commerce	Law	Marketing	Industrial Technology	Hu, Chiu-Chiang (@Douglas Hu)	✓	✓		✓	✓	Tsai, Yu-Ping (@Edward Tsai) (Independent director)	✓	✓	✓		✓	Lin, Hung (@Vincent Lin)	✓	✓		✓		
Name of directors	Diversified core expertise																																
	Finance and Accounting	Commerce	Law	Marketing	Industrial Technology																												
Hu, Chiu-Chiang (@Douglas Hu)	✓	✓		✓	✓																												
Tsai, Yu-Ping (@Edward Tsai) (Independent director)	✓	✓	✓		✓																												
Lin, Hung (@Vincent Lin)	✓	✓		✓																													

Evaluation items	The state of operations (Note 1)						The differences from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the reasons.	
	Yes	No	Summary description					
			(Independent director)					
			Yu, Hsueh-Ping (@Peggy Yu) (Independent director)	✓	✓	✓	✓	
			Representative of Weiji Investment Co., Ltd. Chen, Cheng-Fong (@Eric Chen)		✓	✓	✓	
			Chi, Ting-Fang (@Stan Chi)		✓	✓	✓	
			Chen, Kuan-Hua @(Bill Chen)	✓	✓		✓	
(2) In addition to the Remuneration Committee and the Audit Committee established in accordance with law, has the Company voluntarily set up other functional committees?	✓		(2) The Company has established the Remuneration Committee and the Audit Committee in accordance with the law. Please refer to the Company's annual report and official website for the meetings, motions and resolutions. In addition, the Company's Board of Directors approved to establish the Nominating Committee and the Sustainable Development Committee on March 25, 2022.				No material difference	
(3) Has the Company established measures for evaluating the performance of the Board of Directors and its evaluation method, conducts performance evaluation annually and regularly, and submits the	✓		(3) The Company has established the Board of Directors' performance evaluation measures and its evaluation method. It will conduct the performance evaluation before the first quarter of the following year and submit the results to the Board of Directors, which will serve as a reference document for the annual nomination of directors for election. For 2021, the Company has completed the self-evaluation of the performance of the Board of Directors and the members of the Board of Directors,				No material difference	

Evaluation items	The state of operations (Note 1)		Summary description	The differences from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the reasons.												
	Yes	No														
performance evaluation results to the Board of Directors for reference of individual director's salary, bonus, and a nomination for reappointment?			and reported to the Board of Directors on January 14, 2022. Please refer to the Company's official website for the relevant self-evaluation results.													
(4) Does the Company regularly evaluate the independence of the attesting CPAs?	✓		<p>(4) The Company's Administrative Division regularly evaluates the independence of the attesting CPAs in accordance with Article 47 of the Certified Public Accountant Act, Bulletin No. 10 of the Norm of Professional Ethics for Certified Public Accountant and the independence declaration/independence and competence evaluation form issued by KPMG. It then forwards them to the Board of Directors for evaluation of the independence of the CPAs.</p> <table border="1"> <thead> <tr> <th>Annual Financial Report</th> <th>KPMG CPAs</th> <th>Board Evaluation Date</th> <th>Result</th> </tr> </thead> <tbody> <tr> <td>2021</td> <td>Lo, Jui-Lan Au, Yiu-Kwan</td> <td>2020/12/30</td> <td>Met the independence and competence standards</td> </tr> <tr> <td>2022</td> <td>Au, Yiu-Kwan Kuo, Kuan-Ying</td> <td>2022/3/25</td> <td>Met the independence and competence standards</td> </tr> </tbody> </table>	Annual Financial Report	KPMG CPAs	Board Evaluation Date	Result	2021	Lo, Jui-Lan Au, Yiu-Kwan	2020/12/30	Met the independence and competence standards	2022	Au, Yiu-Kwan Kuo, Kuan-Ying	2022/3/25	Met the independence and competence standards	No material difference
Annual Financial Report	KPMG CPAs	Board Evaluation Date	Result													
2021	Lo, Jui-Lan Au, Yiu-Kwan	2020/12/30	Met the independence and competence standards													
2022	Au, Yiu-Kwan Kuo, Kuan-Ying	2022/3/25	Met the independence and competence standards													
IV. Does the Company as a listed company have a suitable and appropriate number of corporate governance personnel and	✓		The Chairman Office of the Company is the dedicated unit for corporate governance. The Board of Directors appointed the senior vice president of the Administration Division as the corporate governance officer on May 13, 2021 to be responsible for the following main corporate governance matters: (I) Administer matters related to the Board of Directors'	No material difference												

Evaluation items	The state of operations (Note 1)		The differences from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the reasons.
	Yes	No	
appoint a corporate governance officer to be responsible for corporate governance related matters (including but not limited to providing information necessary for directors and supervisors to perform their business, assisting directors and supervisors in complying with laws and regulations, conducting board meeting and shareholder meeting related matters in accordance with law, handling company registration and alteration registration, and preparing minutes of board meetings and shareholder meetings, etc.)?			meetings and shareholders' meetings in accordance with the law. (II) Prepare minutes of the Board of Directors' and shareholders' meetings. (III) Assist directors and independent directors in their appointment and continuing education. (IV) Provide information necessary for the directors, the Audit Committee and the Remuneration Committee to carry out their business. (V) Assist the directors, the Audit committee and the Remuneration committee in complying with the laws and regulations. (VI) Handle matters related to investor relations. (VII) Take care of other matters in accordance with the Company's Articles of Association or laws and regulations. The relevant corporate governance staff, including the Human Resources Office, the stock affairs staff, the legal staff and the financial and accounting staff of the Administration Department, shall assist the corporate governance officer in conducting the aforementioned corporate governance affairs and shall follow the provisions of this Corporate Governance Best Practice Principles.
V. Has the Company established communication channels with stakeholders (including but not limited to shareholders, employees, customers and suppliers, etc.) and a special	✓		The Company has set up a special section for stakeholders on the Company's website, and internally, the supervisor of each department in the Company's Administration Division serves as a communication channel to respond to important CSR issues of concern to stakeholders. Please refer to the special section for stakeholders on the Company's website for related issues of concern to stakeholders, communication and the Company's response.

Evaluation items	The state of operations (Note 1)		Summary description	The differences from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the reasons.
	Yes	No		
section for stakeholders on the Company's website, and responded appropriately to important corporate social responsibility issues that are of concern to stakeholders?				
VI. Has the Company appointed a professional stock affairs agency to handle matters for shareholders' meetings?	✓		The Company has appointed the Stock Affairs Agency Department of "Yuanta Securities Co., Ltd." to handle the shareholders' meetings and stock affairs related matters.	No material difference
VII. Information disclosure (1) Has the Company set up a website to disclose finance and business matters and corporate governance information?	✓		(1) The Company has a website to disclose information on its financial and business matters and corporate governance, and provides links to public information on the official website of the MOPS.	No material difference
(2) Has the Company adopted other means of information disclosure (such as setting up an English website, appointing dedicated personnel responsible for collecting and disclosing Company information, implementing a spokesperson system, posting the Company's	✓		(2) The Company has an English website and has a dedicated person responsible for the disclosure of material information in accordance with the regulations, and has implemented a spokesperson system and placed the proceedings of the Earnings Conference on the Company's website in accordance with the regulations.	No material difference

Evaluation items	The state of operations (Note 1)			The differences from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the reasons.
	Yes	No	Summary description	
earnings calls on its website, etc.)? (3) Does the Company publicly announce and file annual financial statements within two months after the end of the fiscal year, and the financial statements for the first, second and third quarters and the monthly operating status before the prescribed deadline?		✓	(3) Although the Company does not provide and report the annual financial statements within two months after the end of each fiscal year, the Company still announces and reports the annual financial statements within three months of the prescribed deadline; the financial statements for the first, second, and third quarters of the fiscal year and monthly operations are announced and reported within the statutory deadline.	The financial statements are announced and reported before the deadline stipulated by the regulations.
VIII. Does the Company have other important information that is helpful to understand its implementation of corporate governance (including but not limited to employee rights, employee care, investor relations, supplier relations, stakeholder rights, continuing education of directors and supervisors, implementation of risk management policy and risk measurement standards,	✓		<ol style="list-style-type: none"> 1. For more information on employees' rights and interests as well as employees' benefits, please refer to the Annual Report -- V. Operations Overview and V. Labor Relations. 2. For risk management policy and risk assessment status, please refer to the implementation of risk management policy and procedures in the special section for sustainability on the Company's official website, as well as the Annual Report -- Review and Analysis of Financial Condition and Operations Results and Risks. 3. The Company has purchased directors' and managerial officers' liability insurance from Insurance Company of North America for NT\$323,800,000 for a period of one year with an expiration date of Jun. 16, 2022 and will evaluate for renewal two months prior to expiration. 4. Please refer to the special section for stakeholders on the Company's website for other related issues of concern to stakeholders, communication and the Company's response. 	No material difference

Evaluation items	The state of operations (Note 1)		Summary description	The differences from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the reasons.				
	Yes	No						
implementation of customer policy, the Company's purchase of liability insurance for directors and supervisors, etc.)?			5. Continuing education of directors of the Company					
			Director	Hu, Chiu-Chiang (@Douglas Hu)	3	2021/10/28	Taiwan Corporate Governance Association	The Key to Success or Failure of Digital Transformation- Case Sharing
					3	2021/11/18		Case Analysis of Hostile Takeover, Competition for Management Rights, and Corporate Countermeasures
			Director	Chi, Ting-Fang (@Stan Chi)	3	2021/11/18	Taiwan Corporate Governance Association	Case Analysis of Hostile Takeover, Competition for Management Rights, and Corporate Countermeasures
					3	2021/11/26		2030/2050 Net Zero Emissions-Sustainable Challenges and Opportunities for Global Enterprises
			Representative of Juristic Person Director	Chen, Cheng-Fong	3	2021/08/06	Taiwan Corporate Governance	The Distance Between Us and Insider Trading
		3	2021/08/10		Handling Practices of			

Evaluation items	The state of operations (Note 1)							The differences from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the reasons.
	Yes	No	Summary description					
				(@Eric Chen)			Association	Information Security Incidents Under the New Normal of Post-Epidemic
			3		2021/08/13			Red Flag for Fraudulent Financial Reporting
			3		2021/09/13			The 13th Taipei Corporate Governance Forum
			3	Chen, Kuan-Hua (@Bill Chen)	2021/09/16	Securities and Futures Institute		Intellectual Property Management from the Board of Directors' Perspective
			3		2021/11/05			2021 Annual Promotion Conference on Prevention of Insider Trading
			3	Tsai, Yu-Ping (@Edward Tsai)	2021/09/22	Securities and Futures Institute		Corporate M&A Practice Sharing-Centered on Hostile Takeover
			3		2021/10/05			Key Technology and Business Opportunities in Quantum Technology
			3	Lin, Hung	2021/11/18	Taiwan		Case Analysis of Hostile

Evaluation items	The state of operations (Note 1)						The differences from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the reasons.
	Yes	No	Summary description				
			Director (@Vincent Lin)			Corporate Governance Association	Takeover, Competition for Management Rights, and Corporate Countermeasures
				3	2021/11/26		2030/2050 Net Zero Emissions-Sustainable Challenges and Opportunities for Global Enterprises
			Independent Director Yu, Hsueh-Ping (@Peggy Yu)	3	2021/11/26	Taiwan Corporate Governance Association	2030/2050 Net Zero Emissions-Sustainable Challenges and Opportunities for Global Enterprises
				3	2021/12/03	Securities and Futures Institute	Key Technology and Business Opportunities in Quantum Technology
<p>IX. Please describe the improvements that have been made in response to the corporate governance evaluation results issued by the Corporate Governance Center of the Taiwan Stock Exchange in the most recent year, and propose priorities and measures for those not yet improved:</p> <ol style="list-style-type: none"> 1. The Company has been engaged in and completed the self-evaluation operations of the governance evaluation in accordance with the corporate governance regulations, and most of them have complied with the spirit of corporate governance with no material differences. 2. The Company reported to the board of directors on March 25, 2011 and enacted the "Succession Planning for Board Members and Key Senior Management", please refer to the special section for Corporate Governance_ Succession Planning for Board Members and Key Senior Management on the Company's website. 							

Note 1: The state of operations, no matter if "Yes" or "No" is checked, should be described in the summary description.

(iv) Composition, Responsibilities and Operations of the Remuneration Committee and Nominating Committee

1. Information on the members of the Remuneration Committee

Title	Criteria Name	Qualifications and Experience	Independence	Number of Other Public Companies in Which the Individual is Concurrently Serving as a member of Remuneration Committee
Convener/ Independent Director	TSAI, YU-PING (@Edward Tsai)	<p>Mr. Tsai is the chairman of Paradigm Venture Partners, L.L.C., a venture capital company that provides fund to ventures mainly in the semiconductor, telecommunication, software development, opto-electronics, bio-tech, medical equipment, aerospace, and materials sectors. He has served as President & CEO at President Securities Investment Trust Co., Ltd, Chief Strategy Officer at Allianz President Insurance Group, President at Allianz-President General Insurance Co., Ltd.. Mr. Tsai holds a Juris Doctor degree from Santa Clara University, California. He was a lawyer at Baker & McKenzie and at Diepenbrock Wulff Plant & Hannegan, California. He was also an associate professor of Department of Law at National Chung Hsing University.</p> <p>Mr. Tsai brings to the Board legal expertise and significant experiences in the areas of law, finance, tech companies management and corporate governance. Although Mr. Tsai has served as independent directors of the Company for more than 3 consecutive terms (9 years), none of the violations of Article 30 of the Company Act has occurred. He continues to take on the responsibilities as independent director and audit committee to enhance the quality of the Company's corporate governance and the supervision of the audit committee by providing the Board with insightful industry analysis and integration, risk management, legal strategy / compliance and management decision-making opinions on the operation and management.</p>	<p>According to the Company's Articles of Association and the "Corporate Governance Best Practice Principles", directors are selected by the candidate nomination system. During the nomination and selection of board members, the Company has obtained the written statement, work experience, current incumbency certificate, and kinship table provided by each director to verify and confirm the independence of themselves, their spouses and their relatives within the third degree kinship to the Company. The Company has also verified that the 3 independent directors are in compliance with the qualification requirements stipulated in the "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies" and Article 14-2 of the Securities and Exchange Act promulgated by the Financial Supervisory Commission during the two years before their election and during their tenure. In addition, independent directors have been given the power to fully participate in decision-making and express opinions in accordance with Article 14-3 of the Securities and Exchange Act to perform relevant functions and powers accordingly.</p>	1

Title	Criteria Name	Qualifications and Experience	Independence	Number of Other Public Companies in Which the Individual is Concurrently Serving as a member of Remuneration Committee
Independent Director	LIN, HUNG (@Vincent Lin)	<p>Mr. Lin holds an Executive Master of Business Administration (EMBA) degree from National Cheng Chi University. Currently, he is the Chairman of Hua Shuai Hospitality Management Consulting Co. Ltd., the President of Harbor View Hotel, and the Chairman of Dragonfly Gallery Co., Ltd. and the Director of Taiwan Miner's General Hospital. He has also served as the President of Ahotel, Taiwan Fine Business Travel Alliance, the Director of the National Federation of the Republic of China Hotel Association and the Director of Leatec Fine Ceramics Co., Ltd. He is committed to the success of the tourism hotel service industry with his familiarity with commercial laws and expertise in corporate governance.</p> <p>Although Mr. Lin has served as an independent director of the Company for more than 3 consecutive terms (9 years), none of the violations of Article 30 of the Company Act has occurred. He brings to the Board with extensive experience and vision in various industries and provides the Board timely diversified opinions on operation and management, so that the Board can have a more versatile way of thinking in terms of operation and management strategies, which strengthens the supervision and management quality of the board of directors and the audit committee.</p>		0

Title	Criteria	Qualifications and Experience	Independence	Number of Other Public Companies in Which the Individual is Concurrently Serving as a member of Remuneration Committee
	Name			
Committee Member	Lin, Jenn-Chuen	Adjunct Professor of Department of Adult & Continuing Education, National Taiwan Normal University. Moreover, Mr. Lin has no circumstances under Article 30 of the Company Act.	During the 2 years before being appointed or during the term of office, there has been no violation of the independence provisions of Article 6 of the "Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Taiwan Stock Exchange or the Taipei Exchange", and who does not concurrently serve as the Remuneration Committee of other public offering companies.	0

2. Information on the operation of the Remuneration Committee

(1) There are three members of the Remuneration Committee of the Company.

(2) The term of office of the current (5th term) members: from July 20, 2011 to July 19, 2011; the Remuneration Committee held 3 (A)(4th term) and 2 (A) (5th term) meetings in 2021 and 2022 as of the end of April, respectively, the membership qualifications and attendance are as follows:

Title	Name	Attendance in Person (B)		By Proxy		Attendance Rate (%) 【 B/A 】		Remarks
		2021	As of the end of April 2022	2021	As of the end of April 2022	2021	As of the end of April 2022	
Convener	TSAI, YU-PING (@Edward Tsai)	3	2	-	-	100.0	100.0	Re-elected on 2020/7/20 Independent Director
Committee Member	LIN, HUNG (@Vincent Lin)	3	2	-	-	100.0	100.0	Re-elected on 2020/7/20 Independent Director
Committee Member	Lin, Jenn-Chuen	3	2	-	-	100.0	100.0	Re-appointed on 2020/7/20, Adjunct Professor of Department of Adult & Continuing Education, National Taiwan Normal University

Other mentionable items:

- i.** If the Board of Directors declines to adopt or modifies a recommendation of the Remuneration Committee, it should specify the date of the meeting, session, content of the motion, resolution by the Board of Directors, and the Company's response to the Remuneration Committee's opinion (eg., the remuneration passed by the Board of Directors exceeds the recommendation of the Remuneration Committee, the circumstances and cause for the difference shall be specified): None.
- ii.** Resolutions of the Remuneration Committee objected to by members or expressed reservations and recorded or declared in writing, the date of the meeting, session, content of the motion, all members' opinions and the response to members' opinion should be specified: None.
- iii.** Material resolutions of a Remuneration Committee meeting during the most recent fiscal year (2021) and 2022 as of the end of March.

Date of Meeting	Meeting sessions	Contents of motion	Committee Opinion & Resolutions	The Company's response to the Remuneration Committee's opinion
2021/1/29	1 st meeting in 2021 (4 th term)	Discussion on the 2020 year-end bonus for Executive Officers of the Company and its important subsidiary WEIKENG INTERNATIONAL CO., LTD.	Approved as proposed after the chairperson consulted all present committee members and submitted proposal to the Board of Directors for resolution.	Execution in accordance with the resolution
2021/3/26	2 nd meeting in 2021 (4 th term)	Discussion on the approval of accounting entry for the Company's remuneration of employees and Directors for 2020	Approved as proposed after the chairperson consulted all present committee members and submitted proposal to the Board of Directors for resolution.	Execution in accordance with the resolution
2021/6/29	3 rd meeting in 2021 (4 th term)	Discussion on the Company's 2020 employee remuneration distribution and 2021 proposal of salary adjustment to executive officers	Approved as proposed after the chairperson consulted all present committee members and submitted proposal to the Board of Directors for resolution.	Execution in accordance with the resolution
2022/1/14	1 st meeting in 2022 (5 th term)	Discussion on the 2021 year-end bonus for Executive Officers of the Company and its important subsidiary WEIKENG INTERNATIONAL CO., LTD.	Approved as proposed after the chairperson consulted all present committee members and submitted proposal to the Board of Directors for resolution.	Execution in accordance with the resolution
2022/3/25	2 nd meeting in 2022 (5 th term)	Discussion on the approval of accounting entry for the Company's remuneration of employees and Directors for 2021.	Approved as proposed after the chairperson consulted all present committee members and submitted proposal to the Board of Directors for resolution.	Execution in accordance with the resolution

3. Information on the members of the Nominating Committee

(1) Qualifications and responsibilities for the appointment of members of the Company's Nominating Committee:

① Qualifications: According to Article 4 of the Nominating Committee Chart, the members of the Committee shall be appointed by the resolution of the Board of Directors, and shall be composed of the Chairman and all independent directors. The convener and chairman of the meeting shall be served by independent directors.

② Responsibilities: According to Article 5 of the the Nominating Committee Chart, the Committee, with authority by the Board of Directors, shall faithfully perform the following duties with good stewardship and shall submit its recommendations to the Board of Directors for discussion:

- a. To establish criteria for the diversity of backgrounds and independence in terms of expertise, skills, experience, and gender required of Board members and senior management and identify, review, and nominate candidates for directors and senior management accordingly.
- b. To establish and develop the organizational structure of the Board of Directors and committees, to evaluate the performance of the Board of Directors, committees, directors and senior management, and to evaluate the independence of independent directors.
- c. To establish and periodically review directors' continuing education programs and succession plans for directors and senior management.
- d. To revise the Company's Corporate Governance Best Practice Principles.

If a member of the Committee has an interest in the performance of his or her duties as mentioned above, he or she shall state the important content of his or her interest at the meeting of the Committee and shall not join the discussion and vote if it is harmful to the Company's interests. He or she shall recuse himself or herself from the discussion and voting and shall not exercise his or her voting rights on behalf of other Committee members. If the spouse or the relative within the second degree of kinship of a member of the Committee, or a legal entity with which the Committee member has a controlling subordinate relationship, has an interest in the matter of the meeting, the Committee member shall be deemed to have his or her own interest in the matter.

If the Board of Directors does not adopt the recommendation of the Committee, the Board of Directors shall decide to do so with the presence of at least two-thirds of all directors and the consent of a majority of the directors present, and the Company shall, in addition to stating the circumstances and reasons for the discrepancy in the minutes of the Board of Directors' meeting, make an announcement on the Market Observation Post System within two days from the date of the Board of Directors' decision.

(2) Professional qualifications, experience and operation of members of the Nomination Committee:

①The first term of the Nominating Committee of the Company consists of four members.

②The term of office of the current (first term) committee members: from March 25, 2022 to the expiration of the current term of directors (that is, July 19, 2024 or the date of the general re-election of directors at the 2024 general meeting of shareholders, whichever is the former). Due to the establishment of this Committee on March 25, 2022, the Nominating Committee held 0 meeting (A) in 2021 and 2022 as of the end of April. The professional qualifications and experience of the members, attendance and discussion items at the meeting are as follows:

Title	Name	Attendance in Person (B)		By Proxy		Attendance Rate (%) 【B/A】		Professional qualifications and experience
		2021	As of the end of April 2022	2021	As of the end of April 2022	2021	As of the end of April 2022	
Convener (Independent director)	LIN, HUNG (@Vincent Lin)	0	0	-	-	0	0	Please refer to the list of "Professional Qualification, Experience, and Independence of Directors" in this annual report
Committee member (Independent director)	TSAI, YU-PING (@Edward Tsai)	0	0	-	-	0	0	
Committee member (Independent director)	YU, HSUEH-PING (@Peggy Yu)	0	0	-	-	0	0	
Committee member (Chairman)	HU, CHIU-CHIANG (@Douglas Hu)	0	0	-	-	0	0	

Other mentionable items:

Resolutions of the Nominating Committee objected to by members or expressed reservations and recorded or declared in writing, the date of the meeting, session, content of the motion, all members' opinions and the response to members' opinion should be specified:

The Committee was established on March 25, 2022 with the approval of the board of directors. As of the end of April 2022, no committee meeting has been held.

(v) **Implementation of sustainable development and the differences from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies the reasons**

Evaluation items	The state of operations (Note 1)			The differences from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the reasons.
	Yes	No	Summary description (Note 2)	
I. Has the Company established a governance structure to promote sustainable development and set up a dedicated (part-time) unit to promote sustainable development, which is authorized by the Board of Directors to be handled by senior management and is supervised by the Board of Directors?	✓		<p>1. Governance structure to promote sustainable development. Although the Company had not yet established a committee to implement matters related to sustainable development as of 2021, the Board of Directors is still the highest decision-making and supervisory unit, and the Chairman Office is the dedicated unit responsible for planning, communication and coordination and operations of the various information of the Company's sustainable development, as well as the implementation affairs unit for sustainable development matters in conjunction with the Company's various business and functional units, including the sales, technical support (including R&D) and administrative and logistics support departments. In order to implement the sustainable development policy more effectively, the Company's Board of Directors approved a resolution on March 25, 2022 to establish a "Sustainable Development Committee", which is the highest guiding unit for planning and discussion of sustainable development, with an independent director as the convener and meeting chairperson of the Committee, and two functional groups for sustainable development and risk management under the Committee to ensure the promotion and implementation of work related to corporate sustainable development.</p> <p>2. Implementation of each organization. The following is a summary of the implementation of sustainable development for 2021, as reported and reviewed by each business and functional unit:</p> <p>(1) The Company's major suppliers are all internationally renowned IDM or Fabless companies. They have invested management resources in the five major areas of labor, health and safety, environment, code of ethics, and management system to meet the requirements of the</p>	No material difference

Evaluation items	The state of operations (Note 1)		Summary description (Note 2)	The differences from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the reasons.
	Yes	No		
			<p>Responsible Business Alliance (RBA)/Electronics Industry Citizenship Coalition (EICC).</p> <p>(2) The Company conducts its business activities in a fair and transparent manner based on the principle of ethical corporate management. It has established management regulations approved by the Board of Directors to regulate and review their implementation, such as the "Ethical Corporate Management Best Practice Principles", "Code of Ethical Conduct", and "Whistle-blowing System. The Company has also signed purchase contracts at the request of customers to carry through the integrity commitment, protection of trade secrets and the Electronic Industry Citizenship Coalition (EICC, including labor and recruitment, health and safety, environmental responsibility, management system, and ethical standards), etc. The Company has reviewed the relevant provisions and has complied with them.</p> <p>(3) In order to comply with product trade regulations, the Company has designed the customer screening engine to interface with the U.S. International Trade Administration's (ITA) Consolidated Screening List (CSL) application programming interface (API) to ensure that all stages of operations, such as design in, quotation, order and delivery, can clarify in a timely manner whether a potential transaction or service recipient is on the U.S. regulatory export, re-export or transfer control list to ensure that the customer has the right to transact legally and to comply with regulatory requirements.</p> <p>(4) The Company reviews its internal risk management and implements the control operations of potential risks. The corporate governance officer completed the annual risk matrix assessment operations and reported to the Board of Directors on December 30, 2021, as described in the special section for "Sustainability_ Implementation of Risk Management Policies and Procedures" on the Company's official website.</p> <p>(5) The effectiveness of the audit and internal control system procedures is reported to the Audit</p>	

Evaluation items	The state of operations (Note 1)		Summary description (Note 2)	The differences from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the reasons.
	Yes	No		
			<p>Committee and the Board of Directors by the audit department on a regular basis; please refer to the special section for "Corporate Governance_ Independent Directors' Communication with Internal Auditor and Certified Public Accountant (CPA)" on the Company's official website.</p> <p>(6) KPMG, Taiwan completed its annual report to the Audit Committee twice a year. Please refer to the special section for "Corporate Governance_ Independent Directors' Communication with Internal Auditor and Certified Public Accountant (CPA)" on the Company's official website.</p> <p>(7) The Company's spokesperson system has followed the operating procedures for handling and disclosing material information to ensure the accuracy and transparency of the Company's information disclosure to the public. In 2021, there were 29 material information announcements. Please refer to the special section for "Investor_ Material Information Announcement" on the Company's official website.</p> <p>(8) In accordance with the "Information and Cyber Security Policy and Management Regulations" revised by the Board of Directors on November 11, 2020, the Company reviewed and implemented the following in 2021 by the MIS Center.</p> <p>① The Company's information assets have not been misused, leaked, tampered with, stolen, or damaged, and there have been no emergencies such as malicious attacks, damages, or misuse.</p> <p>② Information security performance: 869,358 spam mails were intercepted; 139,868 malicious mails were intercepted. Accuracy of interception: 99.87%.</p> <p>③ The email system was transferred to the cloud system of an international service provider,</p>	

Evaluation items	The state of operations (Note 1)		Summary description (Note 2)	The differences from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the reasons.
	Yes	No		
			<p>which enhances the information security level.</p> <p>④ The Company joined the information security intelligence sharing group (Taiwan Computer Emergency Response Team/Coordination Center) on 2021/9/13 to obtain intelligence on information security alerts, threats and vulnerabilities.</p> <p>⑤ The company will continue to increase investments in information security technology and system construction in the future.</p> <p>(9) The Company holds investors/earnings conferences at least once a year, including the one in 2021 on November 26. Please refer to the special section for “Investor_ Earnings Conference” on the Company’s official website.</p> <p>(10) The Company reviews its legal compliance in the course of operations and has formulated control strategies for implementation; no violations of laws and regulations or ethical corporate management occurred in 2021.</p> <p>(11) In order to protect the basic human rights of employees, the Company has established the "Protection of Human Rights Policy", which was approved by the Board of Directors on June 29, 2021. Its implementation was reported to the Board of Directors on December 30, 2021. Please refer to the special section for “Sustainability_ Implementation of Protection of Human Rights Policy.”</p> <p>(12) In order to strengthen the management and utilization of intellectual property rights involved in the Company's various operations, the "Intellectual Property Management Plan" was established and approved by the Board of Directors on June 29, 2021. Its implementation was reported to the Board of Directors on December 30, 2021. Please refer to the special section for “Sustainability_ Implementation of Intellectual Property Management Plan” on the</p>	

Evaluation items	The state of operations (Note 1)			The differences from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the reasons.
	Yes	No	Summary description (Note 2)	
			<p>Company's official website.</p> <p>(13) In 2021, the Company continued to care for and sponsor environmental protection issues, educational resources, sports resources, and research institutions, contributing a total of NT\$800,000.</p> <p>(14) Please refer to the special section for "Stakeholders" on the Company's website for other issues of concern to stakeholders, and the Company's response and implementation.</p> <p>3. In line with the new corporate governance blueprint, the Board of Directors will continue to promote the effective implementation of sustainable development objectives from the top down. It will continue to refine the Group's sustainable governance by paying attention to international trends in sustainable development and legal regulations. The Company has also established the relevant regulations for sustainable development, which are the highest guiding principles for the Group and each company to manage the risks and opportunities in the environmental, social and corporate governance aspects. In order to meet the trend of sustainable development in the future, the Board of Directors will consider and approve the development strategies and operating procedures of various sustainability issues, and carry through environmental protection, social responsibility and corporate governance.</p>	
II. Does the Company conduct risk evaluations on environmental, social and corporate governance issues related to the Company's operations in accordance	✓		<p>1. In order to improve the Company's risk management mechanism, strengthen the effectiveness of corporate governance, ensure the integrity, effectiveness and reasonableness of risk management, and effectively evaluate and monitor the Company's risk tolerance, determine risk response strategies and compliance with risk management procedures, on June 29, 2021, the Board of Directors approved the "Risk Management Policy and Procedures" to effectively identify, prevent and control risks through a systematic and institutionalized management approach with the</p>	No material difference

Evaluation items	The state of operations (Note 1)		Summary description (Note 2)	The differences from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the reasons.										
	Yes	No												
with the materiality principle, and formulate relevant risk management policies or strategies? (Note 2)			<p>commitment and participation of senior management, and to implement risk management to maintain normal operations and achieve sustainable operations of the Company.</p> <p>2. Based on the characteristics of the industry, the risk management mechanism of the Company is built on the four major aspects of environmental, social, corporate governance and technological innovation, whereby each business and functional unit assesses, disposes of and monitors the risk scopes faced by the Company, including business, financial, operational and environmental risks. In 2021, a total of 38 potential risks were identified through risk assessment (including risk identification, risk analysis and risk measurement), including 13 business risks, 10 financial risks, 11 operational risks and 4 environmental risks, and the likelihood of occurrence and impact/severity of the risks were analyzed from quantitative and qualitative perspectives to assess the risk exposure of each potential risk as low, medium or high risk. The results of the assessment are summarized as follows:</p> <table border="1"> <thead> <tr> <th>Risk item</th> <th>Risk exposure</th> </tr> </thead> <tbody> <tr> <td colspan="2">Business risk</td> </tr> <tr> <td>R1. Corporate governance risk</td> <td rowspan="5">Low risk</td> </tr> <tr> <td>R2. Business risk - Purchase concentration</td> </tr> <tr> <td>R3. Business risk - Sale concentration</td> </tr> <tr> <td>R4. Business risk - Distribution or supply chain failure</td> </tr> <tr> <td>R5. Business risk - Increased competition in the market</td> </tr> </tbody> </table>	Risk item	Risk exposure	Business risk		R1. Corporate governance risk	Low risk	R2. Business risk - Purchase concentration	R3. Business risk - Sale concentration	R4. Business risk - Distribution or supply chain failure	R5. Business risk - Increased competition in the market	
Risk item	Risk exposure													
Business risk														
R1. Corporate governance risk	Low risk													
R2. Business risk - Purchase concentration														
R3. Business risk - Sale concentration														
R4. Business risk - Distribution or supply chain failure														
R5. Business risk - Increased competition in the market														

Evaluation items	The state of operations (Note 1)		Summary description (Note 2)	The differences from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the reasons.
	Yes	No		
			R6. Business risk - Loss of agency right R7. Strategic risk R8. Reputational risk R9. Human resources risk R10. Insufficient innovation in technology change R11. Changes in industry/market climate R12. Market and industry competition - Insufficient key competitive advantages R13. Changes in major domestic and foreign policies Financial risk R14. Fundraising/funding risk R15. Investment risk R16. Cash flow/liquidity risk R17. Interest rate risk R18. Exchange rate risk R19. Inventory risk R20. Credit/Accounts receivable risk R21. Risk of loaning funds to others R22. Endorsement and guarantee risk R23. Derivative trading risk	

Evaluation items	The state of operations (Note 1)		Summary description (Note 2)	The differences from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the reasons.																	
	Yes	No																			
			<p>Operational risk</p> <table border="1"> <tr><td>R24. Legal compliance risk</td><td rowspan="10">Low risk</td></tr> <tr><td>R25. Information security risk</td></tr> <tr><td>R26. Occupational safety and health management risk</td></tr> <tr><td>R27. Corruption/Malpractice/Fraud risk</td></tr> <tr><td>R28. Asset and equipment damage risk</td></tr> <tr><td>R29. Business interruption</td></tr> <tr><td>R30. System failure</td></tr> <tr><td>R31. Intellectual property risk and legal proceedings</td></tr> <tr><td>R32. Process management loss risk</td></tr> <tr><td>R33. Labor dispute risk</td></tr> <tr><td>R34. Risk of loss due to non-fulfillment of professional obligations</td></tr> </table> <p>Environmental risk</p> <table border="1"> <tr><td>R35. Climate change - Physical risk</td><td rowspan="4">Low risk</td></tr> <tr><td>R36. Climate change - Transformation risk</td></tr> <tr><td>R37. Climate change - Liability risk</td></tr> <tr><td>R38. Material external hazard risk</td></tr> </table> <p>Of the 38 potential risk items listed above, 36 are low risk items and 2 are medium risk items for exchange rate risk and inventory risk, but none are high risk items. The above is the risk assessment (including risk identification, risk analysis and risk measurement),</p>	R24. Legal compliance risk	Low risk	R25. Information security risk	R26. Occupational safety and health management risk	R27. Corruption/Malpractice/Fraud risk	R28. Asset and equipment damage risk	R29. Business interruption	R30. System failure	R31. Intellectual property risk and legal proceedings	R32. Process management loss risk	R33. Labor dispute risk	R34. Risk of loss due to non-fulfillment of professional obligations	R35. Climate change - Physical risk	Low risk	R36. Climate change - Transformation risk	R37. Climate change - Liability risk	R38. Material external hazard risk	
R24. Legal compliance risk	Low risk																				
R25. Information security risk																					
R26. Occupational safety and health management risk																					
R27. Corruption/Malpractice/Fraud risk																					
R28. Asset and equipment damage risk																					
R29. Business interruption																					
R30. System failure																					
R31. Intellectual property risk and legal proceedings																					
R32. Process management loss risk																					
R33. Labor dispute risk																					
R34. Risk of loss due to non-fulfillment of professional obligations																					
R35. Climate change - Physical risk	Low risk																				
R36. Climate change - Transformation risk																					
R37. Climate change - Liability risk																					
R38. Material external hazard risk																					

Evaluation items	The state of operations (Note 1)		Summary description (Note 2)	The differences from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the reasons.
	Yes	No		
			<p>risk disposal and monitoring as well as their implementation for 2021 in accordance with the Company's "Risk Management Policy and Procedures", and the corresponding risk disposal has been prepared by the management and included in the risk management items that are required to be defined, reviewed and monitored by the Company on a regular basis and were reported to the Board of Directors on December 30, 2021.</p> <p>3. The Company is a distributor of IC semiconductor components and computer peripherals and does not have any production process. However, in order to provide technical services and product solutions to customers, the Company has a product application and R&D department to enhance the value of product sales and services to customers, and to provide efficient logistics services. Therefore, the Company plays the role of linking technology to create value between upstream vendors and downstream customers, in order to protect customers' rights and interests, and to maintain the principles of ethical and environmentally friendly procurement, sales, operations and service processes. In order to fulfill its corporate social responsibility and to promote economic, environmental and social progress to achieve the goal of sustainable development, the Company, while pursuing sustainable development and profitability, upholds the philosophy of valuing the environment, society and corporate governance, and incorporates them into its management policies and operational activities, and has established relevant risk management policies or strategies as follows.</p> <p>(1) Environmental risk assessment: The Company has taken the following actions in response to the concept of environmental protection and care for the earth</p>	

Evaluation items	The state of operations (Note 1)		Summary description (Note 2)	The differences from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the reasons.
	Yes	No		
			<p>① Each year, the Company conducts an environmental risk assessment in accordance with the "Risk Management Policy and Procedures" established by the Company, and the risk of climate change - physical risk, transformation risk and liability risk were all within the low risk range in 2021.</p> <p>② The Company makes good use of the electronic sign-off system (WorkFlow), electronic form and sign-off process. The number of electronic forms and sign-off reached 115,003 in FY 2021, up 9.24% compared to 105,276 in 2020, which significantly reduced the use of paper.</p> <p>③ The Company reduced the number of physical servers by consolidating physical servers with virtual servers to reduce energy consumption and cooling requirements in the high energy consumption server room. At the end of 2021, there were 9 physical servers and 80 virtual servers.</p> <p>④ The Company implemented complete reuse of original packaging boxes/cartons, without additional packaging materials, including cartons, anti-shock materials, and parts boxes, etc., and implemented the minimum package shipment to reduce the waste of packaging resources.</p> <p>⑤ The Company encourages recycled paper, use duplex printing by default, reduces color printing, and promotes paperless online meetings (TEAMS) in printer/office machines.</p> <p>⑥ The Company promotes energy and water conservation policies, gradually replaces fluorescent lamps with LED lamps in office areas and warehouses, and indirectly reduces greenhouse gas emissions by setting temperature and time controls for air conditioning and turning off lights during lunch breaks.</p> <p>⑦ The principle of purchasing office equipment is to retire the old ones and replace them with new ones that are low energy consumption products with energy-saving labels as the priority</p>	

Evaluation items	The state of operations (Note 1)		Summary description (Note 2)	The differences from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the reasons.
	Yes	No		
			<p>choice.</p> <p>⑧ The Company has no manufacturing plants in any of the Company's operating bases, and no hazardous waste is generated. The only waste is scrap electronic products, or general waste from offices and storage centers. The Company has implemented earth-friendly waste disposal methods. In addition to implementing the resource reuse policy, all business waste is centrally managed and sorted. The amount of waste and the Company's share of waste removal is recorded monthly by the building's plant and office management center. The Company also appoints qualified vendors to dispose of or recycle scrap electronic products and provides proof of the relevant treatment process for follow-up.</p> <p>⑨ The Company participates in the management committee of the plant and office building, which requires the installation of water-saving controllers to conserve water resources.</p> <p>(2) Social risk assessment: The Company actively integrates upstream (vendors), midstream (the Company), and downstream (customers) to form a green supply chain management system, and actively cooperates with upstream vendors and downstream customers to reduce the impact of products on the environment and comply with social laws and regulations.</p> <p>① Communication and interaction with vendors. (A) In addition to requiring stable quality, the Company expects vendors to adopt life cycle thinking in product design, i.e., from raw material acquisition, input and transportation, product manufacturing and transportation, product use to disposal or reuse, etc., all processes that may have an impact on the environment are taken into consideration, and the renewable system of the circular economy can be utilized. The Company's major suppliers</p>	

Evaluation items	The state of operations (Note 1)		Summary description (Note 2)	The differences from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the reasons.						
	Yes	No								
			<p>are all internationally renowned IDM or Fabless companies. They have invested management resources in the five major areas of labor, health and safety, environment, code of ethics, and management system to meet the requirements of the Responsible Business Alliance (RBA)/Electronics Industry Citizenship Coalition (EICC). As a distributor of these upstream vendors, the Company will continue to link up with our customers and the entire supply chain partners to do our part in social and environmental concern issues.</p> <p>(B) In order to comply with product trade regulations, the Company has designed the customer screening engine to interface with the U.S. International Trade Administration's (ITA) Consolidated Screening List (CSL) application programming interface (API) to ensure that all stages of operations, such as design in, quotation, order and delivery, can clarify in a timely manner whether a potential transaction or service recipient is on the U.S. regulatory export, re-export or transfer control list to ensure that the customer has the right to transact legally and to comply with regulatory requirements.</p> <p>(C) The following is a list of the implementation information of the major upstream vendors on ESG related issues.</p> <table border="1"> <thead> <tr> <th>Major Vendors</th> <th>Links to sustainable development/ESG related issues</th> </tr> </thead> <tbody> <tr> <td>AMD</td> <td>(1) https://www.amd.com/en/corporate-responsibility/esg-disclosures (2) https://www.amd.com/en/corporate/quality-certifications-compliance</td> </tr> <tr> <td>Infineon</td> <td>(1) https://www.infineon.com/cms/en/about-infineon/sustainability/ (2) https://www.infineon.com/cms/en/about-</td> </tr> </tbody> </table>	Major Vendors	Links to sustainable development/ESG related issues	AMD	(1) https://www.amd.com/en/corporate-responsibility/esg-disclosures (2) https://www.amd.com/en/corporate/quality-certifications-compliance	Infineon	(1) https://www.infineon.com/cms/en/about-infineon/sustainability/ (2) https://www.infineon.com/cms/en/about-	
Major Vendors	Links to sustainable development/ESG related issues									
AMD	(1) https://www.amd.com/en/corporate-responsibility/esg-disclosures (2) https://www.amd.com/en/corporate/quality-certifications-compliance									
Infineon	(1) https://www.infineon.com/cms/en/about-infineon/sustainability/ (2) https://www.infineon.com/cms/en/about-									

Evaluation items	The state of operations (Note 1)			The differences from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the reasons.
	Yes	No	Summary description (Note 2)	
			<p>infineon/sustainability/Environmental-Sustainability-and-Climate-Protection/product-related-environmental-sustainability/?term=REACH&view=kwr&intc=searchkwr</p> <p>Lattice (1) https://www.latticesemi.com/Search.aspx?&lcid=9&q=ESG&t=480 (2) https://www.latticesemi.com/en/About/ESG</p> <p>Microchip (1) https://ww1.microchip.com/downloads/en/Legal_Documents/Microchip-Sustainability-Report-Final-High-Res-2020.pdf (2) https://ww1.microchip.com/downloads/en/environmentalinformation/Microchip_REACH_Statement.pdf (3) https://www.microchip.com/content/dam/mchp/documents/corporate-responsibility/environmental/product-regulatory-information/Semiconductor%20EnvCoC_200709A.pdf</p> <p>NXP (1) https://www.nxp.com/docs/en/supporting-information/2020-ESG-Performance.pdf (2) https://www.nxp.com/company/about-nxp/sustainability/environmental-compliance-organization/eco-products-faqs:ENVIRON_FAQ</p> <p>Vishay (1) https://www.vishay.com/docs/49157/rohs%20compliance%20statement_update_june_2020_original.pdf (2) https://www.vishay.com/docs/48036/ehs-policy-2020-eng-48036.pdf</p> <p>Western Digital (1) https://www.westerndigital.com/search?q=ESG (2) https://www.westerndigital.com/zh-tw/company/corporate-</p>	

Evaluation items	The state of operations (Note 1)		Summary description (Note 2)	The differences from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the reasons.
	Yes	No		
			<div style="border: 1px solid black; padding: 2px; margin-bottom: 5px;">responsibility/environment</div> <p>② Meet the needs of downstream customers.</p> <p>(A) Upstream vendors are required to cooperate and provide a commitment that the substances (containing metals or chemicals) in the manufacturing process meet the standards required by legislations of various countries to ensure that they can be safely handled, used, stored, transported, recycled, reused and disposed of, such as the RoHS (Restriction of Hazardous Substances) and REACH (SVHC) regulations set by the European Union. In addition, the Company also requires upstream vendors to provide self-declaration of compliance with the above-mentioned regulations on their official websites, or to provide reports certified by SGS Taiwan Limited according to customer requirements, to ensure that the electronic parts and components sold by the Company to its customers comply with international regulations, and to prove that the products comply with environmental regulations, and that the products are safe in use and meet health requirements.</p> <p>(B) The Company conducts its business activities in a fair and transparent manner based on the principle of ethical corporate management. It has established management regulations approved by the Board of Directors to regulate and review their implementation, such as the "Ethical Corporate Management Best Practice Principles", "Code of Ethical Conduct", and "Whistle-blowing System". The Company has also signed purchase contracts at the request of customers to carry through the integrity</p>	

Evaluation items	The state of operations (Note 1)		Summary description (Note 2)	The differences from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the reasons.
	Yes	No		
			<p>commitment, protection of trade secrets and the Electronic Industry Citizenship Coalition (EICC, including labor and recruitment, health and safety, environmental responsibility, management system, and ethical standards), etc. The Company has reviewed the relevant provisions and has complied with them.</p> <p>(C) The products and services provided by the Company are based on the product distributor contracts signed with upstream vendors, and the contracts have been regulated with respect to product intellectual property protection, product quality and safety, warranty and after-sales service, marketing and labeling, etc., to protect the rights and interests of customers.</p> <p>(D) The Company continues to develop new products for the semiconductor market with upstream vendors, including but not limited to green products, to meet customers' product needs and help customers shorten the development and time-to-market of new products.</p> <p>③ Others</p> <p>(A) The affiliated companies within the Weikeng Group perform their business activities in accordance with local laws and regulations, such as company law, labor law, tax law, securities and exchange law, and business entity accounting law, etc., where they operate, and have not violated any laws or regulations or ethical corporate management.</p> <p>(B) The Company continued to sponsor social welfare or academic research institutions for a total amount of NT\$800,000 in 2021.</p>	

Evaluation items	The state of operations (Note 1)		Summary description (Note 2)	The differences from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the reasons.
	Yes	No		
			<p>(C) Weikeng is committed to honesty and compliance with government regulations in its operations, creating employment opportunities and economic development so that society and the Company can create shared value. We also pay attention education, the environment and social issues in a timely manner and devote resources to society in the hope that society can form a harmonious and friendly cycle.</p> <p>(3) Corporate governance risk assessment: In order to implement risk management policy and formulate strategies to serve as the basis for planning, execution and control, the Company has established relevant codes and policies in accordance with government regulations, such as the "Corporate Governance Best Practice Principles", "Ethical Corporate Management Best Practice Principles", "Codes of Ethical Conduct," "Sustainable Development Policy" and "Sustainable Development Best Practice Principles," etc. Through the operations of the established risk management organizational structure, including the Board of Directors, the Audit Committee, and the senior management of the Chairman Office, and the audit activities carried out by the Audit Office, Legal Affairs, and the Administration Division, the Company's internal operations and management can be upgraded to meet the goal of sustainable development at the same time.</p>	
III. Environmental issues (1) Has the Company set up an appropriate environmental	✓		1. The Company actively integrates upstream (vendors), midstream (the Company), and downstream (customers) to form a green supply chain management system, and actively cooperates with upstream vendors (suppliers) and downstream customers to reduce the impact of products on the	No material difference

Evaluation items	The state of operations (Note 1)		Summary description (Note 2)	The differences from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the reasons.
	Yes	No		
management system based on the characteristics of its industry?			<p>environment and comply with social laws and regulations.</p> <p>(1) Communication and interaction with vendors. In addition to requiring stable quality, the Company expects upstream vendors to adopt life cycle thinking in product design, i.e., from raw material acquisition, input and transportation, product manufacturing and transportation, product use to disposal or reuse, etc., all processes that may have an impact on the environment are taken into consideration, and the renewable system of the circular economy can be utilized. The Company's major suppliers are all internationally renowned IDM or Fabless companies. They have invested management resources in the five major areas of labor, health and safety, environment, code of ethics, and management system to meet the Responsible Business Alliance (RBA)/Electronics Industry Citizenship Coalition (EICC) requirements. As a distributor of these upstream vendors, the Company will continue to link up with our customers and the entire supply chain partners to do our part in social and environmental concern issues.</p> <p>(2) Meet the needs of downstream customers. Upstream vendors are required to cooperate and provide a commitment that the substances (containing metals or chemicals) in the manufacturing process meet the standards required by legislations of various countries to ensure that they can be safely handled, used, stored, transported, recycled, reused and disposed of, such as the RoHS (Restriction of Hazardous Substances) and REACH (SVHC) regulations set by the European Union. In addition, the Company also requires upstream vendors to provide self-declaration of compliance with the above-mentioned regulations on their official websites, or to provide reports certified by SGS Taiwan Limited according to customer requirements, to ensure that the electronic parts and</p>	

Evaluation items	The state of operations (Note 1)		Summary description (Note 2)	The differences from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the reasons.
	Yes	No		
			<p>components sold by the Company to its customers comply with international regulations.</p> <p>(3) The Company's own requirements specification.</p> <p>① The company will thoroughly carry through hazardous material management, pollution prevention, energy saving, water-saving, and waste reduction requirements in the operations and office areas and storage centers.</p> <p>② At the same time, the Company conducts an environmental risk assessment each year in accordance with the "Risk Management Policy and Procedures" established by the Company, and the risk of climate change - physical risk, transformation risk and liability risk were all within the low-risk range in 2021.</p> <p>2. As a distributor of IC semiconductor parts and components and computer peripherals, the Company has no production process and has not received any international environmental management certification as of the Annual Report.</p>	
(2) Is the Company committed to improving the efficiency of energy utilization and using recycled materials with low impact on the environment?	√		<p>The Company does so in accordance with the following guidelines:</p> <p>1. The Company makes good use of the electronic sign-off system (WorkFlow), electronic form and sign-off process. The number of electronic forms and sign-off reached 115,003 in FY 2021, up 9.24% compared to 105,276 in 2020, which significantly reduced the use of paper.</p> <p>2. The Company reduced the number of physical servers by consolidating physical servers with virtual servers to reduce energy consumption and cooling requirements in the high energy consumption server room. At the end of 2021, there were 9 physical servers and 80 virtual servers.</p> <p>3. The Company implemented complete reuse of original packaging boxes/cartons, without additional packaging materials, including cartons, anti-shock materials, and parts boxes, etc., and implemented the minimum package shipment to reduce the waste of packaging resources.</p>	No material difference

Evaluation items	The state of operations (Note 1)		Summary description (Note 2)	The differences from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the reasons.
	Yes	No		
			<p>4. The Company encourages recycled paper, use duplex printing by default, reduces color printing, and promotes paperless online meetings (TEAMS) in printer/office machines.</p> <p>5. The Company promotes energy and water conservation policies, gradually replaces fluorescent lamps with LED lamps in office areas and warehouses, and indirectly reduces greenhouse gas emissions by setting temperature and time controls for air conditioning and turning off lights during lunch breaks.</p> <p>6. The principle of purchasing office equipment is to retire the old ones and replace them with new ones that are low energy consumption products with energy-saving labels as the priority choice.</p> <p>7. The Company has no manufacturing plants in any of the Company's operating bases, and no hazardous waste is generated. The only waste is scrap electronic products, or general waste from offices and storage centers. The Company has implemented earth-friendly waste disposal methods. In addition to implementing the resource reuse policy, all business waste is centrally managed and sorted. The amount of waste and the Company's share of waste removal is recorded monthly by the building's plant and office management center. The Company also appoints qualified vendors to dispose of or recycle scrap electronic products and provides proof of the relevant treatment process for follow-up.</p> <p>8. The Company participates in the management committee of the plant and office building, which requires the installation of water-saving controllers to conserve water resources.</p>	
(3) Does the Company evaluate the potential risks and opportunities of climate change to the	√		Climate change has made energy-saving and carbon reduction a major demand for electronic and electrical products. As a distributor of IC semiconductor parts and components, the Company is actively seeking opportunities to serve as a distributor for these product solutions and hopes to contribute to energy saving and carbon reduction products. The Company has been actively seeking the franchising	No material difference

Evaluation items	The state of operations (Note 1)			The differences from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the reasons.										
	Yes	No	Summary description (Note 2)											
Company now and in the future, and take corresponding measures to respond to climate-related issues?			<p>right of IC products and putting more effort into creating demand for related applications, such as power management, electric vehicle charging station, smart grid, wind power generation, solar power generation inverter, etc are green business opportunities. The Company continues to build a portfolio of more stable, more efficient and lower power consumption product lineup. Even climate change has increased the demand for the green energy industry worldwide, so continued investment in finding new agency opportunities in the green energy industry is one of the main business objectives of the Company's product development division.</p> <p>The automotive and industrial energy related markets have always been one of the markets we and our major upstream vendors have focused on. Therefore, the related power semiconductor applications are extremely important. With upstream vendors actively expanding their R&D capacity of Compound (Class III) Semiconductors products, the electric vehicle and industrial application markets are undoubtedly targeted at solar energy, electric vehicles, and fast charging.</p>											
(4) Does the Company make statistics on greenhouse gas emissions, water consumption and the total weight of waste for the past two years, and formulate policies for energy conservation and carbon reduction, greenhouse gas reduction, water consumption	✓		<p>1. The results of the self-inventory of indirect greenhouse gas (carbon dioxide) emissions, water consumption and weight of waste (the Company is not in the manufacturing industry) due to electricity consumption (input power) at the Company's operating units such as offices and warehousing centers in Taiwan are as follows:</p> <table border="1"> <thead> <tr> <th>Inventory interval</th> <th>Methodology of gas emission statistics</th> <th>Equivalent emissions</th> <th>Pass or not External verification</th> </tr> </thead> <tbody> <tr> <td>2021</td> <td rowspan="2">CO₂ equivalent emissions converted from electricity consumption discharge coefficients.</td> <td>403 metric tons</td> <td rowspan="2">No Self-inventory</td> </tr> <tr> <td>2020</td> <td>368 metric tons</td> </tr> </tbody> </table>	Inventory interval	Methodology of gas emission statistics	Equivalent emissions	Pass or not External verification	2021	CO ₂ equivalent emissions converted from electricity consumption discharge coefficients.	403 metric tons	No Self-inventory	2020	368 metric tons	No material difference
Inventory interval	Methodology of gas emission statistics	Equivalent emissions	Pass or not External verification											
2021	CO ₂ equivalent emissions converted from electricity consumption discharge coefficients.	403 metric tons	No Self-inventory											
2020		368 metric tons												

Evaluation items	The state of operations (Note 1)		Summary description (Note 2)	The differences from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the reasons.		
	Yes	No				
reduction or other waste management?			The Company expects to achieve the management goal of reducing greenhouse gas emissions by 1~2% per year compared to the previous year. The increase in electricity consumption in 2021 led to an increase in CO ₂ equivalent emissions, mainly due to the addition of the warehouse at the Formosan Rubber Group Inc. International Logistics Center in Taoyuan in 2021.			
			Inventory interval	Methodology of water consumption statistics	Equivalent consumption	Pass or not External verification
			2021	Except for the Taichung office, which is directly attributed according to billing, the total water consumption of the other units is based on the billing of the plant and office buildings, and the Company's share is calculated according to the area of the user unit.	4,629 metric tons	No Self-inventory
			2020		4,892 metric tons	
			The Company expects to achieve the management goal of reducing water consumption by 1~2% per year compared to the previous year.			
			Inventory interval	Methodology of waste weight statistics	Equivalent weight	Pass or not External verification

Evaluation items	The state of operations (Note 1)			Summary description (Note 2)	The differences from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the reasons.					
	Yes	No								
			<table border="1"> <tr> <td>2021</td> <td rowspan="2"> (1) The Taipei office calculates the Company's share based on the total amount of garbage in the billing of the plant and office building and the area of the user unit. (2) The warehousing centers and the offices in central and southern Taiwan calculates their shares based on the statistics of the daily waste per person in each county and city by the Environmental Protection Administration, Executive Yuan and the number of operating days per year. </td> <td>21.48 metric tons</td> <td rowspan="2">No Self-inventory</td> </tr> <tr> <td>2020</td> <td>23.08 metric tons</td> </tr> </table>	2021	(1) The Taipei office calculates the Company's share based on the total amount of garbage in the billing of the plant and office building and the area of the user unit. (2) The warehousing centers and the offices in central and southern Taiwan calculates their shares based on the statistics of the daily waste per person in each county and city by the Environmental Protection Administration, Executive Yuan and the number of operating days per year.	21.48 metric tons	No Self-inventory	2020	23.08 metric tons	
2021	(1) The Taipei office calculates the Company's share based on the total amount of garbage in the billing of the plant and office building and the area of the user unit. (2) The warehousing centers and the offices in central and southern Taiwan calculates their shares based on the statistics of the daily waste per person in each county and city by the Environmental Protection Administration, Executive Yuan and the number of operating days per year.	21.48 metric tons	No Self-inventory							
2020		23.08 metric tons								
			<p>The Company expects to achieve the management goal of reducing waste weight by 1~2% per year compared to the previous year.</p> <p>2. The Company will consider the impact on ecological efficiency and reduce the impact on the natural environment when engaging in any operational activities. We try our best to reduce pollution and properly dispose of waste. In terms of energy management, in order to improve the efficiency of energy use, the Company utilizes various energy sources, plans relevant management measures, implements office energy saving and carbon reduction, reduces the consumption of resources and energy, and tries to increase the recycling and reuse of energy in order to reduce the environmental impact.</p>							
IV. Social issues										

Evaluation items	The state of operations (Note 1)		Summary description (Note 2)	The differences from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the reasons.
	Yes	No		
(1) Has the company formulated relevant management policies and procedures in accordance with relevant laws and regulations as well as the International Bill of Human Rights?	✓		<p>1. In order to protect the basic human rights of employees, the Company has established the "Protection of Human Rights Policy", which was approved by the Board of Directors on June 29, 2021, to fulfill its social responsibility and show support of international human rights conventions such as "the United Nations Universal Declaration of Human Rights", "the United Nations Global Compact", and "the International Labour Organization Convention", to eliminate any violations and infringements of human rights, so that all employees of the Company can be treated fairly and with dignity: (1) We are in compliance with local regulations and international standards in each of the Company's operating regions, and ensure (2) diversity and inclusiveness in the selection of talents and equal opportunities in labor rights, (3) salaries and benefits, (4) humane treatment, and (5) health and safety in the workplace.</p> <p>2. In accordance with the "Protection of Human Rights Policy", the following is a summary of the implementation of this policy:</p> <p>(1) The Work Rules have been established according to the latest labor laws and regulations to protect human rights and protect the equal work rights of employees from unlawful infringement.</p> <p>(2) Since 2007, the Company has established guidelines for complaints and disciplinary measures against sexual harassment in the workplace in accordance with the Ministry of Labor's "Regulations for Establishing Measures of Prevention, Correction, Complaint and Punishment of Sexual Harassment at Workplace". The above measures will be revised in accordance with the updated guidelines of the governmental agencies to conform to the latest laws and regulations. Through the above measures, we provide a working and service environment free from sexual harassment for staff (including employees, dispatched workers, technical students and interns) and job seekers, and take appropriate preventive, corrective, disciplinary and treatment measures to protect the</p>	No material difference

Evaluation items	The state of operations (Note 1)		Summary description (Note 2)	The differences from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the reasons.
	Yes	No		
			<p>rights and privacy of the parties involved.</p> <p>(3) Since 2019, the Company has formulated a prevention program for unlawful infringement in the performance of duties in accordance with the relevant provisions of the Occupational Safety and Health Act. The above program will be revised in accordance with the updated guidelines of the governmental agencies to conform to the latest laws and regulations.</p> <p>(4) In accordance with the Occupational Safety and Health Act, the Company has established a maternal health protection program since 2020 to plan and take necessary safety measures to ensure the health of mothers, fetuses and infants for workers who are at risk of maternal health hazards.</p> <p>(5) The Company has established the Occupational Safety and Health Committee (which meets every three months) and the Occupational Safety and Health Department, staffed by licensed and qualified personnel, including the supervisor of labor safety and health operations, occupational safety and health administrators, professional nurses, and fire protection personnel, to carry out daily occupational safety and health operations in order to provide a safe workplace environment for employees.</p> <p>(6) In 2021, (A) the Kang-Ning General Hospital was designated to conduct annual health checkups for employees, and the employee participation rate was 90%; (B) in cooperation with Cathay General Hospital, doctors were invited to provide health care and consultation services for employees for three hours once every two months, for a total of 6 times and 18 hours; (C) during the COVID-19 pandemic, in order to control the risk of infection, employees were allowed to work from home and took turns coming to the office for about three months, and employees were allowed to take quarantine leave, care leave, and vaccination leave as needed; and when all employees resumed work at the Company, employees who had family care needs could apply for a flexible</p>	

Evaluation items	The state of operations (Note 1)		Summary description (Note 2)	The differences from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the reasons.
	Yes	No		
			<p>work schedule or continue to work from home.</p> <p>(7) The wages paid by the Company to its employees are in accordance with the local laws and regulations of each operating region and comply with all applicable laws and regulations regarding wages, including those related to minimum wages, overtime hours and statutory benefits. Employees shall be paid for overtime work in accordance with the relevant labor laws and regulations in each region. In 2021, there were no violations of labor laws and regulations that resulted in penalties from the competent authorities.</p> <p>(8) The Company's remuneration (salary and bonus) policy is disclosed in the financial statements audited and attested by CPAs and on the Company's official website. The Company was listed as a component stock of the "Taiwan High Compensation 100 Index" announced by the Taiwan Stock Exchange on June 17, 2021, with an average salary increase of 4.43% for 2021. In accordance with the Company's Articles of Association, the amount of NT\$78,442 thousand was appropriated as employee remunerations for 2020 and was paid out in cash on June 30, 2021, based on employees' performance appraisal. In addition, the total remuneration of employees for 2021 is approximately NT\$19,512 thousand, which is expected to be approved by the Remuneration Committee and the Board of Directors on March 25, 2022, and will be distributed after the 2022 shareholders' meeting based on the employees' performance appraisal.</p> <p>(9) Based on the responsibility to protect children's physical and mental development, the Company does not employ child laborers under the age of 16. The work arrangements for employees are in compliance with the law and do not include, but are not limited to, physical punishment, physical or psychological abuse or coercion, intimidation or other verbal violence, withholding of identity documents or other unlawful forced labor practices.</p>	

Evaluation items	The state of operations (Note 1)		Summary description (Note 2)	The differences from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the reasons.																
	Yes	No																		
			<p>(10) In 2021, the Company conducted the following training on human rights policy for new employees:</p> <table border="1"> <thead> <tr> <th>Number of hours</th> <th>Male (person)</th> <th>Female (person)</th> <th>Total (person)</th> </tr> </thead> <tbody> <tr> <td>3</td> <td>42</td> <td>23</td> <td>65</td> </tr> </tbody> </table> <p>(11) In 2021, the Company employed nursing staff to conduct regular safety and hygiene seminars for 14 sessions and 7 hours.</p> <table border="1"> <thead> <tr> <th>Number of hours</th> <th>Male (person)</th> <th>Female (person)</th> <th>Total (person)</th> </tr> </thead> <tbody> <tr> <td>7</td> <td>114</td> <td>147</td> <td>261</td> </tr> </tbody> </table> <p>(12) In order to let employees understand their workplace abilities and development plans, and encourage them to participate in further education, training or obtain relevant professional licenses. In 2021, there were 1,558 participants and 522 hours of training or further education courses organized by the Company or external organizations.</p> <p>3. In accordance with the law, employees are covered by labor insurance, national health insurance, group accident/hospitalization/cancer medical insurance, and employee travel safety insurance.</p> <p>4. The Company has established an employee retirement measure in accordance with the law. For employees entitled to the old scheme of labor pension, 2% of the total monthly salary of the labors is appropriated to the labor pension reserve account in the Bank of Taiwan. In contrast, for employees who are entitled to the new scheme of labor pension, 6% is contributed to their personal pension accounts at the Bureau of Labor Insurance according to the “Table of Monthly Contribution</p>	Number of hours	Male (person)	Female (person)	Total (person)	3	42	23	65	Number of hours	Male (person)	Female (person)	Total (person)	7	114	147	261	
Number of hours	Male (person)	Female (person)	Total (person)																	
3	42	23	65																	
Number of hours	Male (person)	Female (person)	Total (person)																	
7	114	147	261																	

Evaluation items	The state of operations (Note 1)			The differences from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the reasons.
	Yes	No	Summary description (Note 2)	
			<p>Classification of Labor Pension". Employees are also encouraged to make self-contributions for early planning of pension accumulation arrangements.</p> <p>5. The Company has a labor-management meeting where labor representatives can express their opinions and serve as a bridge with the management. There have been no labor disputes in recent years.</p> <p>6. The Company attaches importance to employee welfare measures, provides a safe and healthy working environment, encourages employees to participate in further training to enhance their work value, emphasizes fair treatment, establishes employee complaint mechanisms and channels, and enforces the retirement system in accordance with the law, so that employees' rights and interests can be well manifested in the Weikeng Group.</p> <p>7. In accordance with the Gender Equality Act, the Labor Standards Act, the government's population policy, and the family policy, the Company implements a service map to take care of its employees, including the promotion of gender equality at work, prevention of sexual harassment in the workplace, promotion of emergency assistance programs for employees, corporate childcare measures, workplace maternal health counseling, promotion of family-friendly measures, promotion of work-life balance measures, and assistance in childcare/work suspension/reinstatement, in order to establish a friendly workplace as one of the Company's competitive advantages, which will help enhance the organizational commitment and performance of employees.</p>	
(2) Whether the Company has formulated and implemented reasonable	√		1. The Company has established the "Work Rules" to set out the benefits and leave entitlements of its employees. It has established the Employee Welfare Committee to implement various welfare measures in accordance with the law.	No material difference

Evaluation items	The state of operations (Note 1)		Summary description (Note 2)	The differences from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the reasons.																																																																				
	Yes	No																																																																						
employee welfare measures (including remuneration, vacation and other benefits, etc.), and appropriately reflects operating performance or results in employee remuneration?			<p>2. The Company has implemented various employee welfare measures, further education, training, retirement system, labor-management coordination and protection of employee rights and interests in accordance with the relevant laws and regulations and the Company's policies and guidelines. For details, please refer to the chapter on labor relations in the Annual Report.</p> <p>3. The Company has established a salary and bonus policy and a performance appraisal system (the appraisal is conducted twice a year), which requires employees to play an active role in their job duties and encourages them to assist the Company in actively participating in activities that fulfill corporate social responsibility, and includes rewards and punishments in accordance with the human resources regulations.</p> <p>4. In the last two years, the Company's performance in workplace diversity and promotion of gender equality has been reflected in its employee structure, as shown below:</p> <table border="1"> <thead> <tr> <th colspan="2" rowspan="2">Classification</th> <th colspan="2">Year</th> <th colspan="2">2020</th> <th colspan="2">2021</th> </tr> <tr> <th>Male</th> <th>Female</th> <th>Number of people</th> <th>%</th> <th>Number of people</th> <th>%</th> </tr> </thead> <tbody> <tr> <td rowspan="2">Associate vice president level and above</td> <td>Male</td> <td></td> <td></td> <td>50</td> <td>94.34%</td> <td>51</td> <td>92.73%</td> </tr> <tr> <td>Female</td> <td></td> <td></td> <td>3</td> <td>5.66%</td> <td>4</td> <td>7.27%</td> </tr> <tr> <td colspan="2">Subtotal</td> <td></td> <td></td> <td>53</td> <td>100.00%</td> <td>55</td> <td>100.00%</td> </tr> <tr> <td rowspan="2">Department manager level and above</td> <td>Male</td> <td></td> <td></td> <td>79</td> <td>89.77%</td> <td>83</td> <td>90.22%</td> </tr> <tr> <td>Female</td> <td></td> <td></td> <td>9</td> <td>10.23%</td> <td>9</td> <td>9.78%</td> </tr> <tr> <td colspan="2">Subtotal</td> <td></td> <td></td> <td>88</td> <td>100.00%</td> <td>92</td> <td>100.00%</td> </tr> <tr> <td>Manager level and above</td> <td>Male</td> <td></td> <td></td> <td>143</td> <td>85.12%</td> <td>150</td> <td>85.71%</td> </tr> </tbody> </table>	Classification		Year		2020		2021		Male	Female	Number of people	%	Number of people	%	Associate vice president level and above	Male			50	94.34%	51	92.73%	Female			3	5.66%	4	7.27%	Subtotal				53	100.00%	55	100.00%	Department manager level and above	Male			79	89.77%	83	90.22%	Female			9	10.23%	9	9.78%	Subtotal				88	100.00%	92	100.00%	Manager level and above	Male			143	85.12%	150	85.71%	
Classification		Year				2020		2021																																																																
		Male	Female	Number of people	%	Number of people	%																																																																	
Associate vice president level and above	Male			50	94.34%	51	92.73%																																																																	
	Female			3	5.66%	4	7.27%																																																																	
Subtotal				53	100.00%	55	100.00%																																																																	
Department manager level and above	Male			79	89.77%	83	90.22%																																																																	
	Female			9	10.23%	9	9.78%																																																																	
Subtotal				88	100.00%	92	100.00%																																																																	
Manager level and above	Male			143	85.12%	150	85.71%																																																																	

Evaluation items	The state of operations (Note 1)						The differences from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the reasons.	
	Yes	No	Summary description (Note 2)					
				Female	25	14.88%	25	14.29%
				Subtotal	168	100.00%	175	100.00%
			The whole company	Male	265	56.62%	280	57.14%
				Female	203	43.38%	210	42.86%
				Subtotal	468	100.00%	490	100.00%
			<p>5. The correlation between the Company's emoluments (salary and remuneration) policy and operating performance.</p> <p>The Company's emoluments to employees and executive officers are divided into fixed salaries and variable remunerations.</p> <p>(1) The fixed salaries (including base salary, duty increment and meal allowances) are determined based on the employees' and executive officers' education, experience, skills, the degree of responsibility for operational risks and decision-making, their contribution to the Company, and the payment level in the industry. The annual salary increase is based on the Company's operating conditions, the domestic economic growth rate, price index, industry salary adjustment, personal performance appraisal and the Company's annual budget target.</p> <p>(2) The variable remunerations includes business performance incentives, year-end bonuses and remuneration (profit sharing) for employees (including executive officers).</p> <p>① The business performance incentive is paid to business and technical application engineers, and is based on the performance of product sales and personal performance.</p> <p>② The year-end bonus is the cumulative amount accrued in advance in the accounting book on a monthly basis based on the achievement rate of the budgeted profitability target. Prior to</p>					

Evaluation items	The state of operations (Note 1)		Summary description (Note 2)	The differences from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the reasons.
	Yes	No		
			<p>the distribution of the mentioned bonus, the top senior management must complete a comprehensive evaluation of the employees and executive officers, including their performance appraisal, education, experience, skills, degree of responsibility for operational risks and decision-making, contribution to the Company, and payment levels of peer companies, etc., and then distribute the bonus to employees and executive officers according to the approved distribution proposal. However, its payment to executive officers shall be approved by the Remuneration Committee and the Board of Directors.</p> <p>③ The remuneration (profit sharing) for employees (including executive officers) is the total amount provided in accordance with the Company's Articles of Association, which must be approved by the Remuneration Committee and the Board of Directors and reported to the shareholders' meeting; the procedures for remuneration (profit sharing) for employees and executive officers are the same as described ② above.</p> <p>(3) Provision for employees' (including executive officers') remuneration</p> <p>① In accordance with the Company's Articles of Association, the Company shall set aside 6% to 10% of the net profit before tax (i.e., net profit before tax before the provision of remuneration to employees/ executive officers and directors) as remuneration to employees (including executive officers) in the form of stock or cash, but if the Company has accumulated losses, an adequate amount shall be reserved in advance to compensate for such losses, and the target recipients include employees of affiliated companies who meet certain criteria.</p>	

Evaluation items	The state of operations (Note 1)		Summary description (Note 2)	The differences from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the reasons.
	Yes	No		
			<p>② In accordance with the Company's Articles of Association, the amount of NT\$78,442 thousand was allocated to employees' remuneration for 2020 and was paid out in cash on June 30, 2021 based on employees' performance appraisal. The total amount of remuneration to employees (including executive officers) for 2021 was NT\$19,512 thousand. The above total amount of remuneration is subject to the approvals by the Remuneration Committee and the Board of Directors on March 25, 2022. If the payment is made in cash, it will be submitted to the shareholders' meeting in 2022 and will be distributed based on the performance appraisal of employees (including executive officers), but the payment to executive officers is subject to the approval of the Remuneration Committee and the Board of Directors.</p> <p>6. The Company considers its employees as its assets. Therefore, it attaches great importance to the career planning of its employees. The contributions of employees are reflected in the remuneration of employees in accordance with the remuneration policy described above. The Company is listed as a component stock of the "Taiwan High Compensation 100 Index" announced by the Taiwan Stock Exchange on June 17, 2021.</p>	
(3) Does the Company provide employees with a safe and healthy working environment, and related education?	✓		1. The Company has established the Occupational Safety and Health Committee (which meets every three months) and the Occupational Safety and Health Department, staffed by licensed and qualified personnel, including the supervisor of labor safety and health operations, occupational safety and health administrators, professional nurses, and fire protection personnel, to carry out daily occupational safety and health operations in order to provide a safe workplace environment for employees.	No material difference

Evaluation items	The state of operations (Note 1)		Summary description (Note 2)	The differences from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the reasons.										
	Yes	No												
			<p>2. In 2021, (1) the Kang-Ning General Hospital was designated to conduct annual health checkups for employees, and the employee participation rate was 90%; (2) in cooperation with Cathay General Hospital, doctors were invited to provide health care and consultation services for employees for three hours once every two months, for a total of 6 times and 18 hours; (3) during the COVID-19 pandemic, in order to control the risk of infection, employees were allowed to work from home and took turns coming to the office for about three months, and employees were allowed to take quarantine leave, care leave, and vaccination leave as needed; and when all employees resumed work at the Company, employees who had family care needs could apply for a flexible work schedule or continue to work from home.</p> <p>3. The Company complies with the regulations and reports employee occupational accidents on a monthly basis. The total number of occupational accidents for this year is 1, a commute traffic accident. In order to avoid the recurrence of the same accident, we have actively strengthened the relevant safety and health education and training.</p> <p>4. The following shows the safety and health education and training provided to new employees in 2021:</p> <table border="1"> <thead> <tr> <th>Contents</th> <th>Number of hours</th> <th>Male (person)</th> <th>Female (person)</th> <th>Total (person)</th> </tr> </thead> <tbody> <tr> <td>General Safety and Health Education and Training</td> <td>9</td> <td>42</td> <td>23</td> <td>65</td> </tr> </tbody> </table> <p>5. The Company has fire prevention management staff and has completed the relevant education and</p>	Contents	Number of hours	Male (person)	Female (person)	Total (person)	General Safety and Health Education and Training	9	42	23	65	
Contents	Number of hours	Male (person)	Female (person)	Total (person)										
General Safety and Health Education and Training	9	42	23	65										

Evaluation items	The state of operations (Note 1)		Summary description (Note 2)	The differences from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the reasons.										
	Yes	No												
			<p>training in 2021.</p> <table border="1"> <thead> <tr> <th>Date</th> <th>Training organizer</th> <th>Training contents</th> <th>Number of hours (Hours)</th> <th>Certificates</th> </tr> </thead> <tbody> <tr> <td>2021.10.22</td> <td>China Productivity Center</td> <td>(1) Fire Prevention Management Strategies (2 hours) (2) Education and Training (3 hours) (3) Test (1 hour)</td> <td>6</td> <td>Certificate No.: A110-Fu No. 02654 (Refresher training for fire prevention administrators every 3 years)</td> </tr> </tbody> </table> <p>6. The Company's Taipei Head Office participates in the fire drill held in the plant and office building and completed two annual drills on April 9 and October 26, 2021, which were reported by the plant and office building management center to the Neihu Battalion of the 3rd District HQ of the Taipei City Fire Department.</p>	Date	Training organizer	Training contents	Number of hours (Hours)	Certificates	2021.10.22	China Productivity Center	(1) Fire Prevention Management Strategies (2 hours) (2) Education and Training (3 hours) (3) Test (1 hour)	6	Certificate No.: A110-Fu No. 02654 (Refresher training for fire prevention administrators every 3 years)	
Date	Training organizer	Training contents	Number of hours (Hours)	Certificates										
2021.10.22	China Productivity Center	(1) Fire Prevention Management Strategies (2 hours) (2) Education and Training (3 hours) (3) Test (1 hour)	6	Certificate No.: A110-Fu No. 02654 (Refresher training for fire prevention administrators every 3 years)										
(4) Has the Company established an effective career development training program for employees?	✓		<p>The Company has a training and development program in place.</p> <p>1. Implementation by the Company:</p> <p>(1) Regular training for new employees.</p> <p>① Understanding the Company's corporate philosophy and core values.</p> <p>② Corporate governance, ethical corporate management and sustainability policy requirements.</p> <p>③ Introduction to the work functions of each department, network and information security, intellectual property protection requirements and other points to note.</p>	No material difference										

Evaluation items	The state of operations (Note 1)			The differences from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the reasons.						
	Yes	No	Summary description (Note 2)							
			<p>④ On the Job Training (OJT) of the department to which the trainees belong, focusing on job functions and ERP operations.</p> <p>(2) Job skill refinement training: In response to the work processes, ERP system program and function addition or management requirements, the program leader will arrange work skill refinement training courses to enhance the essential capability of employees and improve work efficiency so that employees can enhance their work value.</p> <p>(3) Leadership and governance training: Education and training for the development of management officers to strengthen the leadership thinking and management knowledge of supervisors, let them identify with the Company's values, and cultivate the management in succession.</p> <p>2. Participation in external organization courses</p> <p>(1) We encourage employees to participate in professional skills or new knowledge training courses held by external organizations for application in the work process or management, so that employees and the company can have a win-win achievement.</p> <p>(2) The Company subsidizes the training fees of all the courses attended after approval. Those who have obtained the relevant professional licenses or qualifications will be rewarded with professional incentives if they are evaluated as having added value to the Company's operations. In 2021, one employee in the Accounting Department obtained the U.S. and Taiwan CPA licenses, and received a salary increase and an incentive payment from the Company.</p> <p>3. In 2021, the Company conducted internal and external training as described below.</p> <table border="1" data-bbox="667 1273 1816 1326"> <thead> <tr> <th>Classification</th> <th>Number of people</th> <th>Number of hours</th> </tr> </thead> <tbody> <tr> <td> </td> <td> </td> <td> </td> </tr> </tbody> </table>	Classification	Number of people	Number of hours				
Classification	Number of people	Number of hours								

Evaluation items	The state of operations (Note 1)											The differences from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the reasons.			
	Yes	No	Summary description (Note 2)												
					Education and training for new employees	Male	362	560		Male	36.5	36.5			
						Female	198			Female	36.5				
					Nurse safety	Male	114	261		Male	7	7			
					Sanitation seminar	Female	147			Female	7				
					Business support	Male	89	1,480		Male	64.5	88.5	135		
					Education and training	Female	319	408		Female	88.5	(Note)			
					Legal affairs education and training	Male	195	251		Male	3	3			
						Female	56			Female	3				
					External Professional further education and training	Male	44	78	78	Male	327	387	387		
						Female	34			Female	82	(Note)	387		
					Total	1,558				522					
					Note: Excluding male and female employees, overlapping hours of education and training at the same time										
(5) Does the Company comply with relevant laws and regulations and	✓				According to the distributor contracts, the intellectual property rights and brand values of the semiconductor parts and components for which the Company acts as a distributor belong to the upstream vendors. Therefore, we provide sales services with the following measures:										No material difference

Evaluation items	The state of operations (Note 1)		Summary description (Note 2)	The differences from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the reasons.
	Yes	No		
international standards regarding customer health and safety, customer privacy, marketing and labeling of products and services or others, and establish relevant customer rights protection policies and complaint procedures?			<p>1. The Company conducts its business activities in a fair and transparent manner based on the principle of ethical corporate management. It has established management regulations approved by the Board of Directors to regulate and review their implementation, such as the "Ethical Corporate Management Best Practice Principles", "Code of Ethical Conduct", and "Whistle-blowing System. The Company has also signed purchase contracts at the request of customers to carry through the integrity commitment, protection of trade secrets and the Electronic Industry Citizenship Coalition (EICC, including labor and recruitment, health and safety, environmental responsibility, management system, and ethical standards), etc. The Company has reviewed the relevant provisions and has complied with them.</p> <p>2. Implementation of product labeling:</p> <p>(1) The products and services provided by the Company are based on the product distributor contracts signed with upstream vendors, and the contracts have been regulated with respect to product intellectual property protection, product quality and safety, warranty and after-sales service, marketing and labeling, etc., to protect the rights and interests of customers.</p> <p>(2) According to the distributor contracts, the brands of the IC products sold belong to the vendors, so the related marketing activities must comply with the contract specifications and marketing and promotion activities shall be conducted with the vendors.</p> <p>(3) For the computer peripheral information products (software and hardware) for which the Company acts as a distributor, such as AMD CPUs, ASRock and Gigabyte's mini-PC (NETTOP), in addition to the original color box packaging, we also follow the specifications on information and communication consumer electronic products under the Commodity Labeling Act of the Department of Commerce, Ministry of Economic Affairs, and affix a product label to include the</p>	

Evaluation items	The state of operations (Note 1)		Summary description (Note 2)	The differences from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the reasons.
	Yes	No		
			<p>product name, model number, system requirements, rated voltage/frequency, total rated power consumption/input current, year/number of manufacture, country/region of manufacture, functional specifications/compatibility, use method, emergency handling, warning/cautions, agency, manufacturer's name and agency's service telephone number, etc. before the product can be sold and distributed in the market.</p> <p>3. For the design and production of related products, the raw materials input or other production elements in the production cycle of the upstream vendors, the upstream vendors must provide proof of compliance with EU environmental regulations such as RoHS and REACH SVHC to the Company for the purpose of demonstrating to customers during sales, in conjunction with the Data Sheet to ensure the safety of use and compliance with health requirements.</p> <p>4. In order to comply with product trade regulations, the Company has designed the customer screening engine to interface with the U.S. International Trade Administration's (ITA) Consolidated Screening List (CSL) application programming interface (API) to ensure that all stages of operations, such as design in, quotation, order and delivery, can clarify in a timely manner whether a potential transaction or service recipient is on the U.S. regulatory export, re-export or transfer control list to ensure that the customer has the right to transact legally.</p> <p>5. In accordance with the distributor contract, all products sold have a warranty period. When a customer applies for an RMA, we perform the relevant RMA services after conducting a product defect analysis.</p> <p>6. Customers can report problems by phone, email, and our website, and the relevant specialist will reply to customers' questions or complaints and handle the various applications.</p> <p>7. Enforcement of customer privacy:</p>	

Evaluation items	The state of operations (Note 1)			The differences from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the reasons.
	Yes	No	Summary description (Note 2)	
			<p>(1) As of the end of 2021, the Company had 490 employees in Taiwan, including 73 new employees who have signed a confidentiality agreement, which stipulates that they are obligated to keep confidential information about customers they know or hold during their employment.</p> <p>(2) The Company has established the "Information and Cyber Security Policy and Management Regulations" to strengthen information security management through (A) personnel security management, (B) physical and environmental security management, (C) communication and operation management, and (D) access control to achieve the goal of protecting customer privacy.</p> <p>(3) When providing sales services, customer information will be kept confidential in accordance with the law, and we have signed purchase or NDA contracts with customers, with a total of 774 contracts signed as of the end of 2021.</p>	
(6) Has the Company formulated supplier management policies that require suppliers to follow relevant regulations on issues such as environmental protection, occupational safety and health, or labor rights, and monitor	✓		<p>1. Weikeng is a professional semiconductor components and technical support service company, and adheres to the role of a responsible distributor. In addition to cooperating with upstream vendors to improve technology, quality, delivery, environmental protection, human rights, safety and health, Weikeng also adheres to the RBA (Responsible Business Alliance) code of conduct for five major management themes - "labor," "health and safety," "environment," "ethics," and "management system" - so that electronic product related enterprises, including upstream vendors, the Company, and our customers, can take responsibility for sustainability and make every effort to develop a sustainable semiconductor supply chain.</p> <p>2. The Company's major vendors are all internationally renowned IDM or Fabless companies. They have invested management resources in the five major areas of labor, health and safety, environment, code of ethics, and management system to meet the Responsible Business Alliance</p>	No material difference

Evaluation items	The state of operations (Note 1)		Summary description (Note 2)	The differences from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the reasons.												
	Yes	No														
their implementation?			<p>(RBA)/Electronics Industry Citizenship Coalition (EICC) requirements. As a distributor of these upstream vendors, the Company will continue to link up with our customers and the entire supply chain partners to do our part in social and environmental concern issues.</p> <p>3. The following is a list of information on the implementation of sustainability related issues by the major foreign original manufacturing suppliers we serve as a distributor:</p> <table border="1"> <thead> <tr> <th>Major vendors</th> <th>Links to sustainable development/ESG related issues</th> </tr> </thead> <tbody> <tr> <td>AMD</td> <td>(1)https://www.amd.com/en/corporate-responsibility/esg-disclosures (2)https://www.amd.com/en/corporate/quality-certifications-compliance</td> </tr> <tr> <td>Infineon</td> <td>(1)https://www.infineon.com/cms/en/about-infineon/sustainability/ (2)https://www.infineon.com/cms/en/about-infineon/sustainability/Environmental-Sustainability-and-Climate-Protection/product-related-environmental-sustainability/?term=REACH&view=kwr&intc=searchkwr</td> </tr> <tr> <td>Lattice</td> <td>(1)https://www.latticesemi.com/Search.aspx?&lcid=9&q=ESG&t=480 (2)https://www.latticesemi.com/en/About/ESG</td> </tr> <tr> <td>Microchip</td> <td>(1)https://ww1.microchip.com/downloads/en/Legal_Documents/Microchip-Sustainability-Report-Final-High-Res-2020.pdf (2)https://ww1.microchip.com/downloads/en/environmentalinformation/Microchip_REACH_Statement.pdf (3)https://www.microchip.com/content/dam/mchp/documents/corporate-responsibility/environmental/product-regulatory-information/Semiconductor%20EnvCoC_200709A.pdf</td> </tr> <tr> <td>NXP</td> <td>(1)https://www.nxp.com/docs/en/supporting-information/2020-ESG-Performance.pdf</td> </tr> </tbody> </table>	Major vendors	Links to sustainable development/ESG related issues	AMD	(1) https://www.amd.com/en/corporate-responsibility/esg-disclosures (2) https://www.amd.com/en/corporate/quality-certifications-compliance	Infineon	(1) https://www.infineon.com/cms/en/about-infineon/sustainability/ (2) https://www.infineon.com/cms/en/about-infineon/sustainability/Environmental-Sustainability-and-Climate-Protection/product-related-environmental-sustainability/?term=REACH&view=kwr&intc=searchkwr	Lattice	(1) https://www.latticesemi.com/Search.aspx?&lcid=9&q=ESG&t=480 (2) https://www.latticesemi.com/en/About/ESG	Microchip	(1) https://ww1.microchip.com/downloads/en/Legal_Documents/Microchip-Sustainability-Report-Final-High-Res-2020.pdf (2) https://ww1.microchip.com/downloads/en/environmentalinformation/Microchip_REACH_Statement.pdf (3) https://www.microchip.com/content/dam/mchp/documents/corporate-responsibility/environmental/product-regulatory-information/Semiconductor%20EnvCoC_200709A.pdf	NXP	(1) https://www.nxp.com/docs/en/supporting-information/2020-ESG-Performance.pdf	
Major vendors	Links to sustainable development/ESG related issues															
AMD	(1) https://www.amd.com/en/corporate-responsibility/esg-disclosures (2) https://www.amd.com/en/corporate/quality-certifications-compliance															
Infineon	(1) https://www.infineon.com/cms/en/about-infineon/sustainability/ (2) https://www.infineon.com/cms/en/about-infineon/sustainability/Environmental-Sustainability-and-Climate-Protection/product-related-environmental-sustainability/?term=REACH&view=kwr&intc=searchkwr															
Lattice	(1) https://www.latticesemi.com/Search.aspx?&lcid=9&q=ESG&t=480 (2) https://www.latticesemi.com/en/About/ESG															
Microchip	(1) https://ww1.microchip.com/downloads/en/Legal_Documents/Microchip-Sustainability-Report-Final-High-Res-2020.pdf (2) https://ww1.microchip.com/downloads/en/environmentalinformation/Microchip_REACH_Statement.pdf (3) https://www.microchip.com/content/dam/mchp/documents/corporate-responsibility/environmental/product-regulatory-information/Semiconductor%20EnvCoC_200709A.pdf															
NXP	(1) https://www.nxp.com/docs/en/supporting-information/2020-ESG-Performance.pdf															

Evaluation items	The state of operations (Note 1)		Summary description (Note 2)	The differences from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the reasons.						
	Yes	No								
			<table border="1"> <tr> <td></td> <td>(2)https://www.nxp.com/company/about-nxp/sustainability/environmental-compliance-organization/eco-products-faqs:ENVIRON_FAQ</td> </tr> <tr> <td>Vishay</td> <td>(1)https://www.vishay.com/docs/49157/rohs%20compliance%20statement_update_june_2020_original.pdf (2)https://www.vishay.com/docs/48036/ehs-policy-2020-eng-48036.pdf</td> </tr> <tr> <td>Western Digital</td> <td>(1)https://www.westerndigital.com/search?q=ESG (2)https://www.westerndigital.com/zh-tw/company/corporate-responsibility/environment</td> </tr> </table> <p>4. The design, production, and sales of green products are carried out by the upstream vendors from three perspectives: product lifecycle consideration, low energy consumption product R&D, and non-hazardous material promotion, with the hope of contributing to environmental protection. As a distributor of upstream vendors, Weikeng is committed to developing a green supply chain for semiconductors by investing resources in sales, technology, and operating management systems to fulfill our responsibility for environmental protection.</p> <p>5. Although the important distributor contracts (15) signed between the Company and the vendors in Europe and the U.S. do not directly include protection of human rights in the contracts, most of the aforementioned original manufacturing suppliers' high-tech technologies come from the U.S.. Therefore, they are required to comply with the relevant U.S. import and export laws and regulations according to the contract specifications. The U.S. will impose certain penalties, compliance or export/re-export restrictions on human rights violations in accordance with the relevant import/export laws and regulations. Therefore, the distributor contracts signed between the Company and the original manufacturing suppliers, in accordance with the U.S. import and export laws and regulations, indirectly include protection of human rights in the contracts and are mutually binding on both parties.</p>		(2) https://www.nxp.com/company/about-nxp/sustainability/environmental-compliance-organization/eco-products-faqs:ENVIRON_FAQ	Vishay	(1) https://www.vishay.com/docs/49157/rohs%20compliance%20statement_update_june_2020_original.pdf (2) https://www.vishay.com/docs/48036/ehs-policy-2020-eng-48036.pdf	Western Digital	(1) https://www.westerndigital.com/search?q=ESG (2) https://www.westerndigital.com/zh-tw/company/corporate-responsibility/environment	
	(2) https://www.nxp.com/company/about-nxp/sustainability/environmental-compliance-organization/eco-products-faqs:ENVIRON_FAQ									
Vishay	(1) https://www.vishay.com/docs/49157/rohs%20compliance%20statement_update_june_2020_original.pdf (2) https://www.vishay.com/docs/48036/ehs-policy-2020-eng-48036.pdf									
Western Digital	(1) https://www.westerndigital.com/search?q=ESG (2) https://www.westerndigital.com/zh-tw/company/corporate-responsibility/environment									

Evaluation items	The state of operations (Note 1)		Summary description (Note 2)	The differences from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the reasons.
	Yes	No		
			<p>6. For non-vendors (subcontractors and general service providers, etc.), the Company has established a "Code of Conduct for Suppliers" approved by the Board of Directors on May 14, 2020 for compliance:</p> <p>(1) As of the end of 2021, 50 non-original manufacturing suppliers/subcontractors had signed the Responsible Business Alliance (RBA) Code of Conduct commitment.</p> <p>(2) Weikeng emphasizes "ethical corporate management", "risk management" and "supply optimization" and requires its partners to commit to providing responsible, quality and legal supply chain services to Weikeng in the economic, environmental and social areas.</p> <p>(3) For subcontracted vendors, such as outsourced storage management and product programming, the Company regularly or irregularly reviews their operating sites and conduct compliance inventory assessments of standard operating procedures.</p>	
V. Does the Company make reference to international reporting standards or guidelines to prepare sustainability or other reports that disclose non-financial information about the Company? Has the assurance or opinion from third-party certifying institutions been obtained for the		~	The Company did not prepare any sustainability reports for 2021.	We will prepare a sustainability report for 2021 in 2022 as required by law.

Evaluation items	The state of operations (Note 1)		Summary description (Note 2)	The differences from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the reasons.
	Yes	No		
aforementioned reports?				
VI. If the Company has related practice principles of its own in accordance with the "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies", please state the differences between the two and the state of implementation:				
1. On December 27, 2012, the Company established the "Corporate Social Responsibility Best Practice Principle" and "Corporate Social Responsibility Policy", and on December 30, 2021, the Board of Directors resolved to change the names of the "Corporate Social Responsibility Best Practice Principles" and "Corporate Social Responsibility Policy" to "Sustainable Development Best Practice Principles" and "Sustainable Development Policy" in accordance with the new corporate governance blueprint.				
2. In 2021, although the Company had not yet established a governance structure to promote sustainable development or set up a dedicated unit to promote sustainable development, we leveraged the existing organizational structure of the Company's functions to promote and implement the related governance structure of the dedicated (part-time) units and the Board of Directors authorized senior management to handle the matters.				
3. The Company's Board of Directors approved a resolution on March 25, 2022 to establish a "Sustainable Development Committee", which is the highest guiding unit for planning and discussion of sustainable development, with an independent director as the convener and meeting chairperson of the Committee, and two functional groups for sustainable development and risk management under the Committee to ensure the promotion and implementation of work related to corporate sustainable development.				
VII. Other important information that is helpful to understand the implementation of sustainable development :				
1. Environmental protection issues We advocate for environmental protection: Care for the Earth in an effort to promote ecological sustainability.				
(1) The Company sponsored the filming of the documentary film "Bao Dao (Protecting the Island)" on Taiwan's nature conservation areas. The film was commissioned by the Forestry Bureau, Council of Agriculture, Executive Yuan, shot by eco-photographer Cham Jerome over a two-year period, and premiered in December 2017.				
(2) From 2019 to 2021, the Company sponsored the "Earth Day" event of the "Commercial Times" for three consecutive years, paying attention to the				

Evaluation items	The state of operations (Note 1)		Summary description (Note 2)	The differences from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the reasons.
	Yes	No		
			environmental protection activities of the Earth.	
			2. Sponsorship of educational resources: The Company is concerned about the serious educational gap in Taiwan's remote areas. From May 2020 to April 2021, the Company sponsored the Boyo Social Welfare Foundation for two consecutive years. The Foundation's mission is to provide remedial education in remote areas, train local counselors, and help graduate students become self-sufficient and self-improving in order to rise out of poverty.	
			3. Sponsorship of sports resources: In the past five years, the Company sponsored the High Tech Charity Association and the LPGA of Taiwan to promote sports activities.	
			4. Sponsorship of research institutions: The Company sponsored the Chinese Society for Management of Technology from 2020 to 2021 in the hope of combining talents in the field of technology management to promote exchanges among industry, government ministries and academic research institutions.	

Note 1: If "Yes" is checked for **implementation**, please **specify** the important policies, strategies, and measures adopted and their implementation; if "No" is checked, please explain the **differences** from the "Sustainability Development Best Practice Principles for TWSE/TPEX Listed Companies and the reasons therefor" and the relevant policies, strategies and measures to be adopted in the future.

Note 2: The materiality principle applies to those environmental, social, and corporate governance issues that significantly impact the Company's investors and other stakeholders.

(vi) The Company's implementation of ethical corporate management and the differences from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and the reasons therefor

Evaluation items	The state of operations (Note 1)		Summary description	The differences from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and the reasons therefor.
	Yes	No		
<p>I. Establishment of the ethical corporate management policy and program</p> <p>(I) Has the Company formulated an ethical corporate management policy approved by the Board of Directors, and are the policy and practice of ethical corporate management stated in the Company's regulations and external documents, as well as the commitment of the</p>	~		<p>(a) The Company has established the "Codes of Ethical Conduct" and the "Ethical Corporate Management Best Practice Principles" approved by the Board of Directors, which are standards that provide high ethical standards for all employees and are disclosed in the Annual Report and on the Company's official website. It is of paramount importance that the Board of Directors and management adopt the highest standards of integrity and ethics in the management of the Company and the work conduct of its employees, prohibiting bribery, corruption, deception and any other forms of improper conduct.</p>	No material difference

Evaluation items	The state of operations (Note 1)		Summary description	The differences from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and the reasons therefor.
	Yes	No		
Board of Directors and the senior management to actively implement the policy?				
(II) Whether the Company has established a mechanism for evaluating the risk of unethical conduct, regularly analyzes and evaluates the activities in the scope of business with a higher risk of unethical conduct, and based on this, has formulated a plan to prevent unethical conduct, which covers at least	√		(b) In order to prevent any unethical conduct, employees must disclose any conduct that has or may have the potential to undermine the Principles, such as an actual or potential conflict of interest. Key employees and senior management must regularly declare their compliance with the Principles. The Company requires all customers, suppliers and partners to declare in writing that they will not engage in any fraudulent or induced unethical conduct in their business dealings with the Company or with management and employees. The Company has established internal and external whistleblower reporting hotlines that can be used by any relevant personnel to report to the Company's designated internal auditors and legal staff for the purpose of investigating any violations of ethical conduct expected of an individual.	No material difference

Evaluation items	The state of operations (Note 1)			The differences from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and the reasons therefor.
	Yes	No	Summary description	
the preventive measures for the conduct set out in Paragraph 2 of Article 7 of the "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies"?				
(III) Has the Company clearly defined operating procedures, behavior guidelines, punishment and appeal systems for non-compliance in the plan to prevent breaches of ethical corporate	√		(c) The "Code of Ethical Conduct" approved by the Company's Board of Directors has provided preventive measures against the following conducts: <ol style="list-style-type: none"> 1. Offering and accepting bribes; 2. Making illegal political contributions; 3. Improper charitable donations or sponsorships; 4. Offering or accepting unreasonable gifts, hospitality or other improper benefits. 5. Infringement of trade secrets, trademarks, patents, copyrights and other intellectual property rights; 6. Engaging in unfair competitive practices; 7. The purchase, provision or sale of products and services that directly or indirectly harm the 	No material difference

Evaluation items	The state of operations (Note 1)		Summary description	The differences from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and the reasons therefor.
	Yes	No		
management, implement them, and regularly reviewed and amended the aforesaid plan?			rights, health and safety of consumers or other stakeholders. The Company regularly conducts corporate governance publicity of integrity management at monthly operation meetings, quarterly staff meetings, or employee training sessions, and has a Whistle-blowing system to strengthen ethical corporate management and self-discipline.	
II. Implementation of ethical corporate management (I) Does the Company evaluate the ethical records of its counterparties and specify the ethical conduct clauses in the contracts signed with the counterparties?	√		(a) The Company holds monthly operation meetings and requires participants to communicate our ethical corporate management requirements to all business partners. In addition, every business contract contains an ethics-related clause. If this clause is violated, the Company may terminate the partnership at any time without any other obligation or compensation.	No material difference
(II) Does the Company have a dedicated unit under the Board of Directors to promote	√		(b) The Chairman Office is responsible for formulating and monitoring the implementation of the ethical corporate management policy and prevention programs for the enterprises and organizations within the Group, and reports to the Board of Directors as necessary.	No material difference

Evaluation items	The state of operations (Note 1)			The differences from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and the reasons therefor.
	Yes	No	Summary description	
ethical corporate management and regularly report (at least once a year) to the Board of Directors on its ethical management policy and plan to prevent unethical conduct and monitor their implementation?				
(III) Does the Company have a policy to prevent conflict of interest, provide appropriate channels for explanation, and implement it?	√		(c) The Company complies with the “Company Act”, the “Securities and Exchange Act”, the “Business Entity Accounting Act”, the “Political Donations Act”, the “Act to Implement United Nations Convention against Corruption”, the “Government Procurement Act”, the “Act on Recusal of Public Servants Due to Conflicts of Interest”, and other regulations regarding TWSE-listed companies. The Company also conducts pre-trade due diligence with upstream and downstream companies and requests them to issue integrity commitments to minimize risks as much as possible. The Company also provides an internal audit supervisor and legal supervisor hotline to receive and submit information regarding conflicts of interest.	No material difference
(IV) Whether the Company	√		(d) The Company has established an accounting and internal control system to ensure ethical corporate	No material difference

Evaluation items	The state of operations (Note 1)			The differences from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and the reasons therefor.
	Yes	No	Summary description	
<p>has established an effective accounting system and internal control system for the implementation of ethical corporate management, and the internal audit unit draws up relevant audit plans based on the evaluation results of risk of unethical conduct, and audits the compliance of the plan to prevent unethical conduct or entrusts CPAs to perform the audit?</p> <p>(V) Does the Company regularly hold internal</p>	✓		<p>management. The internal audit supervisor conducts risk assessment based on possible unethical business practices, includes these items in the annual audit plan, and reports the audit results to the Audit Committee and the Board of Directors. So far, there has been no case of entrusting any CPAs to perform the audit.</p> <p>(e) The Company conducts regular education on ethical practices, code of ethical conduct, conflict of interest avoidance, and all other related topics by senior management and the legal supervisor at</p>	No material difference

Evaluation items	The state of operations (Note 1)			The differences from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and the reasons therefor.																																				
	Yes	No	Summary description																																					
and external education and training on ethical corporate management?			<p>monthly operation meetings and quarterly employee mobilization meetings. For new employees, newcomer education is also conducted by the legal supervisor during the first week of arrival.</p> <p>1. In 2021, a total of 73 new employees received reminders on ethical corporate management and code of ethical conduct (100% of new employees received reminders from the legal and human resources units on their arrival date).</p> <p>2. Annual anti-corruption training for all employees and newcomers in 2021:</p> <table border="1"> <thead> <tr> <th>Date</th> <th>Promotion sessions</th> <th>Number of participants</th> <th>Number of hours</th> <th>Education contents</th> </tr> </thead> <tbody> <tr> <td>2021/01/21</td> <td rowspan="3">New employee training</td> <td>16</td> <td>0.5</td> <td rowspan="5">Anti-corruption/ethical corporate management training (Insider/short-swing trading)</td> </tr> <tr> <td>2021/04/22</td> <td>20</td> <td>0.5</td> </tr> <tr> <td>2021/10/14</td> <td>30</td> <td>0.5</td> </tr> <tr> <td>2021/04/16</td> <td>All staff</td> <td>324</td> <td>0.5</td> </tr> <tr> <td>2021/11/12</td> <td>meeting</td> <td>335</td> <td>0.5</td> </tr> </tbody> </table> <p>3. Director's continuing education (anti-corruption/ethical corporate management related courses)</p> <table border="1"> <thead> <tr> <th>Title</th> <th>Name</th> <th>Training date</th> <th>Training institution</th> <th>Training course</th> <th>Training Number of hours</th> </tr> </thead> <tbody> <tr> <td>Representative of Juristic</td> <td>Chen, Cheng-Fong (@Eric Chen)</td> <td>2021/08/06</td> <td>Taiwan Corporate Governance</td> <td>The Distance Between Us and Insider Trading</td> <td>3</td> </tr> </tbody> </table>	Date	Promotion sessions	Number of participants	Number of hours	Education contents	2021/01/21	New employee training	16	0.5	Anti-corruption/ethical corporate management training (Insider/short-swing trading)	2021/04/22	20	0.5	2021/10/14	30	0.5	2021/04/16	All staff	324	0.5	2021/11/12	meeting	335	0.5	Title	Name	Training date	Training institution	Training course	Training Number of hours	Representative of Juristic	Chen, Cheng-Fong (@Eric Chen)	2021/08/06	Taiwan Corporate Governance	The Distance Between Us and Insider Trading	3	
Date	Promotion sessions	Number of participants	Number of hours	Education contents																																				
2021/01/21	New employee training	16	0.5	Anti-corruption/ethical corporate management training (Insider/short-swing trading)																																				
2021/04/22		20	0.5																																					
2021/10/14		30	0.5																																					
2021/04/16	All staff	324	0.5																																					
2021/11/12	meeting	335	0.5																																					
Title	Name	Training date	Training institution	Training course	Training Number of hours																																			
Representative of Juristic	Chen, Cheng-Fong (@Eric Chen)	2021/08/06	Taiwan Corporate Governance	The Distance Between Us and Insider Trading	3																																			

Evaluation items	The state of operations (Note 1)							The differences from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and the reasons therefor.	
	Yes	No	Summary description						
			Person Director		2021/8/13	Association	Red Flag for Fraudulent Financial Reporting	3	
			Director	Chen, Kuan-Hua (@Bill Chen)	2021/11/05	Securities and Futures Institute	2021 Annual Promotion Conference on Prevention of Insider Trading	3	
III. The operation of the Company's whistleblower reporting system									
(I) Has the Company set up a specific whistleblower reporting and reward system, a convenient reporting channel, and designated appropriate personnel to deal with the reported matters?	✓		(a) The Company has an internal audit office and a legal unit with a reporting line and e-mail to establish a whistleblower reporting channel. Employees and related personnel can report improper business practices. After a confidential investigation, anyone who violates operational integrity rules will be punished according to the Company's provisions of incentives and penalties. Legal action will also be taken in the event of illegal conduct.						No material difference
(II) Has the Company	✓		(b) The Company has established an SOP authorized by the Chairman Office and implemented by the						No material difference

Evaluation items	The state of operations (Note 1)			The differences from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and the reasons therefor.
	Yes	No	Summary description	
formulated standard operating procedures for the investigation of the reported matters, follow-up measures to be taken after the completion of the investigation, and the relevant confidentiality mechanisms?			internal audit office and the legal unit, which can be used for any confidential investigation of such cases.	
(III) Whether the Company takes measures to protect whistleblowers from being improperly handled due to reporting?	✓		(c) The Company takes whistleblower protection seriously because its core purpose is to protect diligent employees trying to identify potential wrongdoing from unlawful retaliation. The Company has a whistleblower protection hotline. If necessary, both senior management and the Board of Directors can directly review and determine the appropriate action to respond to the retaliation.	No material difference
IV. Enhancement of information disclosure	✓		The Company discloses its Ethical Corporate Management Best Practice Principles on the Company's website and the Market Observation Post System. As of the publication date of the Annual Report, there	No material difference

Evaluation items	The state of operations (Note 1)			The differences from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and the reasons therefor.
	Yes	No	Summary description	
Does the Company disclose the content and effectiveness of its Ethical Corporate Management Principles on its website and the Market Observation Post System?			has been no violation of the Ethical Corporate Management Best Practice Principles or any reports against the Company.	
<p>V. If the Company has related practice principles of its own in accordance with the "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies", please state the differences between the two and the state of implementation: No material difference as the Group adheres to the principles of ethical corporate management: There is no material difference, but the Company keeps an eye on the development of domestic and international regulations related to ethical corporate management and encourages directors, managerial officers and employees to make suggestions to review and improve the Company's Ethical Corporate Management Best Practice Principles in order to enhance the effectiveness of the Company's ethical corporate management.</p>				
<p>VI. Other important information that is helpful to understand the implementation of ethical corporate management (For example, if the Company reviews and amends its ethical corporate management principles.): The Company cooperates with the regulations that the Company's insiders, including but not limited to directors, are not allowed to not allowed to trade their shares of the Company that are listed on an exchange or an over-the-counter market, or any other equity-type security of the Company during the lock-up period before the announcement of the annual financial report and the quarterly financial report. This is an amendment of the "Operating Procedures for Handling Material Inside Information", which was amended and approved by the Board of Directors on March 25, 2022.</p>				

Note 1: The state of operations, no matter if "Yes" or "No" is checked, should be described in the summary description.

(vii) Corporate Governance Guidelines and Regulations

Please refer to the TWSE's MOPS at <http://mops.twse.com.tw> and Corporate Governance of the Company's website at www.weikeng.com.tw.

(viii) Other Important Information Regarding Corporate Governance: None.

(ix) Implementation of Internal Control Systems

1. Internal Control System Statement

**WEIKENG INDUSTRIAL Co., Ltd.
Internal Control System Statement**

Date: March 25, 2022

In 2021, the Company conducted an internal audit of its internal control system and hereby declares the following:

- (1) The Company acknowledges and understands that the establishment, enforcement and maintenance of the internal control system are the responsibility of the Board of Directors and management, and that the company has already established such a system. The purpose is to provide reasonable assurance to the effectiveness and efficiency of business operations (including profitability, performance and security of assets), reliability of financial reporting and compliance with relevant regulatory requirements.
- (2) There are inherent limitations to even the most well designed internal control system. As such, an effective internal control system can only reasonably ensure the achievement of the aforementioned goals. Moreover, the operating environment and situation may change, impacting the effectiveness of the internal control system. However, self-supervision measures were implemented within the Company's internal control policies to facilitate immediate rectification once procedural flaws have been identified.
- (3) The Company determines the effectiveness of the design and implementation of its internal control system in accordance with the items in "Regulations Governing Establishment of Internal Control Systems by Public Companies" (hereinafter called "Governing Regulations") that are related to the effectiveness of internal control systems. The criteria introduced by the "Governing Regulations" cover the process of management control and consist of five major elements, each representing a different stage of internal control: (1) control environment, (2) risk assessment, (3) control activities, (4) information and communications, and (5) monitoring activities. Each of the elements in turn contains certain audit items. Please refer to "Governing Regulations" for details.
- (4) The Company has adopted the aforementioned measures for an examination of the effectiveness of the design and implementation of the internal control system.
- (5) Based on the findings of the aforementioned examination, the Company believes it can reasonably assure that the design and implementation of its internal control system as of December 31, 2021 (including supervision and management of subsidiaries), including the effectiveness and efficiency in operation, reliability in financial reporting and compliance with relevant regulatory requirements, have achieved the aforementioned objectives.
- (6) This declaration constitutes part of the Company's annual report and prospectus, and shall be disclosed to the public. If any fraudulent information, concealment or unlawful practices are discovered in the content of the aforementioned information, the Company shall be held liable under Article 20, Article 32, Article 171 and Article 174 of the Securities and Exchange Act.
- (7) This statement was passed by the Board of Directors on March 25, 2022, with none of the seven attending Directors expressing dissenting opinions, and the remainder all affirming the content of this Statement.

Chairman and President: HU, CHIU-CHIANG

2. **Where a CPA has been hired to carry out a special audit of the internal control system, furnish the CPA audit report:** None.

(x) If there has been any legal penalty against the company or its internal personnel, or any disciplinary penalty by the company against its internal personnel for violation of the internal control system, during the most recent fiscal year or during the current fiscal year up to the publication date of the annual report, where the result of such penalty could have a material effect on shareholder equity or securities prices, the annual report shall disclose the penalty, the main shortcomings, and condition of improvement.
None.

(xi) Material resolutions of a shareholders meeting or a Board of Directors meeting during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report.

Meeting	Date	Major resolutions																																																																				
Shareholders' Meeting	2021/7/20	<p>1. Recognition on the 2020 Business Report and the Financial Statements, including individual financial statements and consolidated financial statements RESOLVED : Approved after voting, voting results were as follows:</p> <table border="1"> <thead> <tr> <th rowspan="2">Number of votes represented by attending shareholders</th> <th colspan="2">Approval Votes</th> <th>Disapproval Votes</th> <th>Invalid Votes</th> <th>Abstention Votes/No Votes</th> </tr> <tr> <th>Number</th> <th>Percentage</th> <th>Number</th> <th>Number</th> <th>number</th> </tr> </thead> <tbody> <tr> <td>238,260,329</td> <td>221,810,735 (including E-Voting : 12,359,902)</td> <td>93.09%</td> <td>277,110 (Including E-Voting : 277,110)</td> <td>0</td> <td>16,172,484 (Including E-Voting : 16,172,484)</td> </tr> </tbody> </table> <p>Implementation: The Company disclosed it on the Company's official website, which was then recognized by the shareholders meeting.</p> <p>2. Recognition on the 2020 Earnings Distribution Plan RESOLVED : Approved after voting, voting results were as follows:</p> <table border="1"> <thead> <tr> <th rowspan="2">Number of votes represented by attending shareholders</th> <th colspan="2">Approval Votes</th> <th>Disapproval Votes</th> <th>Invalid Votes</th> <th>Abstention Votes/No Votes</th> </tr> <tr> <th>Number</th> <th>Percentage</th> <th>Number</th> <th>Number</th> <th>number</th> </tr> </thead> <tbody> <tr> <td>238,260,329</td> <td>222,177,247 (including E-Voting : 12,726,414)</td> <td>93.24%</td> <td>280,363 (Including E-Voting : 280,363)</td> <td>0</td> <td>15,802,719 (Including E-Voting : 15,802,719)</td> </tr> </tbody> </table> <p>Implementation:</p> <table border="1"> <thead> <tr> <th rowspan="2">Date of Ex-dividends</th> <th colspan="2">Cash Dividends</th> </tr> <tr> <th>Per Share</th> <th>Date of Distribution</th> </tr> </thead> <tbody> <tr> <td>2021/8/1</td> <td>@1.3334</td> <td>2021/8/20</td> </tr> </tbody> </table> <p>3. Discussion on the some amendments to the Company's Articles of Association RESOLVED : Approved after voting, voting results are as follows:</p> <table border="1"> <thead> <tr> <th rowspan="2">Number of votes represented by attending shareholders</th> <th colspan="2">Approval Votes</th> <th>Disapproval Votes</th> <th>Invalid Votes</th> <th>Abstention Votes/No Votes</th> </tr> <tr> <th>Number</th> <th>Percentage</th> <th>Number</th> <th>Number</th> <th>number</th> </tr> </thead> <tbody> <tr> <td>238,260,329</td> <td>222,177,247 (including E-Voting : 12,726,414)</td> <td>93.24%</td> <td>280,363 (Including E-Voting : 280,363)</td> <td>0</td> <td>15,802,719 (Including E-Voting : 15,802,719)</td> </tr> </tbody> </table> <p>Implementation: The Company's amended Articles of Association had been approved for registration on September 27, 2021 by the Ministry of Economic Affairs, R.O.C.</p> <p>4. Re-lection of All Directors Voting results for directors elected (including independent directors) were as follows: (1) Directors (Four in total)</p> <table border="1"> <thead> <tr> <th>Shareholder no. or Personal ID no</th> <th>Person Elected</th> <th>Votes</th> </tr> </thead> <tbody> <tr> <td>1</td> <td>HU, CHIU-CHIANG(@Douglas Hu)</td> <td>315,543,747</td> </tr> <tr> <td>35</td> <td>WEIJI INVESTMENT CO., LTD.</td> <td>308,184,957</td> </tr> </tbody> </table>	Number of votes represented by attending shareholders	Approval Votes		Disapproval Votes	Invalid Votes	Abstention Votes/No Votes	Number	Percentage	Number	Number	number	238,260,329	221,810,735 (including E-Voting : 12,359,902)	93.09%	277,110 (Including E-Voting : 277,110)	0	16,172,484 (Including E-Voting : 16,172,484)	Number of votes represented by attending shareholders	Approval Votes		Disapproval Votes	Invalid Votes	Abstention Votes/No Votes	Number	Percentage	Number	Number	number	238,260,329	222,177,247 (including E-Voting : 12,726,414)	93.24%	280,363 (Including E-Voting : 280,363)	0	15,802,719 (Including E-Voting : 15,802,719)	Date of Ex-dividends	Cash Dividends		Per Share	Date of Distribution	2021/8/1	@1.3334	2021/8/20	Number of votes represented by attending shareholders	Approval Votes		Disapproval Votes	Invalid Votes	Abstention Votes/No Votes	Number	Percentage	Number	Number	number	238,260,329	222,177,247 (including E-Voting : 12,726,414)	93.24%	280,363 (Including E-Voting : 280,363)	0	15,802,719 (Including E-Voting : 15,802,719)	Shareholder no. or Personal ID no	Person Elected	Votes	1	HU, CHIU-CHIANG(@Douglas Hu)	315,543,747	35	WEIJI INVESTMENT CO., LTD.	308,184,957
		Number of votes represented by attending shareholders		Approval Votes		Disapproval Votes	Invalid Votes	Abstention Votes/No Votes																																																														
			Number	Percentage	Number	Number	number																																																															
		238,260,329	221,810,735 (including E-Voting : 12,359,902)	93.09%	277,110 (Including E-Voting : 277,110)	0	16,172,484 (Including E-Voting : 16,172,484)																																																															
		Number of votes represented by attending shareholders	Approval Votes		Disapproval Votes	Invalid Votes	Abstention Votes/No Votes																																																															
			Number	Percentage	Number	Number	number																																																															
		238,260,329	222,177,247 (including E-Voting : 12,726,414)	93.24%	280,363 (Including E-Voting : 280,363)	0	15,802,719 (Including E-Voting : 15,802,719)																																																															
		Date of Ex-dividends	Cash Dividends																																																																			
			Per Share	Date of Distribution																																																																		
		2021/8/1	@1.3334	2021/8/20																																																																		
Number of votes represented by attending shareholders	Approval Votes		Disapproval Votes	Invalid Votes	Abstention Votes/No Votes																																																																	
	Number	Percentage	Number	Number	number																																																																	
238,260,329	222,177,247 (including E-Voting : 12,726,414)	93.24%	280,363 (Including E-Voting : 280,363)	0	15,802,719 (Including E-Voting : 15,802,719)																																																																	
Shareholder no. or Personal ID no	Person Elected	Votes																																																																				
1	HU, CHIU-CHIANG(@Douglas Hu)	315,543,747																																																																				
35	WEIJI INVESTMENT CO., LTD.	308,184,957																																																																				

			(Representative : CHEN, CHENG-FONG(@Eric Chen))			
	4		CHI, TING-FANG(@Stan Chi)	304,998,565		
	35505		CHEN, KUAN-HUA(@Bill Chen)	298,196,489		
(2) Independent Directors (Three in total)						
	Shareholder no. or Personal ID no		Person Elected	Votes		
	A1105XXXXX		TSAI, YU-PING (@Edward Tsai)	115,517,016		
	C1203XXXXX		LIN, HUNG (@Vincent Lin)	104,800,227		
	A2018XXXXX		YU, HSUEH-PING (@Peggy Yu)	100,236,988		
Implementation:						
The Company's newly elected directors, including independent directors, have been registered with the Ministry of Economic Affairs, R.O.C. on September 27, 2021.						
5. Discussion on releasing the new Directors (including Independent Directors and the representative of Juristic Person Director) of the Company from Non-Competition restrictions						
RESOLVED : Approved after voting, voting results were as follows:						
Release of the Non-Competition Restrictions of Directors by the Shareholders at 2021 Annual General Meeting.						
	Number of votes represented by attending shareholders	Name of Directors	Approval Votes Number Percentage	Disapproval Votes Number	Invalid Votes Number	Abstention Votes/No Votes Number
	238,260,329	HU, CHIU-CHIANG (@Douglas Hu) WEIJI INVESTMENT CO. LTD. Representative : CHEN, CHENG-FONG(@Eric Chen) CHI, TING-FANG (@Stan Chi) CHEN, KUAN-HUA (@Bill Chen) TSAI, YU-PING (@Edward Tsai) LIN, HUNG (@Vincent Lin) YU, HSUEH-PING (@Peggy Yu)	212,356,447 (including E-Voting : 2,905,614) 89.12%	9,718,983 (including E-Voting : 9,718,983)	0	16,184,899
Date of Board Meeting in 2021	Contents of Motion		Resolution			
2021/1/29	Discussion on the 2020 year-end bonus for Executive Officers of the Company and its important subsidiary WEIKENG INTERNATIONAL CO., LTD.		Approved as proposed after the chairperson consulted all present directors.			
2021/3/26	Discussion on the Company's 2020 business report		Approved as proposed after the chairperson consulted all present directors.			
	Discussion on the approval of accounting entry for the Company's remuneration of employees and directors in 2020		Approved as proposed after the chairperson consulted all present directors.			
	Recognition on the 2020 Financial Statements, including individual financial statements and consolidated financial statements		Approved as proposed after the chairperson consulted all present directors.			

	Discussion on the 2020 Earnings Distribution Plan	Approved as proposed after the chairperson consulted all present directors.
	Discussion on the Company's 2020 Internal Control System Statement	Approved as proposed after the chairperson consulted all present directors.
	Discussion on the some amendments to the Company's Articles of Association	Approved as proposed after the chairperson consulted all present directors.
	Discussion on the holding 2021 Annual General Meeting	Approved as proposed after the chairperson consulted all present directors.
	Discussion on the 2021 general meeting of shareholders to accept shareholder proposals and the nomination of directors (including independent directors) candidates	Approved as proposed after the chairperson consulted all present directors.
	Discussion on the list of candidates for directors (including independent directors) proposed by the Company's board of directors and their qualification review	Approved as proposed after the chairperson consulted all present directors.
	Discussion on the some amendments to the Company's "Rules on the Scope of Duties of Independent Directors"	Approved as proposed after the chairperson consulted all present directors.
	Discussion on the some amendments to the Company's "Codes of Ethical Conduct"	Approved as proposed after the chairperson consulted all present directors.
	Discussion on the Company's application for the renewal or increase of banking facilities	Approved as proposed after the chairperson consulted all present directors.
	Discussion on the Company's endorsements and guarantees for 100% owned subsidiary WEIKENG INTERNATIONAL CO., LTD.	Approved as proposed after the chairperson consulted all present directors.
	Discussion on the Company's endorsements and guarantees for 100% owned subsidiary WEIKENG TECHNOLOGY PTE LTD.	Approved as proposed after the chairperson consulted all present directors.
	Re-election of all Directors(including Independent Directors)	Approved as proposed after the chairperson consulted all present directors.
	Discussion on releasing the new Directors (including Independent Directors and the representative of Juristic Person Director) of the Company from Non-Competition restrictions	Approved as proposed after the chairperson consulted all present directors.
2021/5/13	Discussion on participation in subscribing to the cash capital increase of WEIKENG INTERNATIONAL CO., LTD, a 100% owned subsidiary in Hong Kong	Approved as proposed after the chairperson consulted all present directors.
	Discussion on the appointment of corporate governance officer of the Company	Approved as proposed after the chairperson consulted all present directors.
	Discussion on the Company's application for the renewal or increase of banking facilities	Approved as proposed after the chairperson consulted all present directors.
	Discussion on the Company's endorsements and guarantees for 100% owned subsidiary WEIKENG TECHNOLOGY PTE LTD.	Approved as proposed after the chairperson consulted all present directors.
	Discussion on the Company's endorsements and guarantees for 100% owned subsidiary WEIKENG INTERNATIONAL CO., LTD.	Approved as proposed after the chairperson consulted all present directors.
2021/6/29	Discussion on the formulation of the Company's Intellectual Property Management Plan	Approved as proposed after the chairperson consulted all present directors.
	Discussion on the formulation of the Company's Protection of human rights policy	Approved as proposed after the chairperson consulted all present directors.
	Discussion on the formulation of the Company's risk management policies and procedures	Approved as proposed after the chairperson consulted all present directors.
	Discussion on the Company's 2020 employee remuneration distribution and 2021 salary adjustment proposal to executive officers	Approved as proposed after the chairperson consulted all present directors.
	Discussion on the determination of the ex-dividend date for the distribution of 2020 cash dividends on ordinary shares of the Company in 2021	Approved as proposed after the chairperson consulted all present directors.

	Discussion on the determination of the suspended conversion period of the Company's 5th domestic unsecured convertible corporate bonds	Approved as proposed after the chairperson consulted all present directors.
	Discussion on the conversion price adjustment of the Company's 5th domestic unsecured convertible corporate bonds	Approved as proposed after the chairperson consulted all present directors.
	Discussion on the date and venue of the Company's postponed 2021 shareholders meeting	Approved as proposed after the chairperson consulted all present directors.
	Discussion on the Company's application for the renewal or increase of banking facilities	Approved as proposed after the chairperson consulted all present directors.
	Discussion on the application of the subsidiary Weikeng International (Shanghai) Co., Ltd. for the renewal or increase of the banking facilities	Approved as proposed after the chairperson consulted all present directors.
	Discussion on the Company's endorsements and guarantees for 100% owned subsidiary WEIKENG INTERNATIONAL CO., LTD.	Approved as proposed after the chairperson consulted all present directors.
	Discussion on the Company's endorsements and guarantees for 100% owned subsidiary WEIKENG TECHNOLOGY PTE LTD.	Approved as proposed after the chairperson consulted all present directors.
	Discussion on the Company's endorsements and guarantees for 100% owned subsidiary WEIKENG INTERNATIONAL (SHANGHAI) CO., LTD.	Approved as proposed after the chairperson consulted all present directors.
	Discussion on the record date of capital increase for the conversion of the Company's 5th domestic unsecured convertible corporate bonds into new shares	Approved as proposed after the chairperson consulted all present directors.
2021/07/20	Discussion on the appointment of the chairperson of the Company's board of directors	All present directors unanimously appointed Mr. HU, CHIU-CHIANG (@Douglas Hu) as the chairperson of the Company
	Discussion on the appointment of the Company's members of the 5th Remuneration Committee	Except for independent directors Mr. TSAI, YU-PING (@Edward Tsai) and Mr. LIN, HUNG (@Vincent Lin), who did not participate in the voting due to the recusal of their own interests, and approved as proposed after the chairperson consulted the remaining present directors.
2021/8/12	Discussion on the company's application for the renewal or increase of banking facilities	Approved as proposed after the chairperson consulted all present directors.
	Discussion on the Company's endorsements and guarantees for 100% owned subsidiary WEIKENG INTERNATIONAL CO., LTD.	Approved as proposed after the chairperson consulted all present directors.
	Discussion on the Company's endorsements and guarantees for 100% owned subsidiary WEIKENG TECHNOLOGY PTE LTD.	Approved as proposed after the chairperson consulted all present directors.
2021/10/7	Discussion on the record date of capital increase for the conversion of the Company's 5th domestic unsecured convertible corporate bonds into new shares	Approved as proposed after the chairperson consulted all present directors.
	Discussion on the Company's application for the renewal or increase of banking facilities	Approved as proposed after the chairperson consulted all present directors.
	Discussion on the Company's endorsements and guarantees for 100% owned subsidiary WEIKENG INTERNATIONAL CO., LTD.	Approved as proposed after the chairperson consulted all present directors.
	Discussion on the Company's endorsements and guarantees for 100% owned subsidiary WEIKENG INTERNATIONAL (SHANGHAI) CO., LTD.	Approved as proposed after the chairperson consulted all present directors.
2021/11/11	Discussion on the Company's 2022 audit plan.	Approved as proposed after the chairperson consulted all present directors.
	Discussion on the Company's application for the renewal or increase of banking facilities	Approved as proposed after the chairperson consulted all present directors.
	Discussion on the Company's endorsements and guarantees for 100% owned subsidiary WEIKENG INTERNATIONAL CO., LTD.	Approved as proposed after the chairperson consulted all present directors.
2021/12/30	Discussion on the preparation of the Company's 2022 operating budget	Approved as proposed after the chairperson consulted all present directors.

	Discussion on the Company's professional fees of CPA for 2022	Approved as proposed after the chairperson consulted all present directors.
	Discussion on the Company's " Corporate Social Responsibility Best Practice Principles " and " Corporate Social Responsibility Policy " rename and some amendments to the provisions	Approved as proposed after the chairperson consulted all present directors.
	Discussion on the some amendments to the Company's provisions of "Corporate Governance Best Practice Principles"	Approved as proposed after the chairperson consulted all present directors.
	Discussion on the Company's application for the renewal or increase of banking facilities	Approved as proposed after the chairperson consulted all present directors.
	Discussion on the Company's endorsements and guarantees for 100% owned subsidiary WEIKENG INTERNATIONAL CO., LTD.	Approved as proposed after the chairperson consulted all present directors.
	Discussion on the record date of capital increase for the conversion of the Company's 5th domestic unsecured convertible corporate bonds into new shares	Approved as proposed after the chairperson consulted all present directors.
Date of Board Meeting in 2022	Contents of Motion	Resolution
2022/1/14	Discussion on the 2021 year-end bonus for Executive Officers of the Company and its important subsidiary WEIKENG INTERNATIONAL CO., LTD.	Except for directors HU, CHIU-CHIANG (@Douglas Hu) and CHI, TING-FANG (@Stan Chi) who also served as executive officers and did not participate in voting due to their own interests, the chairman appointed acting chairman independent director TSAI, YU-PING (@Edward Tsai) to consult the remaining directors present, and the motion was approved as proposed.
2022/3/25	Discussion on the approval of accounting entry for the Company's remuneration of employees and directors in 2021	Approved as proposed after the chairperson consulted all present directors.
	Recognition on the 2021 Financial Statements, including individual financial statements and consolidated financial statements	Approved as proposed after the chairperson consulted all present directors.
	Discussion on the Company's 2020 business report	Approved as proposed after the chairperson consulted all present directors.
	Discussion on the appointment of Certified Public Accountants for the Company's 2022 financial statements	Approved as proposed after the chairperson consulted all present directors.
	Discussion on the evaluation of CPA's independence and suitability for the Company's 2022 annual financial statements	Approved as proposed after the chairperson consulted all present directors.
	Discussion on the 2021 Earnings Distribution Plan	Approved as proposed after the chairperson consulted all present directors.
	Discussion on the Company's 2021 Internal Control System Statement	Approved as proposed after the chairperson consulted all present directors.
	Discussion on the some amendments to the Company's Articles of Association	Approved as proposed after the chairperson consulted all present directors.
	Discussion on the some amendments to the Company's "Procedures for Acquisition or Disposal of Assets"	Approved as proposed after the chairperson consulted all present directors.
	Discussion on the some amendments to the Company's "Operating Procedures For Handling Material Inside Information"	Approved as proposed after the chairperson consulted all present directors.
	Discussion on enacting the Company's "Nominating Committee Charter"	Approved as proposed after the chairperson consulted all present directors.
	Discussion on the appointment of members of the Company's Nominating Committee	Except for directors HU, CHIU-CHIANG (@Douglas Hu) and all independent directors, TSAI, YU-PING (@Edward Tsai), LIN, HUNG (@Vincent Lin), and YU, HSUEH-PING (@Peggy Yu), who did not participate in voting due to their own interests, the chairman appointed acting chairman director CHEN, CHENG-FONG (@Eric Chen) to consult the remaining directors present, and the motion was approved as proposed.

	Discussion on enacting the Company's "Sustainable Development Committee Charter"	Approved as proposed after the chairperson consulted all present directors.
	Discussion on the appointment of members of the Company's Sustainable Development Committee	Except for directors HU, CHIU-CHIANG (@Douglas Hu), CHI, TING-FANG (@Stan Chi), and all independent directors, TSAI, YU-PING (@Edward Tsai), LIN, HUNG (@Vincent Lin), and YU, HSUEH-PING (@Peggy Yu), who did not participate in voting due to their own interests, the chairman appointed acting chairman director CHEN, CHENG-FONG (@Eric Chen) to consult the remaining directors present, and the motion was approved as proposed.
	Discussion on the Company's issuance of the 6th domestic unsecured convertible corporate bond	Approved as proposed after the chairperson consulted all present directors.
	Discussion on the some amendments to the Company's "Rules and Procedures of Shareholders Meeting"	Approved as proposed after the chairperson consulted all present directors.
	Discussion on the some amendments to the Company's "Audit Committee Charter"	Approved as proposed after the chairperson consulted all present directors.
	Discussion on the Company's application for the renewal or increase of banking facilities	Approved as proposed after the chairperson consulted all present directors.
	Discussion on the application of the subsidiary Weikeng International (Shanghai) Co., Ltd. for the renewal or increase of the banking facilities	Approved as proposed after the chairperson consulted all present directors.
	Discussion on the Company's endorsements and guarantees for 100% owned subsidiary WEIKENG INTERNATIONAL CO., LTD.	Approved as proposed after the chairperson consulted all present directors.
	Discussion on the Company's endorsements and guarantees for 100% owned subsidiary WEIKENG TECHNOLOGY PTE LTD.	Approved as proposed after the chairperson consulted all present directors.
	Discussion on the Company's endorsements and guarantees for 100% owned subsidiary WEIKENG INTERNATIONAL (SHANGHAI) CO., LTD.	Approved as proposed after the chairperson consulted all present directors.
	Discussion on the record date of capital increase for the conversion of the Company's 5th domestic unsecured convertible corporate bonds into new shares	Approved as proposed after the chairperson consulted all present directors.
	Discussion on the holding date and time, venue, proposal and related matters of the Company's 2022 Annual General Meeting of shareholders	Approved as proposed after the chairperson consulted all present directors.
2022/4/20	Discussion on the some amendments to the Company's "Procedures for Acquisition or Disposal of Assets"	Approved as proposed after the chairperson consulted all present directors.
	Discussion on the ratification of the Company's acquisition of the right-of-use assets from the related party 100% owned subsidiary Weikeng International Co., Ltd.	Approved as proposed after the chairperson consulted all present directors.

(xii) Major Issues of Record or Written Statements Made by Any Director or Supervisor Dissenting to Important Resolutions Passed by the Board of Directors

None.

(xiii) A summary of resignations and dismissals, during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report, of the company's chairperson, general manager, chief accounting officer, chief financial officer, chief internal auditor, chief corporate governance officer, and chief research and development officer

None.

v. Information on the professional fees of the attesting CPAs

- (i) The amounts of the audit fees and non-audit fees paid to the attesting CPAs and to the accounting firm to which they belong and to any affiliated enterprises as well as the details of non-audit services**

Accounting Firm	Name of CPA	Period Covered by CPA's Audit	Audit fees (NT\$ thousand)	Non-audit fees (NT\$ thousand)	Total (NT\$ thousand)	Remarks/specify details
KPMG, Taiwan	Lo, Jui-Lan	2021/1/1~2021/12/31	Audit fee for financial report: 3,500	Audit fees for tax services, etc. : 1,290	4,790	The Company's Administrative Division regularly evaluates the independence of the attesting CPAs in accordance with Article 47 of the Certified Public Accountant Act, Bulletin No. 10 of the Norm of Professional Ethics for Certified Public Accountant and the independence declaration/independence and competence evaluation form issued by KPMG. After an evaluation by the Audit Committee and the Board of Directors on December 30, 2020, it was resolved that the two CPAs listed in the left column have met the evaluation criteria of independence and suitability for the audit of 2021 annual financial report.
	Au, Yiu-Kwan	2021/1/1~2021/12/31				

1. **If the non-audit fees paid to the CPA, the CPA's accounting firm and its affiliated enterprises is more than one quarter of the audit fees, the amount of audit and non-audit fees and the content of non-audit services shall be disclosed:** None.
2. **If the accounting firm is changed and the audit fees paid in the year of the replacement is less than that of the previous year, the amounts of the audit fees before and after the replacement and the causes shall be disclosed:** None.
3. **If the audit fees were reduced more than 10% from that of the prior year, the reduction amount, percentage and reasons for the reduction of audit fees shall be disclosed:** None.

(ii) The professional fees for auditing services referred to in the preceding item means the professional fees paid by the company to certified public accountants for auditing,

review, and secondary reviews of financial reports and for financial forecast reviews.

vi. Information on Replacement of Certified Public Accountant

(i) Regarding the former CPA

Replacement Date	March 25, 2022		
Replacement reasons and explanations	The former CPAs of the Company were Lo, Jui-Lan and Au, Yiu-Kwan from KPMG, Taiwan firm. Due to internal restructuring at KPMG, Taiwan firm, the CPAs of the Company were changed to Au, Yiu-Kwan and Kuo, Kuan-Ying, beginning March 25, 2022		
Describe whether the Company terminated or the CPA did not accept the engagement	Parties	CPA	The Company
	Status		
	Termination of engagement	√	-
	No longer accepted (discontinued) the engagement	-	-
If the CPAs issued an audit report expressing any opinion other than an unqualified opinion during the 2 most recent years, specify the opinion and the reasons	None		
Disagreement with the Company	Yes	-	Accounting principles or practices
		-	Disclosure of Financial Statements
		-	Audit scope or steps
		-	Others
	None	√	
	Remarks/specify details:		
Other disclosures (Any matters required to be disclosed under sub-items d to g of Article 10.6.A)	None		

(ii) Regarding the successor CPA

Name of accounting firm	KPMG, Taiwan
Name of CPA	Kuo, Kuan-Ying
Date of engagement	March 25, 2022, 1 st quarter 2022 financial report onwards
Subjects discussed and results of any consultation with the CPAs prior to the engagement, regarding the accounting treatment of or application of accounting principles to any specified transaction, or the type of audit opinion that might be issued on the company's financial report	None
Successor CPAs' written opinion regarding the matters of disagreement between the Company and the former CPA	None
Remarks/specify details	The Company's Administrative Division regularly evaluates the independence of the attesting CPAs in accordance with Article 47 of the Certified Public Accountant Act, Bulletin No. 10 of the Norm of Professional Ethics for Certified Public Accountant and the independence declaration/independence and competence evaluation form issued by KPMG. After an evaluation by the Audit Committee and the Board of Directors on March 25, 2022, it was resolved that the two CPAs, Au, Yiu-Kwan and Kuo, Kuan-Ying, have met the evaluation criteria of independence and suitability for the audit of 2022 annual financial report.

(iii) The company shall mail to the former certified public accountant a copy of the disclosures it is making pursuant to the Regulations Governing Information to be Published in Annual Reports of Public Companies, Article 10, paragraph 6, item A and to (c) of B item, and advise the accountant of the need to respond by mail within 10 days should the accountant disagree. The company shall disclose the content of the reply letter from the former certified public accountant.

None.

vii. Audit Independence

The Company's Chairman, Chief Executive Officer, President, and executive officers in charge of its finance and accounting operations did not hold any positions in the Company's independent auditing firm or its affiliates during 2021.

viii. Changes in Shareholding of Directors, Supervisors, Managers and Major Shareholders

Unit: Shares

Title	Name	2021		2022 as of the publication of the Annual Report	
		Shareholding Increase (Decrease)	Pledged Shareholding Increase (Decrease)	Shareholding Increase (Decrease)	Pledged Shareholding Increase (Decrease)
Chairman & President	HU, CHIU-CHIANG (@Douglas Hu)	---	---	---	---

Title	Name	2021		2022 as of the publication of the Annual Report	
		Shareholding Increase (Decrease)	Pledged Shareholding Increase (Decrease)	Shareholding Increase (Decrease)	Pledged Shareholding Increase (Decrease)
Director & COO	CHI, TING-FANG (@Stan Chi)	---	---	---	---
Director	WEIJI INVESTMENT CO., LTD.	---	---	---	---
Director	CHEN, KUAN-HUA (@Bill Chen)	---	---	---	---
Independent Director	TSAI, YU-PING (@Edward Tsai)	---	---	---	---
Independent Director	LIN, HUNG (@Vincent Lin)	---	---	---	---
Independent Director	YU, HSUEH-PING (@Peggy Yu)	---	---	---	---

(i) Shares Trading with Related Parties: None

(ii) Shares Pledge with Related Parties: None.

ix. Relationship among the Top Ten Shareholders

As of 04/18/2022

Name	Current Shareholding		Spouse's/minor's Shareholding		Shareholding by Nominee Arrangement		Name and Relationship Between the Company's Top Ten Shareholders, or Spouses or Relatives Within Two Degrees		Remarks
	Shares	%	Shares	%	Shares	%	Name	Relationship	
WEIJI Investment Co., Ltd.	30,426,876	7.22	---	---	---	---	Hu, Chiu-Chiang	Chairman	
Chairman: Hu, Chiu-Chiang	8,843,627	2.10	---	---	---	---			
Yung Hsin Yeh Investment Ltd.	9,689,000	2.30	---	---	---	---			
Chairman: Tai, Fu-Jen	10,000	0.00							
Hu, Chiu-Chiang	8,843,627	2.10	467,059	0.11	---	---			
Liu, Ying-Da	6,552,160	1.56	100,000	0.02	---	---	Liu, Yueh-Hsiu	Father-Son	
Chi, Ting-Fang	6,278,150	1.49	146,817	0.03	---	---			
HSBC Custody of Mitsubishi UFJ Morgan - Tri-Party SBL Transaction	4,643,000	1.10	---	---	---	---			
Chang, Chin-Hao	4,102,704	0.97	5,940	0.00	---	---			
Liu, Yueh-Hsiu	3,738,760	0.89	30,979	0.00	---	---	Liu, Ying-Da	Father-Son	
Business Department of Standard Chartered International Commercial Bank Custody of a Special Account for Super-Conscious Investment	3,213,178	0.76	---	---	---	---			
Business Department of Standard Chartered International Commercial Bank Custody of the Credit Suisse International Investment Account	2,731,412	0.65	---	---	---	---			

x. Ownership of Shares in Affiliated Enterprises

As of 2022/3/31
Unit: thousand shares / %

Affiliated Enterprises	Ownership by the Company		Direct or Indirect Ownership by Directors/Supervisors/Managers		Total Ownership	
	Shares	%	Shares	%	Shares	%

Weikeng International Co., Ltd	473,950	100.00 %	---	---	473,950	100.00 %
Weikeng Technology Pte Ltd	12,413	100.00 %	---	---	12,413	100.00 %
Weikeng Technology Co., Ltd	1,589	100.00 %	---	---	1,589	100.00 %

IV. Capital Overview
i. Capital and Shares
(i) Source of Capital
1. Issued Shares

Month/ Year	Issue at Par Value (NT\$)	Authorized Capital		Paid-in Capital		Remark		
		Shares	Amount (NT\$ thousands)	Shares	Amount (NT\$ thousands)	Sources of Capital	Capital Increased by Assets Other than Cash	Other
2021/08	10	450,000,000	4,500,000,000	370,388,653	3,703,886,530	conversion of convertible corporate bonds: 2,637,411 shares	None	---
2021/10	10	550,000,000	5,500,000,000	399,055,443	3,990,554,430	conversion of convertible corporate bonds: 28,666,790 shares	None	---
2022/01	10	550,000,000	5,500,000,000	415,772,269	4,157,722,690	conversion of convertible corporate bonds: 16,716,826 shares	None	---
2022/04	10	550,000,000	5,500,000,000	421,294,256 (Note1)	4,212,942,560	conversion of convertible corporate bonds: 5,521,987 shares(Note2)	None	---

Note 1: It is the number of issued shares on the shares book closure date (2022/4/18) for the 2022 Annual General Meeting (2022/4/18).

Note 2: Of that number, 4,790,574 shares have been registered with the Ministry of Economic Affairs, R.O.C.

2. Type of Stock

Share Type	Authorized Capital			Remarks
	Issued Shares	Un-issued Shares	Total Shares	
Common Shares	421,294,256	128,705,744	550,000,000	Note1 & 2

Note 1: As of the shares book closure date (2022/04/18) for the 2022 Annual General Meeting, there were still 731,413 shares that had not been registered with the Ministry of Economic Affairs, R.O.C.

Note 2: Where Authorized Capital includes 20,000,000 shares reserved for the issuance of employee stock warrants, the ancillary special share subscription rights, or corporate bonds vested with share subscription rights.

(ii) Status of Shareholders

As of 4/18/2022

Item	Government Agencies	Financial Institutions	Mainland Chinese Investors	Other Juridical Persons	Domestic Natural Persons	Foreign Institutions & Natural Persons	Total
Number of Shareholders	1	1	1	280	60,095	108	60,486
Shareholding (shares)	387,013	1,010,000	1	40,361,320	331,905,335	40,470,148	421,294,256
Percentage	0.09%	0.24 %	0.00 %	11.28%	78.78 %	9.61 %	100.00 %

(iii) Shareholding Distribution Status

Common Shares (each with a denomination of NT\$10)

As of 4/18/2022

Class of Shareholding (Unit: Share)	Number of Shareholders	Shareholding (Shares)	Percentage
1 ~ 999	27,247	1,602,292	0.38 %
1,000 ~ 5,000	23,328	49,985,128	11.86 %
5,001 ~ 10,000	4,713	36,777,442	8.73 %
10,001 ~ 15,000	1,661	20,795,055	4.94 %
15,001 ~ 20,000	921	16,917,158	4.02 %
20,001 ~ 30,000	901	22,834,278	5.42 %

30,001 ~ 50,000	469	16,539,177	3.93 %
50,001 ~ 100,000	311	14,343,079	3.40 %
100,001 ~ 200,000	528	37,628,173	8.93 %
200,001 ~ 400,000	242	33,561,279	7.97 %
400,001 ~ 600,000	82	23,267,365	5.52 %
600,001 ~ 800,000	29	14,590,531	3.46 %
800,001 ~ 1,000,000	9	5,977,483	1.42 %
1,000,001 or over	12	10,827,685	2.57 %
Total	33	115,648,131	27.45 %
	60,486	421,294,256	100.00 %

(iv) List of Major Shareholders

As of 4/18/2022

Shareholder's Name	Shareholding	
	Shares	%
WEIJI Investment Co., Ltd	30,426,876	7.22%
Yung Hsin Yeh Investment Ltd.	9,689,000	2.30%
Hu, Chiu-Chiang	8,843,627	2.10%
Liu, Ying-Da	6,552,160	1.56%
Chi, Ting-Fang	6,278,150	1.49%
HSBC Custody of Mitsubishi UFJ Morgan - Tri-Party SBL Transaction	4,643,000	1.10%
Chang, Chin-Hao	4,102,704	0.97%
Liu, Yueh-Hsiu	3,738,760	0.89%
Business Department of Standard Chartered International Commercial Bank Custody of a Special Account for Super-Conscious Investment	3,213,178	0.76%
Business Department of Standard Chartered International Commercial Bank Custody of the Credit Suisse International Investment Account	2,731,412	0.65%

(v) Market Price, Net Worth, Earnings, and Dividends per Share

Unit: NT\$

Items	2020	2021	As of March 31, 2022
Market Price per Share			
Highest Market Price	20.10	33.50	34.75
Lowest Market Price	10.60	18.00	29.45
Average Market Price	17.48	26.94	31.85
Net Worth per Share			
Before Distribution	16.52	19.29	17.80
After Distribution	15.17	16.23	---
Earnings per Share			
Weighted Average Shares (thousand shares)	367,751	378,742	417,718
Basic Earnings Per Share	1.90	4.54	1.21
Adjusted Diluted Earnings Per Share	---	---	---
Dividends per Share			
Cash Dividends	1.33341	3.01507	---

Stock Dividends			
• Dividends from Retained Earnings	---	---	---
• Dividends from Capital Surplus	---	---	---
Accumulated Undistributed Dividends	---	---	---
Return on Investment			
Price / Earnings Ratio (Note 1)	8.80	5.35	---
Price / Dividend Ratio (Note 2)	12.54	7.95	---
Cash Dividend Yield Rate (Note 3)	7.97%	12.57%	---

Note 1: Price / Earnings Ratio = Average Market Price / Earnings per Share

Note 2: Price / Dividend Ratio = Average Market Price / Cash Dividends per Share

Note 3: Cash Dividend Yield Rate = Cash Dividends per Share / Average Market Price

(vi) Dividend Policy and Implementation Status

1. Dividend Policy stipulated in the Company's articles of association :

The earning in the Company's annual final accounts if any shall first be used to pay income tax and offset prior years' deficits, if any, and then set aside legal reserve, and special reserve is set aside or reversed in accordance with laws or regulations. The remaining balance of the current year is the distributable retained earnings of the current year. The above distributable retained earnings, if any and the accumulated retained earnings in prior years together is the distributable dividends for shareholders. The aforementioned distribution is proposed by the Board of Directors. In accordance with the Company Act, where the aforementioned distributable retained earnings or capital reserve and legal reserve are distributed by issuing new shares which shall be proposed by the Board of Directors and submitted to the shareholders' meeting for resolution; however, where the Company authorizes the distributable dividends, legal reserve, or capital reserve may be paid in cash after a resolution has been adopted by a majority vote at a meeting of the Board of Directors attended by two-thirds of the total number of directors, and in addition thereto a report of such distribution shall be submitted to the shareholders' meeting.

The Board of Directors of the Company shall determine the proportionality between stock dividends and cash dividends among shareholders' dividends in consideration of the Company's enterprise profitability status, future capital expenditure plans, operational enlargement plans, capital planning, cash flow requirements, legal systems, and the level of dilution on earnings per share. The distribution proposal for shareholders' dividends shall be adopted by Board of Directors and submitted to the shareholders' meeting for resolution and distribution. The contemplated distribution amount shall not be less than 50% of the Company's distributable retained earnings of the current year, and moreover, cash dividend distributed shall represent no less than 20% of the total amount of shareholders' dividends.

2. Circumstances of the Proposed Distribution of Dividend at the 2022 Shareholders Meeting

(1) The Company's 2021 earnings distribution plan will be fully distributed in cash dividends, totaling NT\$ 1,270,232,000, which has been resolved by the Audit Committee and Board of Directors with no less than two-thirds of directors present, and approved by more than half of directors attending the meeting on March 25, 2022. Board of Directors authorized

the Chairman to set the ex-dividend date, the date of distribution, and other related matters, which information will be announced to shareholders thereafter.

- (2) As of the shares book closure date for the 2022 Annual General Meeting, the total issued and outstanding ordinary shares are 421,294,256 shares and the proposed declared cash dividend is NT\$3.01507 per share. Where the total number of issued and outstanding shares of the Company subsequently changes and the aforesaid cash dividends distributed to each ordinary share needs to be adjusted pursuant to actual number of the issued and outstanding ordinary shares on the ex-dividend date, the Chairman of the Board of Directors of the Company is authorized to handle it in full authority according to the actual situation, and which information will be announced to shareholders thereafter.

3. If a material change in dividend policy is expected, provide an explanation: None.

2021 Earnings Distribution Plan

Expressed in NT\$

Beginning Undistributed Retained Earnings		0
Plus: Disposals of equity instruments at fair value through other comprehensive income	764,119	
Minus: Remeasurements of Defined benefit plans	(6,516,000)	
Plus: Net Income after Tax in 2021	1,721,139,911	
Subtotal		1,715,388,030
Less: 10% Legal Reserve		(171,538,803)
Less: Special Reserve Adjustments		(88,877,980)
Total Distributable Earnings for 2021		1,454,971,247
Distribution Items:		
Cash Dividends on Ordinary Shares		1,270,232,000
Ending Undistributed Retained Earnings		184,739,247
Chairman : Hu, Chiu-Chiang President : Hu, Chiu-Chiang Accounting Manager: Huang, Li-Hsiang		

(vii) Effect upon business performance and earnings per share of any stock dividend distribution proposed or adopted at the most recent shareholders' meeting: None.

(viii) Remuneration of Employees and Directors

1. Information Relating to Remuneration of Employees and Directors in the Articles of Incorporation:

In accordance with the Articles of Association of the Company, the earning in the Company's annual final accounts if any shall first be offset against any deficit, then, 6% to 10% of net profit before tax (before deducting remuneration to employees and directors) will be distributed as employees' remuneration and a maximum of 2.5% will be allocated as the remuneration of directors and supervisors. Employees who are entitled to receive the above mentioned employees' remuneration, in share or cash. Actual distribution should be determined in the Board of Directors' meeting, with no less than two-thirds of directors present, and approved by more than half of directors attending the meeting and then report to the shareholders' meeting.

2. The basis for estimating the amount of employee and director remuneration, for calculating the number of shares to be distributed as employee compensation, and the accounting treatment of the discrepancy, if any, between the actual distributed amount and the estimated figure, for the current period:

That will be regarded as a change in accounting estimates and reclassified as profit or loss for the following year.

3. Distribution of Remuneration of Employees and Directors for 2021 Approved in the Board of Directors Meeting:

- (1) In accordance with Article 22 of the Articles of Association of the Company, the Company appropriated the remuneration of employees and directors for 2021, of which for employees and directors were NT\$191,512,000 and NT\$47,878,000, respectively. The above remuneration had been resolved by the Board of Directors on March 25, 2022 with no less than two-thirds of directors present, and approved by more than half of directors attending the meeting. Both of which will be paid in cash after this 2022 Annual General Meeting and there will be no difference from the expense appropriated in the financial statements of 2021.
- (2) The employee's remuneration for 2021 will not be paid in the form of stocks.

4. Information of 2020 Distribution of Remuneration of Employees, Directors (with an indication of the number of shares, monetary amount, and stock price, of the shares distributed) and, if there is any discrepancy between the actual distribution and the recognized employee or director remuneration, additionally the discrepancy, cause, and how it is treated:

The 2020 employee's remuneration NT\$78,442,400 and the directors' remuneration NT\$19,610,600 had been resolved by the Board of Directors on March 26, 2021 with no less than two-thirds of directors present, and approved by more than half of directors attending the meeting. Both of which had been paid all in cash after 2021 Annual General Meeting and there were no difference from the expense appropriated in the financial statements of 2020 and the resolution of the Board of Directors.

(ix) **Buyback of Treasury Stock:** None.

ii. **The company's issuance of corporate bonds, including unretired bonds and unissued bonds for which an issue is currently under preparation, and in accordance with Article 248 of the Company Act the report shall disclose all the matters set forth thereunder and explain their effect upon shareholders' equity. Any privately placed corporate bonds shall be prominently identified as such.**

(i) Convertible Corporate Bonds

Corporate Bond Type	Domestic 5th Unsecured Convertible Corporate Bonds	Domestic 6th Unsecured Convertible Corporate Bonds (in process)
Issued date	November 3, 2020	June 1, 2022 (Expected)
Denomination	NT\$100,000	NT\$100,000
Issuing and transaction location	Taiwan, Taipei Exchange	Taiwan, Taipei Exchange
Issued price	Issue by denomination	Issue by denomination
Total price	NT\$1,000,000,000	NT\$2,000,000,000
Coupon rate	0%	0%
Tenor	5 years, Maturity: November 3, 2025	5 years, Maturity: June 1, 2027 (Expected)
Guarantee agency	None	None
Consignee	Trust Department, HUA NAN Bank	Trust Department, HUA NAN Bank
Underwriting institution	HUA NAN Securities	HUA NAN Securities
Certified lawyer	Wang, Chien-Chih	Wang, Chien-Chih

Corporate Bond Type		Domestic 5 th Unsecured Convertible Corporate Bonds	Domestic 6 th Unsecured Convertible Corporate Bonds (in process)
CPA		Lo, Jui-Lan Au, Yiu-Kwan, KPMG, Taiwan	Lo, Jui-Lan Au, Yiu-Kwan, KPMG, Taiwan
Repayment method		Repayment in lump sum upon maturity	Repayment in lump sum upon maturity
Outstanding principal		NT\$37,900,000	NT\$2,000,000,000
Terms of redemption or advance repayment		Please refer to the conversion rules and procedures of the Convertible Corporate Bonds.	Please refer to the conversion rules and procedures of the Convertible Corporate Bonds.
Restrictive clause		Please refer to the conversion rules and procedures of the Convertible Corporate Bonds.	Please refer to the conversion rules and procedures of the Convertible Corporate Bonds.
Name of credit rating agency, rating date, rating of corporate bonds		NA	NA
Other rights attached	As of the printing date of this annual report, converted amount of (exchanged or subscribed) ordinary shares, GDRs or other securities	As of April 18, 2022, the amount converted into ordinary shares was NT\$531,912,670(53,191,267 shares)	0
	Issuance and conversion (exchange or subscription) method	Please refer to the conversion rules and procedures of the Convertible Corporate Bonds.	Please refer to the conversion rules and procedures of the Convertible Corporate Bonds.
Issuance and conversion, exchange or subscription method, issuing condition dilution, and impact on existing shareholders' equity		According to the current conversion price (@17.91), and as of the shares book closure date for the 2022 Annual General Meeting (2022/4/18), the balance of the outstanding convertible bonds are 379 units, if the balance units are fully converted, it will be estimated that the number of ordinary shares that can be converted into approximately 2,116,136 shares will be diluted by approximately 0.50%, and its impact on the existing shareholders' equity should still be limited.	As of the publication date of this annual report (2022/5/15), since the bond has not yet been priced, if the date when the bond was registered to the Securities and Futures Bureau (2022/04/22) was the trial calculation base date, and calculate the simple arithmetic mean of the closing prices of the Company's ordinary shares by 1, 3, and 5 business days prior to the aforementioned base date, whichever was higher was the base price (@31.30), multiplied by the bond conversion premium rate of 110%, and the conversion price of the bond

Corporate Bond Type	Domestic 5 th Unsecured Convertible Corporate Bonds	Domestic 6 th Unsecured Convertible Corporate Bonds (in process)
		was NT\$34.43. Without considering the assumption of ex-dividend of the Company's common stock dividend policy this year, if the bondholders convert all the bonds at the aforementioned conversion price, it will be estimated that the number of common shares that can be converted into 58,088,875 shares, and which will be diluted by approximately 12.06%; however, the funds raised by the company will improve the financial structure of long-term and short-term funding sources, enhance the liquidity of solvency, reduce the dependence on bank borrowings, and increase the deployment space for flexible use of funds.
Transfer agent	None	None

Corporate bond type		Domestic 5 th Unsecured Convertible Corporate Bonds	
Year		2021	As of 2022/3/31
Item			
Market price of the convertible bond	Highest	185	192.00
	Lowest	109.05	164.00
	Average	133.75	177.08
Conversion Price		18.92; 17.91	17.91
Issue date and conversion price at issuance		Issued Date: 2020/11/3 Conversion price at issuance: NT\$18.92/share	
Conversion methods		Issuing of new common stocks	

iii. The section on preferred shares shall include both outstanding and unissued shares for which an issue is currently under preparation, and shall disclose any conditions attaching to issuance and their effect upon shareholders' equity. The information on preferred shares shall also specify the matters listed under Article 157 of the Company Act.

The Company has no issuance of preferred shares.

iv. The section on global depository receipts shall include information on receipts issues that remain partially outstanding, and on unissued receipts for which an issue is currently under preparation. Also to be disclosed are the date of issue, total value of issue, the rights and responsibilities of the holders of global depository receipts, and related matters. Any privately placed global depository receipts shall be prominently identified as such.

The Company has no issuance of global depository receipts.

v. Employee Stock Warrants

(i) The unexpired employee subscription warrants issued by the Company in existence as of the date of publication of the annual report: None.

(ii) List of Executives Receiving Employee Stock Options and the Top Ten

Employees with Stock Warrants

1. the first issuance, 1st Tranche (expired date: 2009/5/25)

Description	Title	Name	No. of Stock Options	Stock Options as a Percentage of Shares Issued	Exercised				Unexercised			
					No. of Shares Converted	Strike Price (NT\$)	Amount (NT\$ thousands)	Converted Shares as a Percentage of Shares Issued	No. of Shares Converted	Strike Price (NT\$)	Amount (NT\$ thousands)	Converted Shares as a Percentage of Shares Issued
Executive officers	President & CEO	HU, CHIU-CHIANG (@Douglas HU)	2,550,000	1.099%	2,185,000	@ 10 @ 12 @ 14 @ 8	23,020,000	0.940%	365,000	@ 8	2,920,000	0.157%
	COO	CHI, TING-FANG (@Stan Chi)										
	Executive VP & General Manager (China)	CHANG, CHIN-HAO (@Asser Chang)										
	CFO (Retired)	HSU, CHUNG-YUEH (@Gordon Hsu)										
	Executive VP	CHEN, CHENG-HUNG (@ Tom Chen)										
	Marketing Development Division Senior VP (Resigned)	LIN, CHIH-MING (@Roy Lin)										
	Information Sales Business Division Senior VP (Resigned)	LIN, CHI-HSIANG (@Miky Lin)										
	Administration & Financing Division Senior VP & Spokesperson	CHOU, KAN-LIN (@Fama Chou)										
	Administration & Financing Division Corporate VP	WU, CHE-PIN (@Jason Wu)										
	Accounting Department Manager	HUANG, LI-HSIANG (@Alice Huang)										
Employees	ELCOM Business Division I Senior VP (Resigned)	LIJUNG-HUA (@Edward Li)	670,000	0.289%	670,000	@ 10 @ 12 @ 14	8,460,000	0.288%		@ 8		
	ELCOM Business Division III Senior VP	SU, MING-SUNG										
	ELCOM Business Division V Senior VP	HUNG, TUNG-HUI (@Tony Hung)										
	Chairman Office (Overseas) Senior VP	LU, CHAO-CHIEH (@Bert Lu)										

2. the first issuance, 2nd Tranche (expired date: 2009/6/12)

Description	Title	Name	No. of Stock Options	Stock Options as a Percentage of Shares Issued	Exercised			Unexercised				
					No. of Shares Converted	Strike Price (NT\$)	Amount (NT\$ thousands)	Converted Shares as a Percentage of Shares Issued	No. of Shares Converted	Strike Price (NT\$)	Amount (NT\$ thousands)	Converted Shares as a Percentage of Shares Issued
Executive officers	Executive VP	CHEN, CHENG-HUNG (@ Tom Chen)	150,000	0.065%	100,000	@ 10 @ 12 @ 15	1,074,000	0.043%	50,000	@ 8	400,000	0.0002%
	Marketing Development Division Senior VP (Resigned)	LIN, CHIH-MING (@Roy Lin)										
	Information Sales Business Division Senior VP (Resigned)	LIN, CHI-HSIANG (@Miky Lin)										
Employees	ELCOM Business Division I Senior VP (Resigned)	LIJUNG-HUA (@Edward Li)	230,000	0.099%	230,000	@ 10 @ 12 @ 15	2,835,000	0.099%		@ 8		
	ELCOM Business Division III Senior VP	SU, MING-SUNG										
	ELCOM Business Division V Senior VP	HUNG, TUNG-HUI (@Tony Hung)										
	FAE Division Senior VP	HSIEH, CHI-HUNG (@Kevin Hsieh)										
	Chairman Office (Overseas) Senior VP	LU, CHAO-CHIEH (@Bert Lu)										

3. the first issuance, 3rd Tranche (expired date: 2010/5/13)

Description	Title	Name	No. of Stock Options	Stock Options as a Percentage of Shares Issued	Exercised			Unexercised				
					No. of Shares Converted	Strike Price (NT\$)	Amount (NT\$ thousands)	Converted Shares as a Percentage of Shares Issued	No. of Shares Converted	Strike Price (NT\$)	Amount (NT\$ thousands)	Converted Shares as a Percentage of Shares Issued
Employees	Solution Division Corporate VP	CHANG, SHAO-HENG (@Walter Chang)	100,000	0.043%	100,000	@ 15 @ 9	1,350,000	0.058%		@ 9		
	Chairman Office (Overseas) Division Assistant VP (Resigned)	CHEN, WEN-CHAN										

vi. Issuance of New Restricted Employee Shares

The Company has no issuance of new restricted employee shares.

vii. Status of New Shares Issuance in Connection with Mergers and Acquisitions

The Company has no issuance of new shares in connection with Mergers and Acquisitions.

viii. Implementation of Capital Allocation Plans: For the period as of the quarter preceding the date of publication of the annual report, with respect to each uncompleted public issue or private placement of securities, and to such issues and placements that were completed in the most recent 3 years but have not yet fully yielded the planned benefits:

On April 22, 2022, the Company registered to the Securities and Futures Bureau of the Financial Supervisory Commission to raise and issue the 6th domestic unsecured convertible corporate bond of NT\$2 billion. As of the publication date of this annual report, its raising and issuance operations are still in progress. The purpose of this fund-

raising project is to repay the borrowings of financial institutions, and it is expected to reduce interest expenses. In 2022, it will save about NT\$11,096 thousand in interest expenses, and NT\$20,390 thousand every year in the future. This plan not only reduces the financial burden, but also improves the financial structure, enhances the solvency, reduces the dependence on bank borrowings, and increases the deployment space for flexible use of funds.

V. Operation Overview

i. Business Content

(i) Business Scope

1. Major Business Content and Sales Percentage (2021)

The Company's major business is the distribution of electronic components and computer peripherals, technical services and import/export business, and approximately 100% of its sales are for the distribution of electronic components and peripherals. The Group operates mainly in Greater China (Taiwan, Hong Kong, and China) and Southeast Asia (Singapore, Philippines, Malaysia, Thailand, and Vietnam). The Group's companies continue to play the role of connecting technology and creating value in the semiconductor industry chain with the spirit of proactively meeting challenges and overcoming difficulties, and continue to strengthen the portfolio of the product lines we resell to meet the changing market demands. Currently, the Group currently distribute products for a wide range of semiconductor component brands including IDM or IC design companies, such as AMD, Amazing, Cypress, Infineon, Lattice, Microchip, Molex, NXP, Sinopower, Vishay, and Western Digital. However, we still continue to develop new products and applications in the semiconductor market, continue to seek new opportunities for distribution cooperation, and create new customer needs. Currently, in the fields of industrial electronics, automotive electronics, mobile communications, consumer electronics, computer peripherals, and AI/5G applications, the Group's regional companies are capable of providing competitive components, technical support services, and efficient supply chain management services to achieve a win-win-win situation through the Group's intermediary role by linking upstream vendors and downstream customers.

2. The Company's current products (services) offerings

The products the Company resells as a distributor can be categorized into chipsets/standard ICs for special applications, mixed-signal and decentralized components according to the characteristics of the products we resell.

3. New products (services) to be developed

At this stage, the Group's companies are developing product solutions for 5G (smartphones, Customer Premise Equipment (CPE), Open Radio Access Network (O-RAN) and Small Cell Station), artificial intelligence/AIoT, WiFi 6, automotive electronics (including electric vehicles, electric locomotives, charging piles/stations, etc.), consumer electronics, industrial control, Type C-Power Delivery(PD), and various power supply applications. We also devote our resources to the development of product solutions for servers/data centers, motor control, battery energy storage management systems, human-machine interface for in-vehicle infotainment systems and Center Information Display (CID), in order to provide customers with immediate product reference solutions. All of these solutions are now available to customers.

(ii) Industry Overview

1. Current Status and Development of the Industry

In the face of the COVID-19 pandemic, we have recognized the important role that the semiconductor industry plays in today's technological development. Semiconductors support important sectors of the economy, including healthcare and medical equipment, telecommunications, energy, finance, transportation, agriculture, and manufacturing. They are a key component of the technology that controls critical infrastructure such as water systems, energy grids, and communication networks. Also, they support the IT systems that make it possible

to work remotely and connect essential services in various fields, including medicine, finance, education, government, and food distribution. Ensuring the continuity of semiconductors and related supply chains is therefore essential to support the realization of a wider range of services for digitization. In addition, due to the highly globalized nature of the semiconductor supply chain, semiconductor shortages caused by operational constraints in one region cannot be easily compensated for by production in other regions. Accordingly, the semiconductor industry and its supply chain have been defined as "essential infrastructure" and/or "essential business" in real economic activity. The Weikeng Group plays the important role of distributor in the supply chain of the semiconductor industry.

According to the Semiconductor Industry Association (SIA), global semiconductor sales totaled US\$555.9 billion in 2021, up 26.2% from US\$440.4 billion in 2020. Under the influence of COVID-19 and other factors such as trade brinkmanship policies, demand growth for semiconductor end products comes from the epidemic driven demand for laptops, high-speed computing HPC, and displays, etc. Growth in the second half of the year was driven by increased 5G penetration and rebounding demand for semiconductor components for automotive and IoT applications. The huge demand from the beginning of 2021 caused the safety stocks of vendors to increase, and the pressure on upstream vendors increased, and it has become the new norm for downstream vendors to increase safety stocks in advance. The MCU shortage situation has been gradually easing in the general-purpose MCU market, but the subsequent market situation depends on the demand side. The demand for automotive-grade MCUs is strong and the shortage is very serious, and is expected to continue in 2022.

In terms of semiconductor product categories, WSTS December 2021 data showed that logic chips and memory were the two best-selling products in the global semiconductor market in 2021. Memory was the largest product category in terms of sales growth in 2021, with sales of approximately US\$158.1 billion and logic chips with sales of approximately US\$150.7 billion, representing growth rates of 34% and 20.9%, respectively, compared to 2020. In 2021, automotive logic ICs grew by 40% and analog ICs grew by 30%. In addition, according to Grand View Research, the global MCU market reached US\$18.5 billion in 2021, with annual shipments of 29 billion units.

According to WSTS, by geographic region in 2021, except for Japan, which grew by 19.6% annually, the Americas, Europe, and Asia Pacific all grew by 26-27%. According to SIA, among countries, China remained the largest semiconductor market, accounting for 34.6% of global sales and US\$192.5 billion in 2021, while sales of the U.S. market reached US\$121.5 billion (21.9% of global sales); while sales of Asia Pacific (including Taiwan) reached US\$150.5 billion (27.3% of global sales); sales of the European semiconductor market reached US\$47.8 billion (8.6% of global sales).

Taiwan's semiconductor market performed well in 2021. According to the Taiwan Semiconductor Industry Association (TSIA), citing data from the ITRI (Industrial Technology Research Institute) Industrial Economics and Knowledge Center (IEK), Taiwan's output value reached a new high of NT\$4 trillion (US\$145.8 billion) in 2021, accounting for 26.2% of the global semiconductor industry. In terms of the annual growth rate of output value, sales of IC design and memory products both grew significantly. In terms of sales sorted from the largest to the smallest, the IC manufacturing industry grew 22.4% to NT\$2.23 trillion, including

NT\$1.94 trillion for foundries, up 19.1% from 2020; the IC design industry grew 42.4% to NT\$1.21 trillion; the IC packaging industry grew 15.3% to NT\$435.4 billion; and the memory and other manufacturing industry is expected to grow 15.3% to NT\$287.9 billion. Sales of memory and other manufacturing reached NT\$287.9 billion, up 51% from the previous year; IC testing reached NT\$203 billion, up 18.4% from 2020. The value of Taiwan's IC industry is expected to continue to reach new highs in 2022, with an estimated value of over NT\$4.8 trillion and an annual growth rate of 17.7% higher than the global growth rate.

In 2022, the semiconductor industry will continue to be in short supply. Downstream vendors may delay the manufacturing process due to the shortage of a certain material, but the pace of shipment pull is slowing down. However, the whole industry is still evolving. ITRI IEK estimates that by 2025, the semiconductor industry's three major high-growth fields will be automotive, storage, and industrial semiconductors as the main anchors, with diverse end-use applications providing strong support for the semiconductor industry (see Figure 1 below). The Semiconductor Industry Association (SIA) estimates that all-semiconductor sales are expected to grow 8% annually in 2022, showing signs of weaker growth than in 2021. IC Insights notes that industry observers recognize that semiconductors are a cyclical industry with a low probability of sustained double-digit growth in recent years, but that demand for various applications is expected to grow at an average compound annual growth rate of 7.1% from 2021 to 2026. The total sales of optoelectronics, sensors, discrete components (O-S-D) and ICs will grow at 8.0% and 6.9% respectively (see Figure 2 below). Among the chip categories, logic ICs are expected to have the highest compound growth rate, driven by automotive and industrial applications.

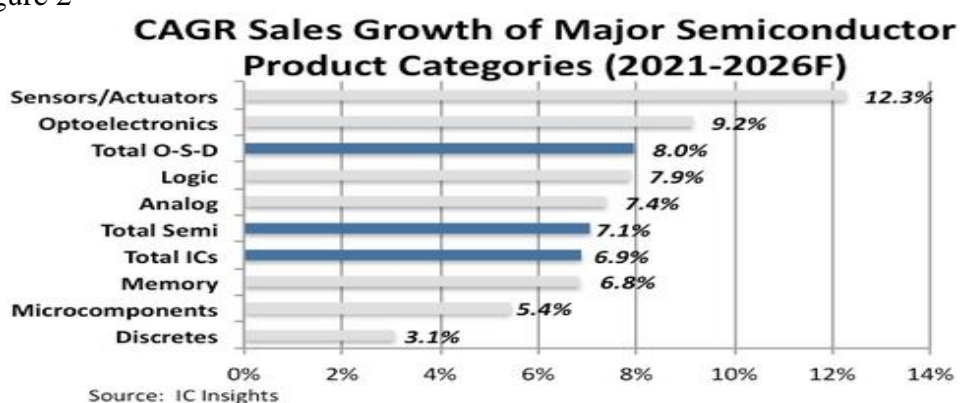
Figure 1



TC	EN
2025 全球半導體市場規模	2025 Global Semiconductor Market Size
單位：10 億美元	Unit: US\$ billion
2021-2025 年平均複合成長率	2021-2025 Average Compounded Growth Rate
車用半導體：83；12.5%	Automotive Semiconductor: 83; 12.5%
儲存半導體：62；9.6%	Storage Semiconductor: 62; 9.6%
工業用半導體：74；8.0%	Industrial Semiconductor: 74; 8.0%
軍用/航空半導體：7；3.6%	Military/Aerospace Semiconductors: 7; 3.6%

消費型半導體：72；2.8%	Consumer Semiconductor: 72; 2.8%
無線通訊用半導體：189；2.7%	Wireless Communication Semiconductor: 189; 2.7%
有線通訊用半導體：28；2.3%	Wired Communication Semiconductor: 28; 2.3%
運算用半導體：168；-1.1%	Computing semiconductors: 168; -1.1%
總體半導體：684；3.7%	Total Semiconductor: 684; 3.7%
未來5年半導體成長動能高漲，車用、儲存用、工業用、軍用/航空/其他用、消費型、無線通訊、有線通訊用半導體年複合成長率均為正成長。(資料來源：Garner、工研院產科國際所)	Semiconductor growth momentum will be high in the next 5 years, with positive compound annual growth rates for automotive, storage, industrial, military/aerospace/other, consumer, wireless and wired communication. (Source: Garner, ITRI IEK)

Figure 2



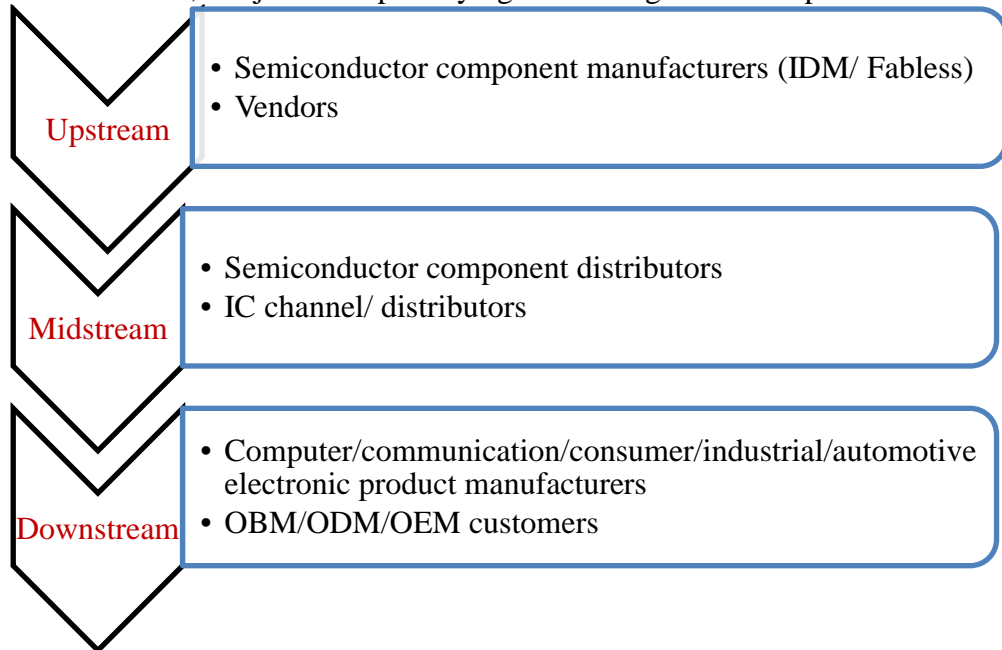
According to IC Insights, the chip shortage and geopolitical impact in 2021 caused Europe, the U.S., Japan, Korea, China, and Taiwan to build new fabs or increase capacity, resulting in a 39% annual growth rate of capital expenditure in 2021.

In the World Fab Forecast report released by SEMI in Q1 2022, it is estimated that the total global front-end wafer manufacturing equipment expenditure will exceed a record high of US\$98 billion this year, with an estimated annual growth rate of 10%, mainly from foundry capital expenditure. Taiwan's wafer manufacturing equipment expenditure will grow 14% from 2021, greater than the overall global growth rate. The above confirms that the semiconductor industry and its supply chain have been defined as "essential infrastructure" and/or "essential business" in real economic activities, and the shortage of chips has forced the upstream wafer manufacturers in the semiconductor industry to expand their capital expenditure in order to increase capacity for supply to meet the various technology needs of downstream fabs and industrial applications.

2. Hereby we use electronic components and peripheral equipment products to illustrate the correlation of the industry's upstream, mid-stream and downstream of the semiconductor components industry.

For distributors, the upstream of the supply chain is mainly composed of semiconductor component manufacturers, and the downstream is mainly composed of information, communication, consumer, industrial and automotive end-product manufacturers. For upstream manufacturers, they can build a complete sales and technical service network to save their selling and administrative expenses by eliminating the need to deal with many customers directly and play the role of information provider to form an important

communication channel with downstream electronic product manufacturers. For downstream manufacturers, to quickly provide the components and technical support they need, reduce their R&D expenses, provide analysis and recommendation for market trends, and play the multiple roles of a supplier, advisor, and analyst. Therefore, semiconductor component distributor has frequent communication with upstream and downstream manufacturers, and provides professional supply chain management and technical support services to vendors and customers, not just a simple buying and selling relationship.



3. Various development trends of products.

The Group's sales of semiconductor components it resells are mainly in the fields of computer and peripheral devices, network communications, consumer electronics, industrial control and automotive electronics, depending on the applications of the downstream customers. In 2022, demand for the above-mentioned applications will continue, despite the impact of the global COVID-19 pandemic and regional trade brinkmanship policies. However, the overall semiconductor market's development in 2021 was expected to change with the COVID-19 pandemic, triggering strong demand from the "COVID-19 economy" and post-pandemic markets. Upstream chip suppliers must continue to focus on their long-term investments, continue the chip R&D for new applications, and enhance interactions with partners and potential customers to take timely and responsive measures to cash in on market opportunities. At the same time, emerging technologies such as 5G, data centers, AI and IoT, self-driving cars, high-performance computing, and smart edges will serve as the foundation for a full recovery in the technology sector.

In addition, climate change has become a global issue, and countries around the world are competing to pursue net zero emissions, announcing that the era of zero carbon transformation has come, and more than 128 countries around the world have launched major green policies and committed to aggressive carbon reduction targets, taking actions one after another. International semiconductor companies have also proposed to comply with RE100 and implement green transformation standards, including Apple, a major U.S. technology company, which requires its supply chain to be carbon neutral by 2030, and TSMC, the global leader in OEM

foundry, which has also made carbon reduction an important indicator for procurement, requiring supply chain vendors to save 20% of energy by 2030. The industry is facing the pressure of net-zero transformation, but at the same time, there are also business opportunities. To cater to the green power or carbon reduction behavior is a global sustainable business opportunity that affects Taiwan's semiconductor and related microelectronics industry. By integrating the three major green energy supply chains of solar energy, wind energy and energy storage, related green business opportunities can realize sustainable development. With the global circular economy in mind, the semiconductor industry will play an important and active role in the green energy trend of semiconductors, leading the global sustainable business opportunities.

4. Competition

Currently, most of the distribution rights granted by major international IDM and Fabless semiconductor companies are compound distribution right contracts, not exclusive contracts, resulting in dozens of distributors playing the role of midstream semiconductor component distributor in the domestic semiconductor industry. In addition to the Company, other major players include WPG Holdings, Synnex, WT Microelectronics, EDOM, Promate, Zennitron and Supreme, etc.

(iii) Technology and R&D Overview

1. R&D expenses and successful technologies or products developed in the latest year and the current year up to the date of publication of the Annual Report

Item/Year	2021 (in thousands)	The current year up to March 31, 2022 (in thousands)
R&D expenses	105,156	29,934

Under the planning and active pursuit of the "Marketing Development Division", the Company has successfully franchised the product lines of well-known domestic and foreign semiconductor companies as a distributor, and even successfully maintained or expanded the continuation of the franchises after the consolidation between the upstream vendors. In addition to continuing to establish a solid foothold in the application field of 3C electronic products, the "FAE Division" also actively cooperates with the vendors to provide technical support for the relevant IC products that customers need in emerging application fields, so as to increase the Company's business territory, help customers save R&D expenses and shorten the electronic products of time-to-market, and enhance service levels to strengthen the cooperative relationship with vendors and customers.

In the "Solution Division", we are moving into the field of R&D and design, specializing in the turnkey solution of products. Given the fast growing scope of semiconductor and its emerging application solutions, in addition to franchising the product lines of well-known domestic and foreign semiconductor companies as a distributor, the "Marketing Development Division" is leading the search for new distributorships, paying close attention to and assessing the applications and development of products rolled out by startups and new ventures, including the development of green economy-related applications, and timely investing the development resources of the "Solution Division", and then introducing the technical support and demand creation services of the "FAE Division"..

At this stage, the Group's companies are developing product solutions for 5G (smartphones, Customer Premise Equipment (CPE), Open Radio Access Network

(O-RAN) and Small Cell Station), artificial intelligence/AIoT, WiFi 6, automotive electronics (including electric vehicles, electric locomotives, charging piles/stations, etc.), consumer electronics, industrial control, Type C-Power Delivery(PD), and various power supply applications. We also devote our resources to the development of product solutions for servers/data centers, motor control, battery energy storage management systems, human-machine interface for in-vehicle infotainment systems and Center Information Display (CID), in order to provide customers with immediate product reference solutions. All of these solutions are now available to customers.

(iv) Long-term and short-term business development plans

1. Long-term plan:

- (1) With the development trend of "new technology" and "green economy" products, create sustainable business opportunities.

The international semiconductor companies have proposed to comply with RE100 and implemented green transformation one after another. The industry is facing the net-zero transformation, echoing with green power or carbon reduction behavior, which brings about "new technology" and "green economy" business opportunities. We will actively cooperate with upstream vendors in the long term and invest resources.

In the related green energy (solar energy, wind energy, energy storage) supply chain, the Weikeng Group is able to serve as an intermediary to link up the upstream vendors and the downstream customer's green technology to create a win-win-win value, in order to gain sustainable green business opportunities and contribute to sustainable development amid the global circular economy mindset.

- (2) To focus on operational performance and efficiency, emphasizing risk management

The operating scales of the companies within the Group are increasing. The mix of the Group's resale products requires the cost-effectiveness and risk of operating capital to be emphasized. Therefore, for its operational management strategy, the Group must take into account both operational and financial risk management to facilitate compliance in business and financing activities. In addition, in the face of the risk of exchange rate fluctuations, we strictly control the timing of inventory purchase, inventory level management and customer credit management, so as to avoid exchange rate fluctuations from eroding the gross profit and management wealth to ensure the achievement of profitability of the Group.

- (3) Timely increase the injection of equity capital

Based on the operational needs, although financial institutions are currently the main source of operating capital, for financial leverage, the Group still requires a balance of the equity capital in order to build a better financial structure. Therefore, we will assess the financing activities of the Group's companies and the balance of the capital structure from time to time, and increase the equity capital injection in a timely manner to balance direct and indirect financing.

- (4) To comply with regulations on the export and import of strategic high-tech goods

The IC high-tech goods that we resell may fall under the scope of military and commercial use. Therefore, the goods are subject to screening of customers, product categories and transactions to comply with the relevant import and export laws and regulations of our country and the country of vendors, and to

exclude the possibility the counter-parties use the goods for the production or development of nuclear, biochemical, missile and other military weapons.

2. Short-term plan:

- (1) Prudent to deal with the shortage of supply in the semiconductor market in 2022
We will be prudent to deal with the shortage of supply in the semiconductor market in 2022. In terms of product and pricing strategy, we must fully grasp and give feedback to customers' demand schedule, and actively coordinate with upstream vendors to make maximum efforts to meet customer demand.
- (2) To grasp the demand of the post-pandemic market
With the advent of the post-pandemic era, we will grasp the market changes that will come in the post-pandemic era, expand business cooperation opportunities, and strengthen our customer structure.
- (3) To grasp the diversified deployment and construction of customers' production bases and supply chains in real-time.
In the face of customers' cross-country movements outside the Asia-Pacific region, and customers' plans to move production lines across countries and regions due to trade brinkmanship policies or other market factors, the Group needs to strengthen its support, service dynamics and flexibility.

ii. Market and Production and Sales Overview

(i) Market Analysis

1. Sales (Offering) Region of Major Products (Services)

Unit: NT\$ thousand

Sales Region	Year	2021	
		Amount	%
Taiwan		7,093,458	9.80
China		60,850,958	84.04
Other Countries		4,460,470	6.16
Total		72,404,886	100.00

2. Major Competitors

Currently, most of the distribution rights granted by major international IDM and Fabless semiconductor companies are compound distribution right contracts, not exclusive contracts, resulting in dozens of distributors playing the role of midstream semiconductor component distributor in the domestic semiconductor industry. In addition to the Company, other major players include WPG Holdings, WT Microelectronics, Synnex, Supreme, EDOM, Zennitron and Promate, etc.

3. Approximate market share

Item	Company and peer players							
	Weikeng	WPG Holdings	WT Microelectronics	Synnex	Supreme	EDOM	Zennitron	Promate
Sales Revenue (1) (NT\$ thousand)	72,404,886	778,572,715	447,896,117	408,811,612	208,738,834	108,236,723	42,044,726	32,469,053
Market share (%) Domestic (2)	1.81	19.46	11.20	10.22	5.22	2.71	1.05	0.81

Item	Company and peer players							
	Weikeng	WPG Holdings	WT Microelectronics	Synnex	Supreme	EDOM	Zennitron	Promate
Global (3)	0.46	5.00	2.87	2.62	1.34	0.69	0.27	0.21

Source:

1. Based on each company's published financial statements for 2021
2. The output value of Taiwan's IC industry in 2021 according to the statistics of ITRI NT\$ 4 trillion
3. According to the Semiconductor Industry Association (SIA), global semiconductor sales totaled US\$555.9 billion in 2021, equivalent to NT\$15.58 trillion.

4. Future Market Supply and Demand Situation and Growth

(1) Supply Side

As the semiconductor industry and its supply chain are considered as "essential infrastructure" and/or "essential business" in real economic activities, the upstream semiconductor companies and wafer manufacturers have been making great efforts to develop advanced process and packaging technologies for the design and manufacturing of semiconductor components, hoping that the supply of semiconductor components developed through advanced technologies will create or meet the needs of new applications. One of the tasks of semiconductor component distributors is to link up with the advanced semiconductor technology development of upstream vendors to meet the "induced demand" of customers and play the role of a professional and value-added "demand creation" provider in the semiconductor industry.

The suppliers of semiconductor component distributors are the upstream semiconductor component manufacturers (IDM or Fabless companies). The rise and fall of the semiconductor industry's output value directly affect the supply side. Since the COVID-19 disaster, the capital expenditure of the front-end semiconductor industry has been expanding. In addition to the great increase in tele-demand in recent years, which has accelerated the digital economy and driven the demand for semiconductor chips in the application market, the supply chain has been in short supply. The shortage of supply started in the second half of 2020 and continued throughout 2021. The supply side encountered many black swans so far in the first quarter of 2022, including China's zero-COVID policy and Russia's military intervention in Ukraine, which have brought more uncertainty to the global semiconductor industry. The semiconductor industry has become a strategic industry in international relations, and geopolitics will continue to affect the supply side of the semiconductor industry.

In 2022, the semiconductor market will continue to show a demand growth rate greater than the capacity growth rate. Currently, dedicated foundries are actively adjusting capacity or building new fabs. However, the high cost of building new fabs and the waiting period for construction may make it too slow and too late for the new fab capacity to meet market demand. The dedicated foundries have started to balance the market supply and demand by increasing prices. However, the problem is gradually spreading to the chip suppliers (the vendors the Company represents as a distributor), and the delivery time has been lengthened to more than 90 days to adjust the undersupply in the IC chip market. In addition to the aforementioned black swan impact, the speed of building new fabs in the semiconductor industry is not as fast as expected. In terms of process, TSMC said that the mature process would tend to balance sooner, and the time point falls from 2023 to 2024, and it is difficult to reach the balance of supply and demand in the short term.

The U.S. Department of Commerce released a report on global semiconductor supply and demand in January 2022, stating that "the global shortage of chips will not be alleviated for six months," and that the bottlenecks are mainly Legacy Logic Chips for automobiles, medical devices and other products, Analog Chips for power management, image sensors and RF, and Sensor Chips for sensors and switches. Taiwan's ITRI points out that under the severe shortage of goods, the U.S., EU, India, Japan, and China are to establish their own semiconductor production capacity as a national policy, and Taiwan manufacturers, because of the complete supply chain, becoming the first choice for these countries to strive for cooperation, it is estimated that the total output value of Taiwan's semiconductor industry will grow to 4.8 trillion in 2022, representing an annual growth rate of 17.7%.

The Semiconductor Industry International Association (SEMI) forecasts that fab equipment expenditure will exceed US\$98 billion in 2022, with an estimated annual growth rate of 10%. The major fabs expect to increase capital expenditure on equipment investment to secure and expand future capacity and supply and maintain market share and technology leadership, such as TSMC (US\$40 billion to US\$44 billion) and Samsung (US\$37.7 billion). According to another report, Intel, which wants to catch up, will spend capital expenditure of \$25 to \$28 billion in 2022 to expand and increase capacity for its own chip products, promote the most advanced chip manufacturing technologies, and try to regain its former giant foundry glory. It is estimated that it will take about four years for Intel to reduce the high cost of its own chips and to significantly increase sales and profitability. Intel's push for IDM 2.0 may lead to Intel catching up with TSMC and other competitors by 2024, so we'll see what happens. With EU and the U.S. accelerating the transition to electric vehicles, coupled with the rapid growth in demand for energy conversion and end-use applications such as 5G communications, German semiconductor maker Infineon is investing 2 billion euros (about \$63.3 billion) to boost its WBG (Wide Band Gap) semiconductor (also known as compound or 3rd-generation semiconductors) manufacturing capabilities.

In summary, the global chip shortage continues. Based on reports and information from foundries, it may take 2 to 3 years for the shortage of semiconductors to be resolved. The supply side of the semiconductor industry has encountered many black swans since this year (2022), including China's zero-COVID policy affecting supply under the rampant mutated virus, and the war between Russia and Ukraine, which have cast uncertainty on the global semiconductor industry. On the other hand, the speed of building new fabs in the semiconductor industry is not as fast as the rapid growth of demand, and the industry supply and demand may not reach a balance in the near future. If we look at the process, it is likely that the mature process will tend to balance sooner, and the timing may be 2023 to 2024.

(2) Demand Side

The demand for semiconductor components comes from end-use applications. Semiconductor component distributors are facing demand from manufacturers of electronic products for information, network communication, consumer, industrial, automotive, and other new technology applications, including OBM, ODM, and OEMs. In 2022, manufacturing activity in major semiconductor manufacturing countries is expected to slow down due to supply shortages and

the reintroduction of pandemic prevention restrictions in China and Europe. The Chung-Hua Institution for Economic Research announced that Taiwan's manufacturing PMI fell to 56.20 in January, a near one-year low, but stopped falling and rebounded to 58.80 in February, while China, the U.S. and the Eurozone also rebounded at 50.20, 58.60 and 58.20 respectively. Only Japan continued to rise in 2021 and reached a near one-year high of 55.40 in January 2022 and declined to 52.70 in February, indicating that its manufacturing industry was in an expansion period. The performance of China and Japan was weak, indicating that the economy was still under recovery. Although global demand for semiconductors is growing on all fronts, the industry is still facing uncertainties such as slower-than-expected fab expansion and scheduling of packaging and testing companies due to material outages and external disruptions that could lead to product line shutdowns.

As we enter 2022, global demand for technology applications and traditional goods remains strong. However, economic forecasts for various countries are more conservative than in 2021 due to the emergence of mutated viruses and market volatility. As the world prepares for a post-pandemic economic recovery, economies are facing pressure from the U.S. Federal Reserve to raise interest rates, disruptions from the war between Russia and Ukraine, and changes in anti-inflationary policies in various economies. The global economic growth rate may be revised downward again in 2022. According to the IMF's World Economic Outlook for January 2022 (see Figure 3 below), the growth rate of developed and emerging countries is estimated at 3.9% and 4.8%, respectively, by country. Taiwan's economic growth reached an 11-year peak in 2021 and will remain strong in 2022. According to the latest forecast released by the Taiwan Institute of Economic Research in November 2021, the GDP growth rate is expected to reach 4.10%, 2.0 percentage points lower than the updated 6.10% in 2021. As of March 2022, the Central Bank's latest forecast for economic growth is 4.05% for 2022, revised downward due to anti-inflationary pressures. Taiwan will face a situation where the main driving force will come from domestic demand, including private consumption and private investment. In contrast, exports and private investment remain strong, but their contribution to economic growth is lower compared to 2021. Despite the disruption of the black swans, IEK Consulting forecasts that the semiconductor industry will continue to thrive in 2022 as the global economic growth rate stabilizes and emerging applications and digital transformation drive end-market demand. The demand side of the semiconductor market will also be sustained, and the prosperity of the semiconductor industry is expected to continue in 2022.

Figure 3

Latest World Economic Outlook Growth Projections

(real GDP, annual percent change)	ESTIMATE	PROJECTIONS	
	2021	2022	2023
World Output	5.9	4.4	3.8
Advanced Economies	5.0	3.9	2.6
United States	5.6	4.0	2.6
Euro Area	5.2	3.9	2.5
Germany	2.7	3.8	2.5
France	6.7	3.5	1.8
Italy	6.2	3.8	2.2
Spain	4.9	5.8	3.8
Japan	1.6	3.3	1.8
United Kingdom	7.2	4.7	2.3
Canada	4.7	4.1	2.8
Other Advanced Economies	4.7	3.6	2.9
Emerging Market and Developing Economies	6.5	4.8	4.7
Emerging and Developing Asia	7.2	5.9	5.8
China	8.1	4.8	5.2
India	9.0	9.0	7.1
ASEAN-5	3.1	5.6	6.0
Emerging and Developing Europe	6.5	3.5	2.9
Russia	4.5	2.8	2.1
Latin America and the Caribbean	6.8	2.4	2.6
Brazil	4.7	0.3	1.6
Mexico	5.3	2.8	2.7
Middle East and Central Asia	4.2	4.3	3.6
Saudi Arabia	2.9	4.8	2.8
Sub-Saharan Africa	4.0	3.7	4.0
Nigeria	3.0	2.7	2.7
South Africa	4.6	1.9	1.4
Memorandum			
Emerging Market and Middle-Income Economies	6.8	4.8	4.6
Low-Income Developing Countries	3.1	5.3	5.5

Source: IMF, *World Economic Outlook Update*, January 2022

Note: For India, data and forecasts are presented on a fiscal year basis, with FY 2021/2022 starting in April 2021. For the January 2022 WEO Update, India's growth projections are 8.7 percent in 2022 and 6.6 percent in 2023 based on calendar year. For India the impact of the Omicron variant is captured in the column for 2021 in the table.

INTERNATIONAL MONETARY FUND

IMF.org

In terms of end-use demand, consumer electronics demand will be relatively saturated in 2022, and we are optimistic about the demand for emerging fields, including power semiconductors driven by carbon reduction, IT device demand driven by the COVID-19 pandemic, and the trend of electrification and intellectualization of automobiles, which will require a significant increase in the types and quantities of semiconductors, such as MCUs, microprocessors (MPUs), field programmable gate arrays (FPGAs), etc. whose demand growths are all significant. ITRI IEK estimates that from 2021 to 2025, the semiconductor industry's three major high-growth fields will be automotive, storage, and industrial semiconductors as the main anchors, with diverse end-use applications providing strong support for the semiconductor industry (see Figure 1 above). In terms of timeline, ITRI IEK's analysts predict that wireless communications will become a major application for semiconductors in 2022. Applied Materials predicts that global data flow will reach 100 times that of 2018 in 2025, and that

automotive semiconductors will surpass industrial semiconductors in 2023 and consumer semiconductors in 2024. The average compound annual growth rate of automotive HPC semiconductors from 2021 to 2025 is estimated to be as high as 212.4%.

In terms of application category, data from research institutions Gartner and ITRI IEK show that in 2025, the global semiconductor market will still be dominated by wireless communication semiconductors and computing semiconductors, with an estimated market size of US\$189 billion and US\$168, respectively. Automotive semiconductors will catch up with industrial semiconductors, consumer semiconductors and storage semiconductors with a compound growth rate of 12.5%. In comparison, storage semiconductors will be the second highest application category with a compound growth rate of 9.6%.

According to ITRI IEK, the supply shortage of semiconductors is expected to improve in 2022, and supply and demand will gradually reach a balance, but market demand will continue to exist. ITRI estimates that the total output value of the domestic semiconductor industry will reach NT\$4.5 trillion in 2022, with an annual growth rate of 12.0%, maintaining a high momentum better than the global average.

In summary, in addition to the demand for a contactless economy and digital transformation boosted by the COVID-19 pandemic, new technologies and applications have also matured and integrated into important application markets since 2020. Now everything falls into place and the industry is still continuing to grow.

(3) High Potential for Market Growth

In terms of technology development, the key element of any technological device or equipment is the semiconductor chip that controls and executes the multiple functional requirements of the device or equipment through the compilation process of the instruction set program code. Semiconductor applications span smartphones, automobiles, networking, edge computing, cloud data, industrial automation, smart homes, and various consumer electronics products. The increasing demand for key semiconductor technology development and component supply from the industrial side is driving the overall potential market to expand steadily.

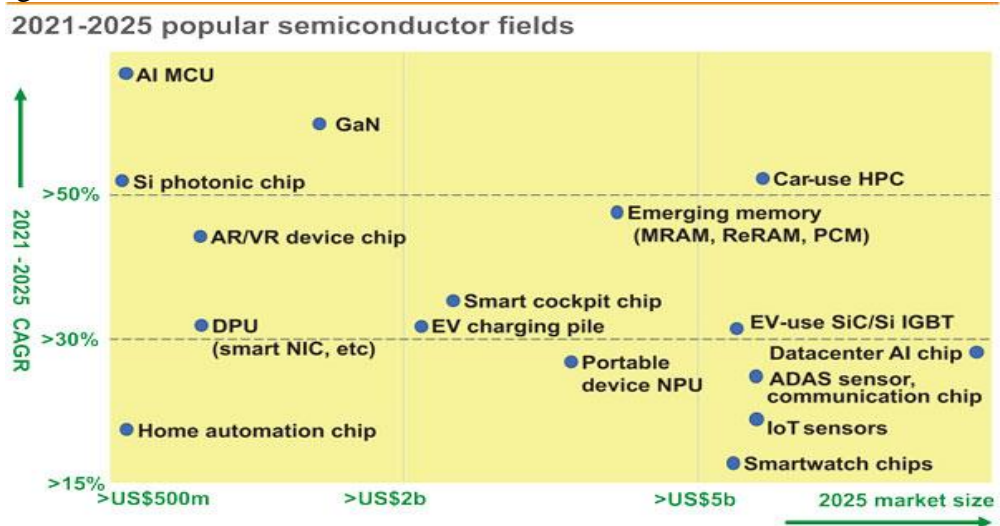
In terms of global economic trends, the rise of the digital economy will lead to new directions in economic activities and industry development. With information and communication (ICT) technology and manufacturing technology in place, the growing maturity of 5G technology and the wider application of AIoT, integration of front-end sensing, IoT communication technology, virtual-real integrated systems, cloud computing with edge computing, and big data analytics, the demand for applications such as factory automation, smart energy management, and smart medical care has increased significantly, leading to digital transformation, smart manufacturing to enhance production efficiency, respond to flexible production, and solve labor shortages, and leading to future industry innovation. 5G will also drive the accelerated implementation of car networking and ADAS/autonomous driving, and provide high-speed, stable and secure data transmission for emerging applications such as telemedicine and medical imaging.

Researchers are optimistic that the semiconductor market will continue to grow on all fronts over the next five years, with SIA estimating that all-semiconductor sales are expected to grow 8% annually in 2022, showing a weaker pace of

growth than in 2021. IC Insights notes that industry observers recognize that semiconductors are a cyclical industry with a low probability of sustained double-digit growth in recent years, with an estimated compound growth rate of 7.1% by 2026.

With saturated demand for consumer electronics, the semiconductor industry's high growth fields will be dominated by automotive, storage, and industrial semiconductors, and many emerging fields and innovative technologies will bring ample opportunities for the semiconductor industry, including AI microprocessors (AI MCUs), Si Photonic Chip, high performance computing chip (HPC) for electric vehicles, and power semiconductors (GaN) and power semiconductors (GaN), etc. According to DIGITIMES research (see Figure 4 below), the above categories will grow at an average annual rate of 50% over the next five years, while other categories with 30% to 50% growth are AR/VR devices, emerging memory solutions (MRAM, ReRAM, PCM), smart cabin chips, electric vehicle charging stations, and data processing units (DPU). The research is also optimistic that chips for smart homes, Neural Processing Unit (NPU) for portable devices, AI chips for data centers, and sensors for IoT will also grow by more than 15%.

Figure 4



Source: DIGITIMES Research, November 2021

According to DIGITIMES Research, 2025 data center AI chips will be the largest market in the hot semiconductor fields in recent years. In terms of demand for edge computing, Gartner predicts that 75% of enterprise infrastructure will be deployed at the edge by 2025, and Statista estimates that the market for edge computing data centers will reach USD13.5 billion by 2024. Artificial intelligence chips in data center applications continue to grow, and the cloud technology field has become the largest market for artificial intelligence chips. In response to the large cloud computing needs, the rapid growth of data centers has led to a significant increase in demand for high-computing AI chips. GAFA (Google, Apple, Facebook, Amazon), the four major companies, invested in their own design and development of dedicated AI chips, self-made high-capacity AI chips, with its software and datacenter platform, hoping to reduce power consumption to improve performance. In response to chip performance optimization, the corresponding data center high-speed access devices will face a generational change. In the future, they will switch from traditional HDDs to NAND Flash-based SSDs.

Figure 4 above shows that automotive HPC will be the only field with a market value of over USD5 billion and a compound growth rate of more than 50% by 2025, making it a key growth field for the semiconductor industry in the near future. According to a report by Deloitte and Touche, the cost of automotive semiconductor components is expected to reach US\$600 per vehicle by 2022. Gartner estimates that the global automotive HPC market will reach \$8.03 billion by 2025, with a high annual growth rate of 58%, and that automotive HPC includes "cockpit HPC" and "body HPC. Overall the demand for automotive semiconductors continues to grow, with the potential for growth in components such as control unit sensors and memory. The Company has been in the automotive electronics supply chain for many years and will continue to maintain its position and keep up with the market growth potential to address the large volume of semiconductor components in automotive electronic devices and subsystems driven by the future development of automotive automation, electrification, networking and security systems.

The demand for storage semiconductors is supported by the huge demand from information centers, the home economy, gaming and entertainment, and enterprise digitization. Applied Materials points out that the future will generate a large amount of data volume due to smart manufacturing, and predicts that the global data flow in 2025 will reach 100 times that of 2018. According to DIGITIMES research, in response to the massive demand for data centers and to achieve better performance, large CPU makers have been developing products embedded with DDR5, and servers will become a high potential market for the semiconductor industry in 2022. According to Omdia, DDR5 will account for 10% of the memory market in 2022 and will expand to 43% in 2024 with its widespread adoption in the industrial server market. Applications including 5G networking, HPC efficient computing, industrial automation, smart medical, etc. will benefit from DDR5 technology and accelerate the application implementation process.

For the growth rate of 5G communication components, ITRI IEK analysts pointed out that from 2019 to 2025, the average compound annual growth rate of 5G cell phones will exceed 100%. ITRI estimates that global 5G cell phone sales will reach 1.43 billion units in 2025, driving a rapid increase in the number and types of core processors, 5G communication components such as base stations, power management ICs, memory, lens sensors, and driver ICs, with a rapidly increasing number of types and numbers. In 5G mobile communication systems, data transmission rates at base stations and cell phone terminals will be faster than 4G. The spectrum utilization of modulation technology will be higher, placing higher demands on RF front-end components and modules. The current mainstream LDMOS (Laterally Diffused Metal Oxide Semiconductor) components and GaAs (Gallium Arsenide) components are not as good as GaN in terms of high frequency characteristics. Therefore, GaN is expected to grow rapidly under 5G, regardless of whether it is a silicon substrate or a silicon carbide (SiC) substrate.

The high growth potential of GaN, SiC/Si IGBTs for electric vehicles and other compound/group III semiconductor applications will accelerate the pace of GaN/SiC "replacement" of Si materials, enabling 5G RF, electric vehicles and wireless/fast charging. Compound/Group III semiconductors can withstand higher voltages, higher frequencies and higher temperatures than traditional

silicon semiconductors, and have better energy conversion efficiency by combining four excellent characteristics: good heat dissipation, small size, low energy consumption, and high power. There is a great demand for this high performance semiconductor material for lighting, home appliances, consumer electronics, new energy vehicles, smart grid, base stations, aerospace, railway transportation, power systems, and military applications. The fast and efficient charging needs of electric vehicles and portable electronics will also drive GaN power components to the mass market, gradually replacing traditional silicon power components.

TrendForce estimates that the GaN market will grow from \$48 million in 2021 to \$850 million in 2025, and SiC will grow from \$680 million to \$3.39 billion, with compound annual growth rates of 78% and 38%, respectively. ITRI also preliminarily estimates that the overall market size of GaN plus SiC will be less than US\$5 billion in 2025. Although still in a niche market, the future potential of compound/3rd-generation semiconductors is promising.

In summary, the rapid development of electronic technology, the introduction of the above-mentioned high growth potential emerging material market (compound/group III semiconductor), 5G and AIoT driven product applications, heterogeneous integrated design system architecture and other technological developments will be the engine driving the continuous growth of semiconductor demand. In addition to the existing product demand solutions in computer, communication, consumer electronics, industrial and automotive electronics, etc. for supply to customers, the Group has also been cooperating with upstream vendors and downstream customers to actively grasp relevant product solutions with growth opportunities, such as cloud or edge applications, industrial AI applications, IoT applications, 5G applications, power optimization, charging stations, etc., to enable the Group' to stand out in a timely manner in the future with these business opportunities.

5. Competitive Advantage

(1) Complete Product Portfolio

With years of experience in marketing electronic components and keen judgment of electronic component market trends, the Company has evolved into a professional electronic component distributor, cooperating with world-class vendors, such as AMD, Amazing, Cypress, Infineon, Lattice, Microchip, Molex, NXP, Sinopower, Vishay, and Western Digital. The product lines we resell can be categorized into chipsets/ASICs, mixed-signal and distributed components according to product characteristics, covering 3C, industrial, automotive, industrial AI, IoT, cloud/edge, and 5G applications, and we have become a major distributor for these major suppliers.

(2) Highly-Recognized Demand Creation Capabilities

The Company can quickly grasp the latest developments in the technology market, and convey the latest product solution information to our customers and provide timely services. We often invite professionals or suppliers to hold seminars on product and industry information, such as new product launches and seminars on new technology trends, so that our customers can participate in the discussions and keep abreast of the latest information. Meanwhile, in order to provide comprehensive technical services for product solutions and to respond promptly to customers' questions regarding component technology, and to save R&D and design costs and shorten the time to market for new products for customers, the Company and its subsidiaries have set up a product application

department and product business divisions to provide professional technical services in R&D and design for customer-side demand creation. We have been recognized by both upstream vendors and downstream customers for our expertise in demand creation, which is an important competitive advantage in securing distribution rights and new project orders from customers.

(3) Strong Management Team

Our management team is committed to the professional spirit of "linking technology, creating value" and demonstrating the spirit of teamwork in order to enhance our competitiveness in the market. In addition, each of the Group's companies emphasizes the development and training of management successors, and has been cultivating available business and administrative talents in each operating region to let them begin to demonstrate leadership experience and look forward to innovative management thinking. The management team has a good management philosophy and tacit understanding. With the Company's long-standing dedication and persistence to the electronic components and peripherals channel, the management team is constantly thinking about the management strategy of electronic components distribution, and creating the market value of the channel.

(4) Solid Sales Channel Network

The Group's business is focused on the Asia Pacific market, which is not the largest in the industry but is solid. In order to meet the needs of our customers in terms of the timeliness of supply, we respond to the demand for components from overseas plants of downstream customers by increasing the flexibility of inventory management. In addition to Taiwan, the Weikeng Group has set up subsidiaries in Hong Kong, China and Singapore, which are responsible for marketing and technical services in the Greater China region (Taiwan, Hong Kong, China) and Southeast Asian markets. By covering the Asia Pacific region and having a complete sales system empowered by our distribution bases, we have formed a solid sales channel and technical service base that not only effectively enhances the competitiveness of both the Company and our customers, but also strengthens our ability to win the distribution rights for new product lines.

6. Favorable and Unfavorable Factors and Countermeasures for Development Prospects

(1) Favorable Factors

① Considered as "essential infrastructure" and/or "essential business"

As the semiconductor industry and its supply chain are considered as "essential infrastructure" and/or "essential business" in real economic activities, the upstream semiconductor companies and wafer manufacturers have been making great efforts to develop advanced process and packaging technologies for the design and manufacturing of semiconductor components, hoping that the supply of semiconductor components developed through advanced technologies will create the needs of new applications. One of the tasks of semiconductor component distributors is to link up with the advanced semiconductor technology development of upstream vendors to meet the "induced demand" of customers and play the role of a professional and value-added "demand creation" provider in the semiconductor industry.

② High Potential for Application Market Growth

In terms of technology development, the key element of any technological device or equipment is the semiconductor chip that controls and executes the

multiple functional requirements of the device or equipment through the compilation process of the instruction set program code. Semiconductor applications span smartphones, automobiles, networking, edge computing, cloud data, industrial automation, smart homes, and various consumer electronics products. The increasing demand for key semiconductor technology development and component supply from the industrial side is driving the overall potential market to expand steadily.

In terms of global economic trends, the rise of the digital economy will lead to new directions in economic activities and industry development. With information and communication (ICT) technology and manufacturing technology in place, integration of front-end sensing, IoT communication technology, virtual-real integrated systems, cloud computing, and big data analytics, to enhance production efficiency, respond to flexible production, and solve labor shortages, and leading to future industry innovation.

An important industry development trend worth mentioning is the arrival of AI and 5G generation. The rapid advances in electronic technology will often drive a surge in demand for semiconductors. In addition to the existing product demand solutions in computer, communication, consumer electronics, industrial and automotive electronics, etc. for supply to customers, the Group has also been cooperating with upstream vendors and downstream customers to actively grasp relevant product solutions with growth opportunities, such as cloud or edge applications, industrial AI applications, IoT applications, 5G applications, power optimization, charging stations, etc., to enable the Group' to stand out in a timely manner in the future with these business opportunities.

③ Stable Distribution Rights

Over the years, the Company has maintained a good relationship with the upstream suppliers, which have granted distribution rights to us. These world's leading companies have been able to rely on our professional sales capability, which is also very conducive to the Company's business expansion. In the face of parallel integration of suppliers, we are able to obtain new distribution rights or strengthen existing relationships due to our good cooperative relationship.

(2) Unfavorable Factors and Countermeasures

① Short life cycle of end products

The short life cycle of electronic products and the introduction of new products that gives rise to generational changes will test the Company's ability to control inventory and master product information. Countermeasures include:

- (a) The sales department should hold regular or occasional business meetings to review the market supply and demand and customer needs. They can accurately grasp the lifecycle status of customers' product plans, formulate corresponding preventive measures, and adjust the inventory stock level in a timely manner.
- (b) In response to the market trends and technological developments, the Company sets future development directions, grasps opportunities, actively acquires star product distribution rights, and develops new customers to optimize the convergence of the product portfolio in order to grasp the growth opportunities of replacement and reduce risks.

② External disturbances blunt economic activities

There have been black swans interfering with global economic activities, such as the continuation of trade brinkmanship policies and the outbreak of the COVID-19 mutated virus, the closure of important cities due to the zero-COVID policy in China, and the politicization of the semiconductor by the war between Russia and Ukraine, which have impacted the normal activities of the global economy and the supply chain of semiconductors, and increased the risk of the Company's operations. Countermeasures include:

- (a) Do a good job in pandemic prevention management and ensure the health of our employees and the continuation of normal operations, we will continue to strengthen our communication and incentives to our employees.
- (b) Regularly review the Company's internal operation management, review the impact, and establish a rapid response crisis communication channel, with employees, management team, customers, and business partners, to protect the Company's normal operations.
- (c) Loyal to our customers and effectively assisting them in solving supply chain problems or even raising alerts, which will deepen their close relationship.
- (d) According to the trend of technology development, continue to develop new product distribution rights and deepen strategies for developing new product solutions to accumulate the strength to stand out in the future.
- (e) Exchange market information with upstream vendors and downstream customers without being interrupted by interfering factors, so as to grasp the dynamics of opportunities.
- (f) Strengthen the management wealth for operational risks caused by interfering factors, such as customer credit and collection management, exchange rate risk management, and inventory risk management. Focus on cash management to enhance liquidity and reduce the rate of capital burn rate with a prudent and proactive policy as the guiding principle.
- (g) Strengthen IT telecommuting capability and ensure both system operation and network security.
- (h) Pay attention to international sanction regulations and epidemic prevention policies, keep abreast of the response strategies and structures of customers' production bases and supply chains, establish rapid response communication channels, and strengthen support, service dynamics and flexibility to maintain the normal operation of the Company and supply chain partners.

(ii) Major Product Applications and Production Processes

The products the Company resells as a distributor can be categorized into chipsets/standard ICs (ASIC) for special applications, mixed-signal and discrete components according to the characteristics of the products we resell, and their important applications are listed below:

Application Segment	Customer Product Applications
Computer Information	PCs, Notebooks, Motherboards, AIO Computers, Servers, 2-in-1 Laptops, Enterprise Storage Devices, Miners, AI (Artificial Intelligence), Data Centers, Edge Computing
Industrial	IPC, UPS, BMS, motor control, charging stations/piles, drones, POS systems, FM pumps, power tools, lighting, security

Application Segment	Customer Product Applications
	control/surveillance (DVR/NVR), welding machines, remote controlled cars, textile machines, PLCs, hydropower meters, smart grids, wind power, solar power generation inverter, server power supply, testing instrument, telecom power supply, medical.
Consumer	Smart speakers, augmented/virtual reality (AR/VR), Internet of Things (IoT) devices, digital video converters (STBs), projectors, headphones, smart/feature phones, e-book readers, tablets, POS, portable navigation devices (PNDs), LCD/Mini LED TVs, media players, wearable devices, home appliances, white goods, alarm devices, home automation, electronic locks, toys, IP CAM.
Network Communication	Ethernet switch, Gateway, WiFi AP router, xDSL, NIC, Ethernet/Infinite band, GPON/EPON, Cable modem, digital set-top box (STB), micro base station (Femtocell), 4G/5G base station, 5G (Base station/CPE/Small Cell)
Vehicles	Battery Management System (BMS), Body Control Module (BCM), Dashboard, Center Information Display (CID), Infotainment, Remote Keyless Entry (RKE), Advanced Driver Assistance System (ADAS), Car Radar, Tire Pressure Monitoring System (TPMS), Power Windows, In-vehicle Telematics Box(TBOX), Head-Up Display (HUD), Motor Control

The Company is not a manufacturer, so there is no production process.

(iii) Supply Status of Main Materials

The Company is not a manufacturer and has no major raw material inputs.

(iv) Major Suppliers and Clients

1. Major Suppliers in the Last Two Calendar Years (accounting for 10 percent or more of the Company's total procurement)

Unit: NT\$ thousands

Item	2020				2021				2022 (As of March 31)			
	Company Name	Amount	%t	Relation with Issuer	Company Name	Amount	%	Relation with Issuer	Company Name	Amount	%	Relation with Issuer
1	TV007	10,147,317	19.25	None	TV007	12,619,359	18.11	None	TV007	3,597,298	20.72	None
2	TV001	5,559,900	10.55	None	TV001	7,072,753	10.15	None	TV001	2,960,368	17.06	None
3									TV008	1,744,545	10.05	
4	Others	37,015,158	70.20		Others	49,981,044	71.74		Others	9,055,265	52.17	
	Net Total Supplies	52,722,375	100.00		Net Total Supplies	69,673,156	100.00		Net Total Supplies	17,357,476	100.00	

Note 1: Where the Company is prohibited by contract from revealing the name of a supplier, or where a trading counterpart is an individual person who is not a related party, it may use a code in place of the actual name.

2: For the listed company, the most recent quarterly financial information which has been audited or reviewed by the accountant, prior to the publication date of the annual report, should be disclosed.

2. Major Clients in the Last Two Calendar Years (accounting for 10 percent or more of the Company's total sales)

There are not any clients accounting for more than 10% of total sales.

(v) Production in the Last Two Years

The Company is not a manufacturer, so there is no production capacity, quantity, and amount.

(vi) Shipments and Sales in the Last Two Years

Unit: NT\$ thousands; Quantity: thousands

Shipments & Sales Major Products	Year	2020				2021			
		Local		Export		Local		Export	
		Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount
Chipsets / ASIC Components		16,439	1,934,216	533,916	22,173,572	105,652	3,049,674	2,036,022	23,788,457
Mixed signals and Discrete components		332,583	2,822,683	7,180,674	31,410,143	425,150	3,498,625	7,942,311	42,060,594
Labor services, Commissions and Others			763	5,765	72,025		2,458	322	5,078
Total		349,022	4,757,662	7,720,355	53,655,740	530,802	6,550,757	9,978,655	65,854,129

iii. Human Resources

Year		2020	2021	2022 (As of March 31)
Number of Employees	Business Division	707	765	768
	FAE & RD Division	238	246	248
	Administration Division	237	244	245
	Total	1,182	1,255	1,261
Average Age		38.13	38.13	38.22
Average Years of Service		7.49	7.49	7.41
Education (%)	Ph.D.	0.09	0.08	0.08
	Masters	6.32	6.46	6.34
	Bachelor's Degree	81.70	81.83	82.15
	Senior High School	9.94	9.40	9.12
	Below Senior High School	1.95	2.23	2.31

iv. Disbursements for environmental protection: Any losses suffered by the Company in the most recent fiscal year and up to the annual report publication date due to environmental pollution incidents (including any compensation paid and any violations of environmental protection laws or regulations found in environmental inspection, specifying the disposition dates, disposition reference numbers, the articles of law violated, and the content of the dispositions), and disclosing an estimate of possible expenses that could be incurred currently and in the future and measures being or to be taken. If a reasonable estimate cannot be made, an explanation of the facts of why it cannot be made shall be provided.
None.

v. Labor Relations

(i) List any employee benefit plans, continuing education, training, retirement systems, and the status of their implementation, and the status of labor-management agreements and measures for preserving employees' rights and interests.

1. Implementation of welfare measures

(1) Executed by the Company:

- ① Participate in labor insurance, national health insurance, group accident/ hospitalization/ cancer medical insurance, and employee travel safety insurance according to law ;
- ② Marriage, funeral and maternity benefits ;
- ③ Encourage and subsidize employee on-the-job training courses ;
- ④ Annual employee health check ;
- ⑤ Physician consultation service every two months (3 hours) ;
- ⑥ Signed a childcare contract with a nearby kindergarten to facilitate childcare at work ;
- ⑦ According to the Company's articles of association, the net profit before tax of 6%~10% is allocated to employees ' remuneration, and after the report of the annual shareholders', it is distributed to employees according to the factors such as employee performance evaluation, contribution, job level and other factors ;
- ⑧ Sales and FAE personnel subsidies, including transportation costs, mobile phones, parking costs, and laptop purchases.

- (2) Executed by the Company's Employee Welfare Committee:
- ① Encourage employees to form associations, participate in activities to regulate the body and mind ;
 - ② Organize and subsidize employee travel, recreational activities, movie enjoy ;
 - ③ Signed a contract with a special store to give company employees a discount ;
 - ④ Gift vouchers for Dragon Boat Festival, Mid-Autumn Festival and birthday ;
 - ⑤ Holding year-end party, lotteries and family day activities.
- (3) The Company has formulated and implemented reasonable employee welfare measures (including remuneration, vacation and other benefits, etc.), and appropriately reflects operating performance or results in employee remuneration. For relevant explanations, please refer to (2) of IV. Social Issues in the List of “Implementation of sustainable development and the differences from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies the reasons” in this annual report.
- (4) The Company provides employees with a safe and healthy working environment, and related education. For relevant explanations, please refer to (3) of IV. Social Issues in the List of “Implementation of sustainable development and the differences from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies the reasons” in this annual report.

2. Situation of further education and training

- (1) Executed by the Company:
- ① Regular training for new colleagues:
 - a. Understanding the Company's corporate philosophy and core values;
 - b. Corporate governance, ethical corporate management and sustainability policy requirements;
 - c. Introduction to the work functions of each department, network and information security, intellectual property protection requirements and other points to note;
 - d. On the Job Training (OJT) of the department to which the trainees belong, focusing on job functions and ERP operations.
 - ② Job skill refinement training: In response to the work processes, ERP system program and function addition or management requirements, the program leader will arrange work skill refinement training courses to enhance the essential capability of employees and improve work efficiency so that employees can enhance their work value. In response to the workflow, advanced ERP system program function or management requirements, etc., the plan host executes the training courses of working skill improvement to strengthen the essential learning ability of employees, enhance work efficiency, and advance work value of colleagues.
 - ③ Leadership and governance training: Education and training for the development of management officers to strengthen the leadership thinking and management knowledge of supervisors, let them

identify with the Company's values, and cultivate the management in succession.

(2) Participate in courses of external training institutions

① We encourage employees to participate in professional skills or new knowledge training courses held by external organizations for application in the work process or management, so that employees and the company can have a win-win achievement.

② The Company subsidizes the training fees of all the courses attended after approval. Those who have obtained the relevant professional licenses or qualifications will be rewarded with professional incentives if they are evaluated as having added value to the Company's operations. In 2021, one employee in the Accounting Department obtained the U.S. and Taiwan CPA licenses, and received a salary increase and an incentive payment from the Company.

(3) In 2021 and as of March 31, 2022, the Company conducted internal and external training as described below.

① In 2021

Classification		Number of people				Number of hours			
Internal training	Education and training for new employees	Male	362	560	1,480	Male	36.5	36.5	135
		Female	198			Female	36.5		
	Nurse safety Sanitation seminar	Male	114	261		Male	7	7	
		Female	147			Female	7		
	Business support Education and training	Male	89	408		Male	64.5	88.5	
		Female	319			Female	88.5 (Note)		
	Legal affairs education and training	Male	195	251		Male	3	3	
		Female	56			Female	3		
External training	Professional further education and training	Male	44	78	78	Male	327	387	
		Female	34			Female	82 (Note)		
Total		1,558				522			

Note: Excluding male and female employees, overlapping hours of education and training at the same time

② As of March 31, 2022

Classification		Number of people				Number of hours			
Internal training	Education and training for new employees	Male	54	117	136	Male	14	14	15
		Female	63			Female	14		
	Nurse safety Sanitation seminar	Male	9	19		Male	1	1	
		Female	10			Female	1		
External training	Professional further education and training	Male	6	7	7	Male	55	67	
		Female	1			Female	12		
Total		143				82			

3. Implementation of the Retirement System:

The Company has established an employee retirement measure in accordance with the law. For employees entitled to the old scheme of labor pension, 2% of the total monthly salary of the labors is appropriated to the

labor pension reserve account in the Bank of Taiwan. In contrast, for employees who are entitled to the new scheme of labor pension, 6% is contributed to their personal pension accounts at the Bureau of Labor Insurance according to the “Table of Monthly Contribution Classification of Labor Pension”. Employees are also encouraged to make self-contributions for early planning of pension accumulation arrangements.

4. Negotiation between Employer and Employee, and Employee Rights Protection

- (1) The Company has a labor-management meeting where labor representatives can express their opinions and serve as a bridge with the management. There have been no labor disputes in recent years.
- (2) The Company regards employees as company assets, so it attaches great importance to the career planning of employees. In addition to setting reasonable salary and business performance reward standards for employees' contribution, there is also a mechanism of employees remuneration distribution that will benefit employees. Therefore, the Company was listed as a constituent stock by the "Taiwan HC 100 Index" announced by Taiwan Securities Exchange on June 17, 2021.
- (3) The Company attaches importance to employee welfare measures, provides a safe and healthy working environment, encourages employees to participate in refresher training to enhance work value, emphasizes fair treatment, sets up employee complaint mechanisms and channels, and implements the retirement system according to law, so that employees' rights and interests can be demonstrated within the Weikeng Group system.
- (4) In accordance with the Gender Equality Act, the Labor Standards Act, the government's population policy, and the family policy, the Company implements a service map to take care of its employees, including the promotion of gender equality at work, prevention of sexual harassment in the workplace, promotion of emergency assistance programs for employees, corporate childcare measures, workplace maternal health counseling, promotion of family-friendly measures, promotion of work-life balance measures, and assistance in childcare/ work suspension/ reinstatement, in order to establish a friendly workplace as one of the Company's competitive advantages, which will help enhance the organizational commitment and performance of employees.
- (5) In order to protect the basic human rights of employees, the Company has established the "Protection of Human Rights Policy", which was approved by the Board of Directors on June 29, 2021, to fulfill its social responsibility and show support of international human rights conventions such as “the United Nations Universal Declaration of Human Rights”, “the United Nations Global Compact”, and “the International Labour Organization Convention”, to eliminate any violations and infringements of human rights, so that all employees of the Company can be treated fairly and with dignity: (1) We are in compliance with local regulations and international standards in each of the Company's operating regions, and ensure (2) diversity and inclusiveness in the selection of talents and equal opportunities in labor rights, (3) salaries and benefits, (4) humane treatment, and (5) health and safety in the workplace. For the relevant implementation situation,

please refer to the list of (1) of IV. Social Issues in the List of “Implementation of sustainable development and the differences from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies the reasons” in this annual report or the Company’s official website for Sustainability_ Implementation of Protection of Employees’ Human Rights Policy.

- (ii) **List any losses suffered by the company in the most recent fiscal years and up to the annual report publication date due to labor disputes (including any violations of the Labor Standards Act found in labor inspection, specifying the disposition dates, disposition reference numbers, the articles of law violated, the substance of the legal violations, and the content of the dispositions), and disclosing an estimate of possible expenses that could be incurred currently and in the future and measures being or to be taken. If a reasonable estimate cannot be made, an explanation of the facts of why it cannot be made shall be provided.**

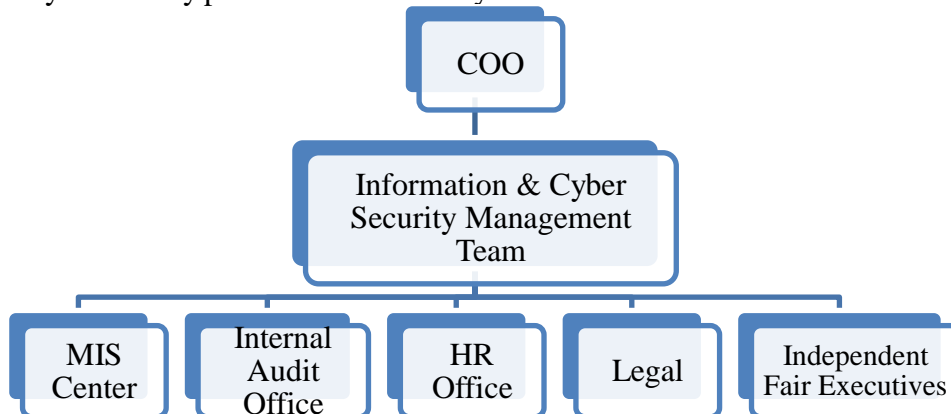
In the most recent year and up to the date of publication of the annual report, the Company did not have any of the above incidents.

vi. Cyber security management:

- (i) **Describe the cyber security risk management framework, cyber security policies, concrete management programs, and investments in resources for cyber security management.**

1. Information and Cyber Security Risk Management Framework

The Chief Operating Officer (COO) of the Company serves as the convener of the information and cyber security management team, and which team includes information unit, internal audit unit, personnel unit, legal unit, and independent fair executives(management levels of various business divisions and functional units) with the relevant expertise and knowledge, responsible for coordinating, planning, executing and analyzing information and cyber security incidents, and evaluating information and cyber security policies at least once a year.



- (1) The MIS and legal unit are in charge of the research and discussion about the information and cyber security-related policies, programs, measures and technical requirements, and research, implementation and assessment of security technology.
- (2) The HR office is in charge of the employment security assessment.
- (3) The internal audit unit shall work with the information unit and related units to take charge of the maintenance of information confidentiality and management matters for audit use.
- (4) The legal unit is responsible for the review of the project contract, and provides timely publicity, training and education on the laws and regulations of information ethics, including but not limited to privacy, accuracy, property, and accessibility.
- (5) The independent fair executives (management level of various divisions and

functional units) shall be in charge of the research on the need for the data, information and cyber system security, and access management and protection thereof, as well as authorization recommendations, assessments and managements of personnel who can use confidential and sensitive data management.

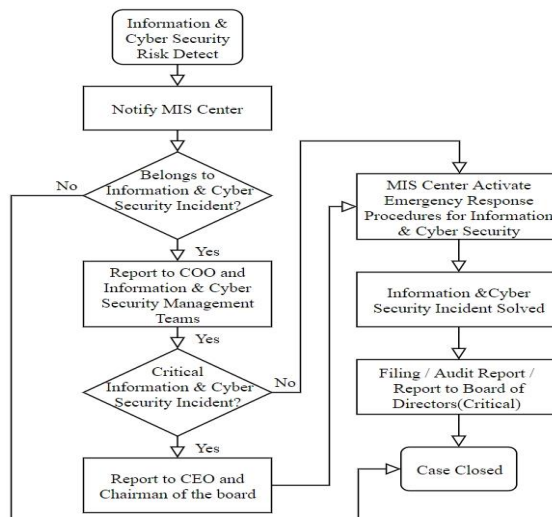
2. Information and Cyber Security Policy

The so-called information and cyber security policy refers to the adoption of a requisite and cost-effective means, measure or mechanism to protect the management, operations and technology security, in order to precisely protect the Company's information assets from any unfair use, disclosure, tampering, theft or destruction, take the necessary responsive actions promptly and recover normal operations immediately in case of emergencies, such as malicious attacks, destruction or unfair use, and mitigate the damage caused by the incident that can potentially affect and compromise the Company's operations; and the objectives of Information and Cyber Security is to establish a safe and reliable computerized operating environment to ensure the security and safety of the Company's computer data, system, equipment and network. For details, please refer to the "Information and Cyber Security Policy and Management Regulations" published on the Company's official website.

3. Concrete management programs

In accordance with the "Information and Cyber Security Policy and Management Regulations" revised by the Board of Directors on November 11, 2020, the Company reviewed and implemented the following in 2021 by the MIS Center.

- (1) Information security performance: 869,358 spam mails were intercepted; 139,868 malicious mails were intercepted. Accuracy of interception: 99.87%.
- (2) The email system was transferred to the cloud system of an international service provider, which enhances the information security level.
- (3) The Company joined the information security intelligence sharing group (Taiwan Computer Emergency Response Team/Coordination Center) on 2021/9/13 to obtain intelligence on information security alerts, threats and vulnerabilities.
- (4) The Company has established an information security team, adhering to the PDCA principle, responsible for promoting various information security protection management and control measures, information security incident notification and response, information assessment, information security performance management and continuous improvement. In the future, we will continue to strengthen and invest in technology and system construction related to information security issues. In addition, the Company is a second-tier company according to the regulations of the competent authority. Before the end of 2023, in addition to the existing information security team, a dedicated information security supervisor and at least one dedicated information security specialist will be set up to strengthen information security protection capabilities.
- (5) Procedures of Information and Cyber Security Incident Notification



(ii) List any losses suffered by the company in the most recent fiscal year and up to the annual report publication date due to significant cyber security incidents, the possible impacts therefrom, and measures being or to be taken. If a reasonable estimate cannot be made, an explanation of the facts of why it cannot be made shall be provided.

In 2021 and as of the date of publication of the annual report, the Company's information assets have not been misused, leaked, tampered with, stolen, or damaged, and there have been no emergencies such as malicious attacks, damages, or misuse. Therefore, there is no loss or impact on operations and goodwill due to the occurrence of major information security incidents.

vii. Important Contracts

Nature of Contract	Contractual Party	Contract Validity	Main Content	Restriction Clause
Distribution	ADVANCED MICRO DEVICES, INC.,	Since 1997/09	Franchise of Electronic Components	None
Distribution	ESS Technology Inc.	Since 1998/03	Franchise of Electronic Components	None
Distribution	Microchip Technology Inc.	Since 2003/10	Franchise of Electronic Components	None
Distribution	Cypress Semiconductor Corporation	Since 1999/06	Franchise of Electronic Components	Comply with U.S Import/Export Regulations
Distribution	Echelon Corporation	Since 2000/06	Franchise of Electronic Components	None
Distribution	Amazing Microelectronic Corp.	Since 2007/11	Franchise of Electronic Components	None
Distribution	Vishay Intertechnology Asia Pte Ltd	Since 2008/04	Franchise of Electronic Components	None
Distribution	SG Microelectronics (Hong Kong) Co., Limited.	Since 2008/12	Franchise of Electronic Components	None
Distribution	Western Digital Technologies, Inc.	Since 2009/01	Franchise of Electronic Components	None
Distribution	Lattice SG Pte. Ltd.	Since 2009/03	Franchise of Electronic Components	Comply with U.S Import/Export Regulations
Distribution	Panasonic Industrial Sales (Taiwan) Co., Ltd	Since 2009/10	Franchise of Electronic Components	None
Distribution	LucidPort Technology	Since 2010/05	Franchise of Electronic Components	None
Distribution	PieceMakers Technology, Inc.	Since 2012/07	Franchise of Electronic Components	None
Distribution	Hui Zhou TCL King High Frequency Electronics Co., LTD	Since 2012/10	Franchise of Electronic Components	None
Distribution	Sinopower Semiconductor Inc.	Since 2013/11	Franchise of	None

Nature of Contract	Contractual Party	Contract Validity	Main Content	Restriction Clause
			Electronic Components	
Distribution	Realtek Semiconductor Corporation	Since 2014 /01	Franchise of Electronic Components	<ol style="list-style-type: none"> 1. No sales, quotation or other marketing activities or distribution outside the distribution territory t 2. Without the prior consent of the vendor, there shall be no improper quotation or lower than the current price of the product provided by the vendor, or acts to disrupt the market order 3. Without the prior consent of the vendor, the distributor shall not sell to customers who are not stated in the distributor's order or attached to the relevant order 4. The distributor shall not market, promote, or sell products that are competitive with the vendor 's products or introduce intermediate referral customers or exclusive customers or other unfavorable behavior or competitive behavior against the vendor.
Distribution	mCube Hong Kong Limited	Since 2014/03	Franchise of Electronic Components	None
Distribution	Crocus Technology, Inc.	Since 2014/04	Franchise of Electronic Components	Comply with U.S Import/Export Regulations
Distribution	Infineon Technologies Asia Pacific Pte Ltd	Since 2015/06	Franchise of Electronic Components	None
Distribution	Arctic Sand Technologies Inc.	Since 2016/07	Franchise of Electronic Components	None

Nature of Contract	Contractual Party	Contract Validity	Main Content	Restriction Clause
Distribution	Luminus Devices, Inc.	Since 2016/07	Franchise of Electronic Components	None
Distribution	NXP Semiconductors Netherlands B.V.	Since 2016/07	Franchise of Electronic Components	Comply with U.S Import/Export Regulations
Distribution	InvenSense International Inc.	Since 2016/10	Franchise of Electronic Components	None
Distribution	Molex Taiwan Ltd.	Since 2016/10	Franchise of Electronic Components	Comply with U.S Import/Export Regulations
Distribution	CT Microelectronics Co., Ltd.	Since 2017/01	Franchise of Electronic Components	None
Distribution	QBit Semiconductor LTD.	Since 2017/01	Franchise of Electronic Components	None
Distribution	Trigence Semiconductor K.K.	Since 2017/09	Franchise of Electronic Components	None
Distribution	Globaltech Semiconductor	Since 2017/10	Franchise of Electronic Components	None
Distribution	XMOS LIMITED	Since 2017/12	Franchise of Electronic Components	None
Lease	Beijing Jinguanda Real Estate Development Co., Ltd. Donghuang Hotel	2017/12/16~2024/12/15	Weikeng International (Shanghai) Co., Ltd. Beijing Branch Office	None
Distribution	Microsemi Corporation	Since 2018/03	Franchise of Electronic Components	Comply with U.S Import/Export Regulations
Distribution	GIGADEVICE SEMICONDUCTOR(HK) LIMITED	Since 2018/06	Franchise of Electronic Components	None
Distribution	EVE Energy Co., Ltd	Since 2018/06	Franchise of Electronic Components	None
Distribution	Active-Semi Hong Kong Limited	Since 2018 /11	Franchise of Electronic Components	None
Lease	Sen Heng Pte Ltd	2019/1/1~2022/10/31	Weikeng Technology Pte Ltd Office and warehouse	
Distribution	SkyHigh Memory Limited	Since 2019/04	Franchise of Electronic Components	Comply with U.S Import/Export Regulations
Lease	Hu Yuan Industrial Co., Ltd.	2019/5/1~2023/4/30	The Company's Taipei Warehouse	None

Nature of Contract	Contractual Party	Contract Validity	Main Content	Restriction Clause
Distribution	MULTICOREWARE, Inc	Since 2019/07	Franchise of Electronic Components	None
Distribution	AirBeam Wireless Technologies Inc.	Since 2019/07	Franchise of Electronic Components	None
Lease	Shenzhen GrenTech Communication Co., Ltd.	2019/7/16~2022/7/15	Weikeng International (Shanghai) Co., Ltd. Shenzhen Branch Office	None
Distribution	Huizhou Gaoshengda Technology Co.,Ltd.	Since 2019/08	Franchise of Electronic Components	None
Distribution	Qorvo International Pte. Ltd	Since 2019/10	Franchise of Electronic Components	Comply with U.S Import/Export Regulations
Distribution	Tantiv4 Inc.	Since 2019/10	Franchise of Electronic Components	Comply with U.S Import/Export Regulations
Distribution	New Degree Technology CO., LTD	Since 2020/02	Franchise of Electronic Components	None
Distribution	Montage Technology Macao Commercial Offshore Limited	Since 2020/02	Franchise of Electronic Components	None
Distribution	E&R Engineering Corporation	Since 2020/02	Franchise of Semiconductor Equipment	None
Distribution	M-SOLV LTD	Since 2020/03	Franchise of Semiconductor Equipment	None
Distribution	DJ Tech Chip Test Co.	Since 2020/03	Franchise of Semiconductor Equipment	None
Distribution	Gillion Application Technology Co., Ltd.	Since 2020/04	Franchise of Semiconductor Materials	None
Distribution	Micropixel Optronics Ltd	Since 2020/04	Franchise of Semiconductor Materials	None
Distribution	JET TECHNOLOGY CO., LTD.	Since 2020/04	Franchise of Semiconductor Equipment	None
Distribution	Silan Microelectronics Co., Ltd.	Since 2020/04	Franchise of Electronic Components	None
Distribution	ETAS Automotive Technology (Shanghai) Co., Ltd.	Since 2020/04	Franchise of solutions for the automotive and other embedded industry	None
Distribution	KEYSSA SYSTEMS, INC.	Since 2020/05	Franchise of	Comply with U.S

Nature of Contract	Contractual Party	Contract Validity	Main Content	Restriction Clause
			Electronic Components	Import/Export Regulations
Distribution	M3 Technology Inc.	Since 2020/05	Franchise of Electronic Components	None
Distribution	SIGOLD OPTICS INC.	Since 2020/05	Franchise of Semiconductor Equipment	None
Distribution	CHERNGER TECH. CO., LTD..	Since 2020/06	Franchise of Semiconductor Equipment	None
Distribution	ETAS GmbH	Since 2020/08	Franchise of solutions for the automotive and other embedded industry	None
Logistics Management	Feili Logistics(Shenzhen)Co., Ltd.	2020/8/26~2022/8/25	Weikeng International Co., Ltd. Shenzhen Futian Warehouse	None
Distribution	Memic Semiconductor (Tianjin) Co., Ltd	Since 2020/09	Franchise of Electronic Components	None
Lease	Weikeng International Co., Ltd.	2020/9/26~2022/8/25	Sub-lease Shenzhen Futian Warehouse t	None
	WU, O-LAN	2020/11/1~2022/10/31	The Company's Kaohsiung Office	None
Distribution	Ningbo Aura Semiconductor Limited	Since 2020/12	Franchise of Electronic Components	None
Distribution	AP Memory Technology Corp	Since 2021/01	Franchise of Electronic Components	None
Lease	Xinfa Industrial Co., Ltd. Lian Fu Industrial Co., Ltd. HEALTH.COM BIOTECH CO., LTD.	2021/1/6~2023/1/5	The Company's Taipei office	None
	Cang Long Industrial Co., Ltd.	2021/5/1~2023/1/5		
	CHANG,O-LAN LIN,O-LUNG	2019/1/6~112/1/5		
	SU, O-WEN	2020/7/6~2023/1/5		
Distribution	Blaize, Inc.	Since 2021/03	Franchise of Electronic Components	Comply with U.S Import/Export Regulations
Lease	Synnex Technology International (Shanghai) Co., Ltd.	2021/4/1~2027/3/31	Weikeng International (Shanghai) Co., Ltd.	None

Nature of Contract	Contractual Party	Contract Validity	Main Content	Restriction Clause
			Office	
Distribution	SiTune Corporation	Since 2021/04	Franchise of Electronic Components	Comply with U.S Import/Export Regulations
Distribution	Kandou Bus S.A.,	Since 2021/06	Franchise of Electronic Components	Comply with U.S Import/Export Regulations
Distribution	Suzhou NOVOSENSE Microelectronics Co., Ltd.)	Since 2021/06	Franchise of Electronic Components	None
Distribution	MACHVISION Inc Co., LTD	Since 2021/06	Franchise of Semiconductor Equipment	None
D&O Insurance	Insurance Company of North America, Taiwan Branch	2021/6/16-2022/6/16	All directors, supervisors and important staff personal liability insurance and company compensation insurance	None
Lease	Hangzhou Gudangwan Joint-Stock Economic Cooperative	2021/6/18~2022/6/17	Weikeng International (Shanghai) Co., Ltd. Hangzhou Branch Office	None
Distribution	Shanghai Sillumin Semiconductor Co., Ltd.	Since 2021/07	Franchise of Electronic Components	None
Distribution	RICHWAVE TECHNOLOGY CORP.	Since 2021/07	Franchise of Electronic Components	None
Distribution	SG Micro Corp 、SG Micro (HK) Limited	Since 2021/09	Franchise of Electronic Components	None
Distribution	ITE Tech. Inc.	Since 2021/09	Franchise of Electronic Components	None
Reseller	GLOBALFOUNDRIES Singapore Pte. Ltd.	Since 2021/10	Purchase and Distribute products to End Customers	Comply with U.S Import/Export Regulations
Lease	Genright Investment Limited	2021/11/1~2024/10/31	Weikeng International Co., Ltd. Hong Kong Shatin Office and Warehouse	None
	Weikeng International Co., Ltd.	2021/11/1~2024/10/31	Sub-lease of office and warehouse in Shatin, Hong Kong	

Nature of Contract	Contractual Party	Contract Validity	Main Content	Restriction Clause
	CHIANG,O-HSIUNG	2021/11/1~2023/10/31	The Company's Hsinchu Office	
Cargo & Inventory Insurance	The First / Fubon / Taian / Shin Kong / Chung Kuo / Hotai /Nan Shan General /Union/ South China/ MSIG Mingtai Insurance Co., Ltd.	2021/12/31~2022/12/31	Cargo transportation insurance, inventory /fire insurance, theft insurance, etc.	None
Distribution	Navitas Semiconductor Limited	Since 2022/01	Franchise of Electronic Components	None
Lease	Nan Shan Life Insurance Co., Ltd.	2022/2/1~2027/1/31	The Company's Taichung Office	None
Distribution	AONDevices, Inc.	Since 2022/02	Franchise of Electronic Components	Comply with U.S Import/Export Regulations
Distribution	Morse Micro, Inc.	Since 2022/03	Franchise of Electronic Components	None

*Remark : The contract will keep in force until either party requests to terminate.

VI. Financial Information

i. Five-Year Financial Summary

(i) Condensed Balance Sheet and Statement of Comprehensive Income

1. Consolidated Condensed Balance Sheet – Based on IFRS

Unit: NT\$ thousands

Item	Year	Financial Summary for The Last Five Years					As of March 31, 2022 of quarterly report
		2017	2018	2019	2020	2021	
Current assets		20,706,518	25,146,488	22,559,927	22,153,599	26,676,542	28,643,317
Property, Plant and Equipment		152,273	156,815	149,291	134,770	133,459	133,122
Intangible assets		8,602	9,369	57,519	53,665	30,480	29,144
Other assets		234,414	292,529	616,713	511,796	694,749	630,194
Total assets		21,101,807	25,605,201	23,383,450	22,853,830	27,535,230	29,435,777
Current liabilities	Before distribution	15,317,709	19,319,466	17,104,473	15,232,451	18,377,950	20,913,311
	After distribution	15,750,306	19,673,631	17,316,925	15,726,959	19,648,182	---
Non-current liabilities		389,901	467,143	614,052	1,547,301	1,134,792	1,027,647
Total liabilities	Before distribution	15,707,610	19,786,609	17,718,525	16,779,752	19,512,742	21,940,958
	After distribution	16,140,207	20,140,774	17,930,977	17,274,260	20,782,974	---
Equity attributable to shareholders of the parent		5,394,197	5,818,592	5,664,925	6,074,078	8,022,488	7,494,819
Capital stock		3,230,094	3,448,980	3,677,513	3,677,513	4,159,342	4,209,425
Capital surplus		929,151	872,702	884,335	941,349	1,275,927	1,310,433
Retained earnings	Before distribution	1,378,114	1,635,526	1,332,537	1,820,922	3,041,802	2,277,463
	After distribution	945,517	1,073,877	1,120,085	1,326,414	1,771,570	---
Other equity interest		(143,162)	(138,616)	(229,460)	(365,706)	(454,583)	(302,502)
Treasury stock		---	---	---	---	---	---
Non-controlling interest		---	---	---	---	---	---
Total equity	Before distribution	5,394,197	5,818,592	5,664,925	6,074,078	8,022,488	7,494,819
	After distribution	4,961,600	5,464,427	5,452,473	5,579,570	6,752,256	---

2. Individual- Parent Company Condensed balance sheet – Based on IFRS

Unit: NT\$ thousands

Item	Year	Financial Summary for The Last Five Years					As of March 31, 2022 of quarterly report
		2017	2018	2019	2020	2021	
Current assets		10,335,695	13,033,051	10,164,745	10,357,157	11,715,560	NA
Property, Plant and Equipment		106,912	104,327	100,785	96,552	94,045	
Intangible assets		585	1,062	574	13,899	9,012	
Other assets		3,371,399	3,781,234	4,102,522	4,464,926	5,993,579	
Total assets		13,814,591	16,919,674	14,368,626	14,932,534	17,812,196	
Current liabilities	Before distribution	8,031,302	10,634,756	8,162,743	7,350,919	8,807,424	
	After distribution	8,463,899	10,988,921	8,375,195	7,845,427	10,077,656	
Non-current liabilities		389,092	466,326	540,958	1,507,537	982,284	
Total liabilities	Before distribution	8,420,394	11,101,082	8,703,701	8,858,456	9,789,708	
	After distribution	8,852,991	11,455,247	8,916,153	9,352,964	11,059,940	
Equity attributable to shareholders of the parent		5,394,197	5,818,592	5,664,925	6,074,078	8,022,488	
Capital stock		3,230,094	3,448,980	3,677,513	3,677,513	4,159,342	
Capital surplus		929,151	872,702	884,335	941,349	1,275,927	
Retained earnings	Before distribution	1,378,114	1,635,526	1,332,537	1,820,922	3,041,802	
	After distribution	945,517	1,073,877	1,120,085	1,326,414	1,771,570	
Other equity interest		(143,162)	(138,616)	(229,460)	(365,706)	(454,583)	
Treasury stock		---	---	---	---	---	
Non-controlling interest		---	---	---	---	---	
Total equity	Before distribution	5,394,197	5,818,592	5,664,925	6,074,078	8,022,488	
	After distribution	4,961,600	5,464,427	5,452,473	5,579,570	6,752,256	

3. Consolidated Condensed Statement of Comprehensive Income – Based on IFRS

Unit: NT\$ thousands

Item	Financial Summary for The Last Five Years					As of March 31, 2022 of quarterly report
	2017	2018	2019	2020	2021	
Net sales revenue	51,929,408	52,987,131	48,224,086	58,413,402	72,404,886	16,924,545
Gross profit	2,806,330	3,400,085	2,775,288	3,067,783	5,162,842	1,303,132
Income from operations	912,412	1,268,285	752,757	976,203	2,525,619	671,394
Non-operating income & expenses	(84,912)	(379,878)	(394,701)	(43,115)	(74,299)	30,179
Income before tax	827,500	888,407	358,056	933,088	2,451,320	701,573
Income from Continuing Operation after Income Tax	631,260	624,054	260,394	699,309	1,721,140	505,893
Income (Loss) from Discontinued Operation	---	---	---	---	---	---
Net income (Loss)	631,260	624,054	260,394	699,309	1,721,140	505,893
Other comprehensive income (income after tax)	(162,130)	68,651	(92,578)	(134,718)	(94,629)	152,081
Total comprehensive income	469,130	692,705	167,816	564,591	1,626,511	657,974
Net income attributable to shareholders of the parent	631,260	624,054	260,394	699,309	1,721,140	505,893
Net income attributable to non-controlling interest	---	---	---	---	---	---
Comprehensive income attributable to Shareholders of the parent	469,130	692,705	167,816	564,591	1,626,511	657,974
Comprehensive income attributable to non-controlling interest	---	---	---	---	---	---
Earnings per share	1.95	1.83	0.71	1.90	4.54	1.21

4. Individual- Parent Company Condensed Statement of Comprehensive Income – Based on IFRS

Unit: NT\$ thousands

Item \ Year	Financial Summary for The Last Five Years					As of March 31, 2022 of quarterly report
	2017	2018	2019	2020	2021	
Net sales revenue	26,339,820	27,667,169	22,377,731	27,706,010	29,964,915	NA
Gross profit	1,108,622	1,362,396	1,056,790	1,238,640	1,603,259	
Net operating income	210,154	435,207	226,074	285,149	445,040	
Non-operating income & expenses	565,337	389,966	107,932	597,333	1,709,467	
Income before tax	775,491	825,173	334,006	882,482	2,154,507	
Income from Continuing Operation before Income Tax	631,260	624,054	260,394	699,309	1,721,140	
Income (Loss) from Discontinued Operation	---	---	---	---	---	
Net income (Loss)	631,260	624,054	260,394	699,309	1,721,140	
Other comprehensive income (income after tax)	(162,130)	68,651	(92,578)	(134,718)	(94,629)	
Total comprehensive income	469,130	692,705	167,816	564,591	1,626,511	
Net income attributable to shareholders of the parent	631,260	624,054	260,394	699,309	1,721,140	
Net income attributable to non-controlling interest	---	---	---	---	---	
Comprehensive income attributable to Shareholders of the parent	469,130	692,705	167,816	564,591	1,626,511	
Comprehensive income attributable to non-controlling interest	---	---	---	---	---	
Earnings per share	1.95	1.83	0.71	1.90	4.54	

(ii) CPAs' Opinions from 2017 to 2021

Year	Accounting Firm	CPA	Audit Opinion
2017	KPMG, Taiwan	Lo, Jui-Lan and Kuo, Kuan-Ying	Unqualified Opinion
2018	KPMG, Taiwan	Lo, Jui-Lan and Kuo, Kuan-Ying	Unqualified Opinion
2019	KPMG, Taiwan	Lo, Jui-Lan and Au, Yiu-Kwan	Unqualified Opinion
2020	KPMG, Taiwan	Lo, Jui-Lan and Au, Yiu-Kwan	Unqualified Opinion
2021	KPMG, Taiwan	Lo, Jui-Lan and Au, Yiu-Kwan	Unqualified Opinion

ii. Five-Year Financial Analysis
(i) Consolidated Financial Analysis – Based on IFRS

Item		Year		Financial Analysis for the Last Five Years(Note 1)					As of March 31, 2022 of quarterly report
		2017	2018	2019	2020	2021			
Financial structure (%)	Debt Ratio	74.44	77.28	75.77	73.42	70.86	74.54		
	Ratio of long-term capital to property, plant and equipment	3,542.45	3,710.48	4,205.86	5,655.1	6,861.49	6,402.00		
Solvency (%)	Current ratio	135.18	130.16	131.89	145.44	145.16	136.96		
	Quick ratio	68.21	60.66	70.49	93.54	88.91	78.97		
	Interest earned ratio (times)	4.19	3.35	1.84	4.71	15.50	16.28		
Operating performance	Accounts receivable turnover (times)	6.39	6.45	5.79	6.18	5.97	5.06		
	Average collection period	57	57	63	59	61	72		
	Inventory turnover (times)	5.34	4.20	3.81	6.04	7.41	5.6		
	Accounts payable turnover (times)	10.34	9.26	8.3	12.45	15.14	10.22		
	Average days in sales	68	87	96	60	49	65		
	Property, plant and equipment turnover (times)	341.03	337.90	315.08	411.27	539.87	507.9		
	Total assets turnover (times)	2.46	2.07	1.97	2.53	2.87	2.38		
Profitability	Return on total assets (%)	4.12	3.97	2.45	3.90	7.37	7.62		
	Return on stockholders' equity (%)	11.84	11.13	4.54	11.91	24.42	26.08		
	Pre-tax income to paid-in capital (%)	25.62	25.76	9.74	25.37	58.94	66.67		
	Profit ratio (%)	1.22	1.18	0.54	1.2	2.38	2.99		
	Earnings per share (NT\$)	1.95	1.83	0.71	1.9	4.54	1.21		
Cash flow	Cash flow ratio (%)	(0.47)	(11.20)	17.83	(1.27)	(3.86)	4.45		
	Cash flow adequacy ratio (%)	(51.59)	(49.31)	(11.60)	(19.32)	(0.92)	10.27		
	Cash reinvestment ratio (%)	(6.96)	(40.22)	41.70	(5.20)	(12.85)	10.65		
Leverage	Operating leverage	1.02	1.02	1.22	1.18	1.07	1.07		
	Financial leverage	1.40	1.43	2.3	1.35	1.07	1.07		
<p>Analysis of financial ratio differences for the last two years. (Not required if the difference does not exceed 20%)</p> <p>(1) Ratio of long-term capital to property, plant and equipment increased: Mainly due to the improvement of the Group's profitability and the increase of shareholders' equity.</p> <p>(2) Interest earned ratio (times) increased: The Group's sales revenue increased significantly, and the net operating income increased, which was also due to the decline in borrowing rates.</p> <p>(3) Inventory turnover increased: The main reason was that the COVID-19 epidemic has increased the demand for</p>									

semiconductor components, and although the market capacity has increased, it is still out of stock, and shipments continue to grow.

- (4) Accounts payable turnover increased: Due to the impact of the COVID-19 epidemic and the increase in shipments in line with customers' orders, the Group adopted a more active purchase policy, but the market supply side was still out of stock, resulting in an increase in the turnover.
- (5) Property, plant and equipment turnover increased: Due to the growth in order demand stimulated by the COVID-19 epidemic, the Group's consolidated sales revenue increased significantly, and the Group did not have significant capital expenditures.
- (6) Various indicators of profitability improved: the COVID-19 epidemic has stimulated the growth of the semiconductor industry and the market is still in a state of shortage, resulting in rising sales prices and an increase in gross profit; in addition, financial costs have been reduced due to the decline in borrowing rates, resulting in financial leverage benefits. Both the pre-tax profit and after-tax net profit have increased significantly compared with 2020, and the relevant profitability indicators have shown a trend of growth.
- (7) Cash flow ratio decreased: As the COVID-19 outbreak stimulated the growth of the semiconductor industry, revenue growth also increased accounts receivable, and increased inventory stocking in response to customer demand, resulting in an increase in net cash outflow from operating activities.
- (8) Cash flow adequacy ratio improved: In recent years, the semiconductor market has grown significantly. The Group has improved its operational capabilities to actively meet the expanding needs and ushered in excellent operating results. The working capital invested year by year has been recovered, and the cash outflow situation has shown a trend of improvement.
- (9) Cash reinvestment ratio decreased: Due to a net outflow of net cash flow from operating activities (as explained in (7) above) and an increase in dividend distribution.
- (10) Financial leverage decreased: As explained in (6) above, the Group's net operating income increased, and financial costs decreased due to the decrease in borrowing rates.

Note 1: The above financial statements have been audited or reviewed by the independent auditors of KPMG, Taiwan.

Note 2: The formulas for financial analysis calculations are as follows:

- (1) Financial structure:
 - a. Debt to asset ratio = Total Liabilities / Total Assets
 - b. Long-term Fund to Property, Plant and Equipment Ratio = (Shareholders' Equity + Noncurrent Liabilities) / Net Property, Plant and Equipment
- (2) Liquidity:
 - a. Current Ratio = Current Assets / Current Liabilities
 - b. Quick Ratio = (Current Assets – Inventories – Prepaid Expenses) / Current Liabilities
 - c. Time interest earned = net income before income tax and interest expense / current interest expense.
- (3) Operating ability:
 - a. Average Collection Turnover = Net Sales / Average Trade Receivables (including all accounts receivable and all notes receivable resulting from trade)
 - b. Average Collection Days = 365 / Average Collection Turnover
 - c. Inventory turnover ratio = cost of goods sold / average amount of inventory.
 - d. Average Payables Turnover = Cost of Sales / Average Trade Payables (including all accounts payable and all notes payable resulting from trade)
 - e. Average Inventory Turnover Days = 365 / Average Inventory Turnover
 - f. Property, Plant and Equipment Turnover = Net Sales / Average Net Property, Plant and Equipment
 - g. Fixed assets turnover ratio = net sales / total average fixed assets.
- (4) Profitability:
 - a. Return on Total Assets = (Net Income + Interest Expenses * (1-Effective Tax Rate)) / Average Total Assets
 - b. Return on Equity = Net Income / Average Equity
 - c. Net profit margin = after-tax profit / net operating income.
 - d. Earnings Per Share = (Net Income Attributable to Shareholders of the Parent – Preferred Stock Dividend) / Weighted Average Number of Shares Outstanding
- (5) Cash flows:
 - a. Cash flow ratio = new cash flows from operating activities / current liabilities.
 - b. Cash flow adequacy ratio = net cash flows from operating activities in the past five years / (capital expenditure + increase in inventory + cash dividend) in the past five years.
 - c. Cash reinvestment ratio = (net cash flows from operating activities – cash dividend) / (gross margin of property, plant and equipment + long-term investment + other noncurrent assets + working capital).
- (6) Leverage:
 - a. Operating leverage = (net operating revenue – variable operating cost and expenses) / operating profit.
 - b. Financial leverage = operating profit / (operating profit – interest expense).

Note 3: The formula for calculating the earnings per share should pay special attention to the following items when measuring:

- (1) Based on the weighted average number of ordinary shares rather than the number of shares issued at the end of the year.
- (2) Where there is a cash capital increase or treasury stock transaction, the weighted average number of shares should be calculated considering the period of outstanding.
- (3) Where there is a capitalization of retained earnings or capitalization of capital reserves, when calculating the previous year and semi-annual earnings per share, it should be adjusted retrospectively according to the capital increase ratio, and there is no need to consider the period of the capital increase.
- (4) If the preferred shares are non-convertible accumulated preferred shares, the current year's dividend (whether or not paid) shall be deducted from the net profit after tax or increase the net loss after tax. If the preferred shares are of non-cumulative nature, in the case of net profit after tax, the dividend of preferred shares shall be deducted from the net profit after tax; if it is a loss, no adjustment is necessary.

Note 4: When measuring cash flow analysis, special attention should be paid to the following items:

- (1) Net cash flow from operating activities refers to the net cash inflow from operating activities in the cash flow statements.
- (2) Capital expenditure refers to the annual cash outflow of capital investment.
- (3) The increase in inventory is counted only when the ending balance is greater than the beginning balance. If inventory decreases at the end of the year, it is calculated as zero.
- (4) Cash dividends include cash dividends for ordinary shares and preferred shares.
- (5) Gross amount of real estate, plant and equipment refers to the total amount of real estate, plant and equipment before deduction of accumulated depreciation.

Note 5: The issuer should classify various operating costs and operating expenses into fixed and variable according to the nature. If it involves estimation or subjective judgment, it should pay attention to its rationality and maintain consistency.

Note 6: If the company's stocks have no par value or par value per share that are not NT \$ 10, the calculation of the ratio of the paid-in capital to the previous issue will be calculated based on the equity ratio of equity attributable to shareholders of the parent on the balance sheet.

(ii) Individual- Parent Company Financial Analysis – Based on IFRS

Item	Year	Financial Analysis for the Last Five Years(Note 1)					As of March 31, 2022 of quarterly report
		2017	2018	2019	2020	2021	
Financial structure (%)	Debt Ratio	60.95	65.61	60.57	59.32	54.96	NA
	Ratio of long-term capital to property, plant and equipment	5,045.46	5,577.26	6,157.55	7852.36	9,574.96	
Solvency (%)	Current ratio	128.69	122.55	124.53	140.9	133.02	
	Quick ratio	71.76	63.91	80.43	100.56	98.57	
	Interest earned ratio (times)	7.00	5.50	2.72	7.96	25.78	
Operating performance	Accounts receivable turnover (times)	6.51	6.44	5.42	6.47	5.26	
	Average collection period	56	57	67	56	69	
	Inventory turnover (times)	6.51	4.88	4.35	8.11	9.50	
	Accounts payable turnover (times)	11.14	9.17	8.38	15.74	13.07	
	Average days in sales	56	75	84	45	38	
	Property, plant and equipment turnover (times)	246.37	265.20	218.20	280.80	314.43	
	Total assets turnover (times)	1.91	1.64	1.43	1.89	1.83	
Profitability	Return on total assets (%)	5.65	5.01	2.66	5.47	10.94	
	Return on stockholders' equity (%)	11.84	11.13	4.54	11.91	24.42	
	Pre-tax income to paid-in capital (%)	24.01	23.93	9.08	24.00	51.80	
	Profit ratio (%)	2.40	2.26	1.16	2.52	5.74	
	Earnings per share (NT\$)	1.87	1.78	0.71	1.9	4.54	
Cash flow	Cash flow ratio (%)	(2.60)	(10.08)	27.70	(3.08)	7.26	
	Cash flow adequacy ratio (%)	(13.18)	(22.12)	16.60	(8.84)	28.01	
	Cash reinvestment ratio (%)	(9.40)	(23.57)	30.23	(5.71)	1.59	
Leverage	Operating leverage	1.04	1.02	1.28	1.22	1.16	
	Financial leverage	2.60	1.73	7.01	1.8	1.24	

Analysis of financial ratio differences for the last two years. (Not required if the difference does not exceed 20%)

- (1) Ratio of long-term capital to property, plant and equipment increased: Mainly due to the improvement of the Group's profitability and the increase of shareholders' equity.
- (2) Interest earned ratio (times) increased: Mainly due to the increase in the profit of the business and the substantial growth in the investment income of subsidiaries, as well as the decrease in borrowing rates.
- (3) Longer average collection period: The market demand for semiconductor components continues to grow, and the significant increase in shipments pushes up accounts receivable.
- (4) Various indicators of profitability improved: Due to the COVID-19 epidemic stimulated the growth of the semiconductor industry and the components market is still in a state of shortage, the increase in sales prices has increased gross profit, and the investment income of subsidiaries has also grown significantly; in addition, the Company's financial costs were due to borrowings interest rates have fallen, resulting in financial leverage benefits. Therefore, both pre-tax profit and after-tax net profit have grown significantly compared with 2020, and relevant profitability indicators have shown an upward trend.
- (5) Cash flow ratio increased: The Company's profitability has been improved and its working capital was properly controlled, and the cash flow from operating activities has changed from outflow to inflow.
- (6) Cash flow adequacy ratio increased: The semiconductor market has grown significantly in recent years. The Company has improved its operational capabilities to actively meet the expanding demand and properly controlled its working capital. The cash flow from operating activities has a trend of improvement.
- (7) Cash reinvestment ratio increased : Due to the net inflow of net cash flow from operating activities (as explained in (5)

above, if there is an investment plan in the future, fundraising or financing activities will be carried out in a timely manner as support.

- (8) Financial leverage decreased: As explained in the (4) above, the Company's net operating income increased, and financial costs decreased due to the decrease in borrowing rates.

Note 1: The above financial statements have been audited or reviewed by the independent auditors of KPMG, Taiwan.

Note 2: Not Applicable.

Note 3: The formulas for financial analysis calculations are as follows: Please refer to the aforementioned "Consolidated Financial Analysis" in this Annual Report.

Note 4: The formula for calculating the earnings per share should pay special attention to the following items when measuring:

- (1) Based on the weighted average number of ordinary shares rather than the number of shares issued at the end of the year.
- (2) Where there is a cash capital increase or treasury stock transaction, the weighted average number of shares should be calculated considering the period of outstanding.
- (3) Where there is a capitalization of retained earnings or capitalization of capital reserves, when calculating the previous year and semi-annual earnings per share, it should be adjusted retrospectively according to the capital increase ratio, and there is no need to consider the period of the capital increase.
- (4) If the preferred shares are non-convertible accumulated preferred shares, the current year's dividend (whether or not paid) shall be deducted from the net profit after tax or increase the net loss after tax. If the preferred shares are of non-cumulative nature, in the case of net profit after tax, the dividend of preferred shares shall be deducted from the net profit after tax; if it is a loss, no adjustment is necessary.

Note 5: When measuring cash flow analysis, special attention should be paid to the following items:

- (1) Net cash flow from operating activities refers to the net cash inflow from operating activities in the cash flow statements.
- (2) Capital expenditure refers to the annual cash outflow of capital investment.
- (3) The increase in inventory is counted only when the ending balance is greater than the beginning balance. If inventory decreases at the end of the year, it is calculated as zero.
- (4) Cash dividends include cash dividends for ordinary shares and preferred shares.
- (5) Gross amount of real estate, plant and equipment refers to the total amount of real estate, plant and equipment before deduction of accumulated depreciation.

Note 6: The issuer should classify various operating costs and operating expenses into fixed and variable according to the nature. If it involves estimation or subjective judgment, it should pay attention to its rationality and maintain consistency.

Note 7: If the company's stocks have no par value or par value per share that are not NT \$ 10, the calculation of the ratio of the paid-in capital to the previous issue will be calculated based on the equity ratio of equity attributable to shareholders of the parent on the balance sheet.

iii. Audit Committee's Review Report for the Most Recent Year (2021)

Weikeng Industrial Co., Ltd.

2021 Review Report of Audit Committee

The Board of Directors has prepared this Company's 2021 financial statements (including individual financial statements and consolidated financial statements), business report, and the earnings distribution plan; with respect to the financial statements have been audited by independent auditors, Lo, Jui-Lan and Au, Yiu-Kwan of KPMG Taiwan, who have submitted an audit report. The above statements and reports have been reviewed by the Audit Committee and no irregularities were found. We hereby report as above in accordance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act. Kindly approve.

To: Weikeng Industrial Co., Ltd., 2022 Annual General Meeting

Convener of Audit Committee : Tsai, Yu-Ping

Date: March 25, 2022

iv. Consolidated Financial Statements for the Years Ended December 31, 2021 and 2020, and Independent Auditors' Report

Please refer to page 198~269 of this Annual Report.

v. Individual- Parent Company Financial Statements for the Years Ended December 31, 2021 and 2020, and Independent Auditors' Report

Please refer to page 270~346 of this Annual Report.

- vi. **If the company or its affiliates have experienced financial difficulties in the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report, the annual report shall explain how said difficulties will affect the company's financial situation.**
None.

VII. Review of Financial Conditions, Financial Performance, and Risk Management

i. Analysis of Financial Status

Unit: NT\$ thousands

Item \ Year	2021	2020	Difference	
			Amount	%
Current Assets	26,676,542	22,153,599	4,522,943	20.42%
Fixed Assets	133,459	134,770	(1,311)	(0.97%)
Intangible Assets	30,480	53,665	(23,185)	(43.20%)
Other Assets	694,749	511,796	182,953	35.75%
Total Assets	27,535,230	22,853,830	4,681,400	20.48%
Current Liabilities	18,377,950	15,232,451	3,145,499	20.65%
Total Liabilities	19,512,742	16,779,752	2,732,990	16.29%
Capital stock	4,159,342	3,677,513	481,829	13.10%
Capital surplus	1,275,927	941,349	334,578	35.54%
Retained Earnings	3,041,802	1,820,922	1,220,880	67.05%
Other Equity Interest	(454,583)	(365,706)	(88,877)	(24.30%)
Total Stockholders' Equity	8,022,488	6,074,078	1,948,410	32.08%

Analysis of changes in financial results:

- (1) Current assets increased: Due to the impact of the COVID-19 epidemic, customer demand increased, shipments increased and inventory stocking increased, resulting in an increase in accounts receivable and inventory.
- (2) Intangible assets decreased: Due to amortization of intangible assets.
- (3) Other assets increased: Mainly due to the expansion of the office and the renewal of the warehouse due to expiration, resulting in an increase in right-of-use assets.
- (4) Current liabilities increased: Increased working capital needs led to higher short-term bank borrowings and increased accounts payable due to increased purchases in response to increased customer demand.
- (5) Capital stock and capital surplus increased: Due to the conversion of the 5th convertible corporate bonds issued into ordinary shares.
- (6) Retained earnings increased: The profit in the current period is better than that in the previous period.
- (7) Other equity interest decreased: Due to the depreciation of the US dollar (NTD appreciation) at the end of the year, resulting in a negative exchange differences on translation of foreign financial statements.

(i) Effect of changes on the Company's financial condition:

The Company's financial condition has not changed significantly.

(ii) Future response actions: Not applicable.

ii. Analysis of Financial Performance

Unit: NT\$ thousands

Item	Year		Difference	
	2021	2020	Amount	%
Net sales revenue	72,404,886	58,413,402	13,991,484	23.95%
Cos of sales	67,242,044	55,345,619	11,896,425	21.49%
Gross profit	5,162,842	3,067,783	2,095,059	68.29%
Operating expenses	2,637,223	2,091,580	545,643	26.09%
Net operating income	2,525,619	976,203	1,549,416	158.72%
Non-operating income & expenses	(74,299)	(43,115)	(31,184)	(72.33%)
Profit before tax	2,451,320	933,088	1,518,232	162.71%
Income tax expenses	730,180	233,779	496,401	212.34%
Profit (Loss)	1,721,140	699,309	1,021,831	146.12%
Other comprehensive income, net	(94,629)	(134,718)	40,089	29.76%
Total comprehensive income	1,626,511	564,591	1,061,920	188.09%
Analysis of changes in financial results:				
(1) Net sales revenue and cost of sales increased: This is due to the fact that the market demand for semiconductor components continues to grow significantly, and customer orders have increased compared to the previous period.				
(2) Gross profit increased: Due to the increase in demand for semiconductor parts because of the COVID-19 epidemic, and the semiconductor market is still out of stock, the sales price has risen.				
(3) Operating expenses increased: Mainly due to profit growth, estimated bonuses and remuneration increased.				
(4) Non-operating income & expenses decreased: The main reason is that the appreciation trend of the exchange rate of the NTD against the USD has softened compared with last year, and the related exchange gains have decreased.				
(5) Profit before tax increased: Due to the increase in profit in the current period, the estimated income tax expense increased accordingly.				
(6) Other comprehensive income, net increased: The main reason is that the appreciation trend of the exchange rate of the NTD against the USD has softened compared with last year, so the exchange differences on translation of foreign financial statements has decreased.				

(i) Sales volume forecast and the basis:

The Company classifies the franchising products into chipsets/special application standard ICs, mixed signals and discrete components according to product characteristics. Although the external business environment in 2021 has been hit by the trade brinkmanship between the United States and China and the COVID-19 epidemic, the Company's management team was considering the sales forecast of the semiconductor industry estimated by relevant research institutions, the target set by the upstream agency, and the internal business plan. In the implementation of the operating budget of the Group in 2021, both revenue and profit performance have exceeded the expected goals.

(ii) Effect upon the Company's financial operations as well as measures to be taken in responses

In 2022, the semiconductor industry is still facing geopolitical tension and exclusions, production capacity rush and intensive communication within the supply chain, while the major chip manufacturers are also investing massive resources to increase capacities. However, due to the high cost of building new fabs and the prolonged construction period, chips shortages and price adjustments may continue into the second half of 2022 and even into 2023. We may anticipate market uncertainties and challenges as we wait for supply-demand balance in the semiconductor supply chain while entering post-pandemic

era. The Company will continue to grasp market insights, meet vendor and customer requirements, closely monitor lead-time of stocking and delivery speed, and to provide technical support to clients. In time of foreseeable growth and business expansion, it is hoped that the management team will lead all colleagues to strictly abide by the risk management policy, operation performance optimization and “Ethical Corporate Management Best Practice Principles”, together we will continue to strive towards the goal of integrity, sustainability and stable operation, and thus create more value for all stakeholders.

1. Operating Principles

- (1) Immediate response to change or adjustment of client’s needs according to material/chip shortages and stocking schedule adjustments in time of disrupted supply chain.
- (2) To strengthen core competence and create added-value through R&D and collaboration with industry partners according to high-tech application trends, client’s near-term and future needs and pricing strategy of all product items.
- (3) Continue to provide high competitive components, technical support and R&D projects that advocate to the rising importance of sustainability and the fast growing green economy. To achieve technology connections of the supply chain and our mission to build a greener and more sustainable supply chain with upstream vendors and downstream clients.
- (4) To obtain Real-time insights of the diversified strategy and construction of customers' production bases and supply chains affected by trade brinkmanship and the epidemic.
- (5) To remain cautious in time of prosperity of the market and post pandemic era. As the scale of business and operation expands, Weikeng Group must fully abide by the risk management policy, Ethical Corporate Management Best Practice Principles and optimize business performance and profitability, as well as to evaluate and take actions to seize market opportunities in a timely manner.

2. Production and Sales Policy

- (1) Pricing Strategy: In the face of increasing customer demand, we will actively mediate the delivery date of franchise vendors’ products for clients, adjust the product and price strategy in a timely manner, so to provide best interactive communication platform.
- (2) New Business Development: closely monitor the development trend of "new technology" and “green economy” and expand business cooperation opportunities, and strengthen customer structure accordingly.
- (3) Resilience: Facing the multinational expansion of customers outside of the Asia-Pacific region, the Group must strengthen timely support, service momentum and flexibility to accommodate client’s cross-border and cross-region reallocation.
- (4) Compliance: Emphasize on the importance of and act accordingly to the compliance with laws and regulations for the import and export of strategic high-tech commodities.
- (5) Risk and Profitability Assessment: As the scale of operations expands, both risk and profitability must be critically examined and assessed.

iii. Analysis of Cash Flow

(i) Cash Flow Analysis for the Most Recent Fiscal Year (2021)

Unit: NT\$ thousands

Cash and Cash Equivalents, Beginning of Year (1)	Net Cash Flow from Operating Activities (2)	Cash Inflow (Outflow) (3)	Cash Surplus (Deficit) (1)+(2)+(3)	Leverage of Cash Deficit	
				Investment Plans	Financing Plans
2,486,340	(708,664)	488,931	2,266,607	NA	NA

Analysis of change in cash flow in the recent year:

- (1) Net Cash Outflow from Operating Activities: Mainly due to the increase in inventory and accounts receivable balance.
- (2) Cash inflow: Mainly due to cash outflows from investing activities and cash inflows from financing activities. Among them, investing activities are mainly to acquire equipment, while cash inflows from financing activities are mainly due to the increase in short-term borrowings.
- (3) For related information, please refer to the cash flow statement in the financial statements.

(ii) Remedy for Cash Deficit and Liquidity Analysis:

There is no liquidity insufficiency.

(iii) Cash Flow Analysis for the Coming Year (2022)

In order to meet relevant plans for future operating needs, the Company will use cash inflows from operating activities, the issuance of the 6th unsecured convertible corporate bonds and bank borrowings to raise funds for future operations.

iv. Effect upon Financial Operations of any Major Capital Expenditures during the Most Recent Fiscal Year

No major capital expenditures in 2021.

v. Investment Policy in the Last Year, Main Causes for Profits or Losses, Improvement Plans and Investment Plans for the Coming Year

- (i) The Company's reinvestment policy mainly considers the extension and expansion of the semiconductor parts distributor business. Therefore, investing in 100% owned subsidiaries in Hong Kong, China and Singapore are responsible for the regional markets in Greater China and Southeast Asia respectively, and belong to long-term strategic investment. In the most recent year, the Company recognized investment income by equity method and received management service fees from overseas subsidiaries, which totaled NT \$ 1.723 billion.
- (ii) Investment plan for the next year (2022): The Company (the parent company) intends to participate in subscribing to the cash capital increase of Weikeng International Co., Ltd., a 100% owned subsidiary in Hong Kong. The estimated amount is about US\$ 10 million to enrich the subsidiary's working capital and improve financial structure.

vi. Analysis of Risk Management

- (i) Effects of Changes in Interest Rates, Foreign Exchange Rates and Inflation on Corporate Finance, and Future Response Measures

1. Changes in Interest rate

The loans from financial institutions of the Company and its subsidiaries are mainly used to meet the fund needs for operating turnover demand, and the liabilities are mainly in US dollars. Therefore, changes in US dollar market interest rates will directly affect the financial costs of the Group companies. The financial costs of the Company and its subsidiaries for 2020 and 2021 were NT\$251,624 thousand and NT\$169,049 thousand, accounting for 0.43% and 0.23% of net sales revenue, respectively, an increase (decrease) of (NT\$173,203) thousand and (NT\$82,575) thousand from the same period last year, the rate of change were (40.77%) and (32.82%) respectively.

The US Federal Reserve (Fed) announced the latest interest rate decision by the "Federal Open Market Operations Committee" (FOMC) after the first regular meeting on January 26,

2022 (Taiwan time), although it announced that the interest rate remain unchanged, in a post-meeting press conference, Chairman Powell said he would not rule out the possibility that the FOMC will raise interest rates at every meeting. At the same time, the Fed will initiate a massive reduction of its balance sheet as needed. Accordingly, the Fed raised the target range of the federal funds rate from the level close to zero at the beginning of the COVID-19 pandemic two years ago to a range of 0.25% to 0.5% at its interest rate decision meeting on March 16, Eastern Time; the Fed will start shrinking its balance sheet as soon as May this year. The latest interest rate bitmap released by the Fed shows that it is expected that the remaining six interest rate meetings will raise interest rates this year. The median interest rate forecast this year is 1.9%, the median rate will be raised three times in 2023 to a median value of 2.8%, and no rate hike in 2024. Therefore, it is estimated that the US dollar interest rate in 2022 may increase by at least 7 quarters (1.75%) compared with 2021. In addition, the Central Bank of Taiwan also decided on March 17 to raise interest rates by 1 quarter to synchronize with the Fed's interest rate hikes, adjusting the re-discount rate, the guaranteed loan facility rate and the short-term facility rate by 1.375%, 1.75% and 3.625% respectively, turning the monetary policy into "tightening", the main purpose of the above decision is to immediately suppress inflation expectations that may further rise, and prevent imported inflation from affecting the momentum of domestic demand.

Since the US Federal Reserve and the Central Bank of Taiwan announced an interest rate hike by 1 quarter on March 17, Taiwan time simultaneously, and the interest rate hike will continue in the future, and the Company's financial institutions borrowed both US dollars and Taiwan dollars, the rate and number of future interest rate hikes in the future will lead to an increase in the Company's interest expense in 2022. The Company will evaluate the trend of interest rates at any time, adjust the financial and capital structure through long-term and short-term financing tools in a timely manner, and strengthen the management of working capital to improve the efficiency of fund utilization.

2. Changes in Foreign exchange rates

The Company and its subsidiaries incurred net foreign currency exchange gains (losses) of NT\$157,073 thousand and NT\$61,390 thousand in 2020 and 2021, respectively, accounting for 0.27% and 0.08% of net sales revenue, respectively, and the fluctuations in exchange rate did not have a significant impact on the Company's operations.

The Company and its subsidiaries are multinational operations, and the main foreign transaction currencies are US dollars and Chinese Yuan. The associated exchange rate risk arises from future commercial transactions, recognized assets and liabilities, and net investments in foreign operating entities. The policy of the Company and its subsidiaries stipulates that each company manages the exchange rate risk relative to its functional currency, and the financial department of each company should hedge the overall exchange rate risk. In addition, in order to manage the exchange rate risk from future commercial transactions and recognized assets and liabilities, and to reduce the impact of exchange rate fluctuations on profit and loss, each company will appropriately adopt the positive and negative position management mode of US dollar financial assets and liabilities, and determine the position gap management at any time based on the judgment of the current exchange rate trend at the time. Therefore, the Company's current exchange rate management, in addition to the natural hedging of USD financial assets and liabilities, is based on the actual position gap, and Forward Exchange Agreements (FXA) are used as hedging tools in principle.

3. Inflation

The products sold by the Company and its subsidiaries are mainly semiconductor components, and the sales territory is mainly in the Asia-Pacific region. The characteristics and prices of the products sold by the Company and its subsidiaries are maintained in good interaction with the upstream franchising vendors and downstream customers to reflect its market supply and demand situation and the latest trend of technological development in a timely manner. As a result, inflation or deflation has no significant impact on the Company's operating results in 2021.

- (ii) Policies, Main Causes of Gain or Loss and Future Response Measures with Respect to High-risk, High-leveraged Investments, Lending or Endorsement Guarantees, and Derivatives

Transactions

1. The Company and its subsidiaries did not engage in any high-risk, high-leveraged investments or lending in the most recent year.
2. The Company and its subsidiaries engage in the operation of derivatives transactions, and currently only the Company (Parent Company) uses Forward Exchange Agreements to fill the gaps in US dollar financial assets and liabilities, and handles them in accordance with the “Procedures for Acquisition and Disposal of Assets. In the most recent year and up to the date of printing of this annual report, there have been no major losses.
3. The endorsement guarantees of the Company and its subsidiaries are limited to the subsidiary's application to the bank facilities agreement renewal or increase and the credit limit for purchases from some franchising vendors are guaranteed by the Parent Company, are handled in accordance with the “Procedures for Making of Endorsement Guarantees”. In the most recent year and up to the date of printing of this Annual Report, there have been no major losses.

(iii) Research and Development Work to be Carried out in the Future, and Further Expenditures Expected for Research and Development Work

According to the industrial characteristics of semiconductor components' distributors, the continuous technical support service based on demand creation is the Company's requirement to keep pace with the times. With the rapid development and application of science and technology in the electronics industry, the investment in applied technical talents and the continuous application of new products in the development of products are all insisted by the Company and are one of the foundations of the Company's core competitiveness. Therefore, the companies within the Group continue fully cooperate with upstream vendors and downstream customers, and actively master related product solutions and application solutions with growing business opportunities, such as cloud or edge applications, industrial AI applications, Internet of Things applications, and 5G applications, which will allow the Group's business opportunities to stand out in time in the future.

The R & D expenditures that will be reinvested in 2021 are mainly continuous investment in applied technical talents, as well as capital expenditure investment in software and hardware in laboratory technology equipment. It is estimated that the total R & D expenditure in 2022 is expected to be NT \$ 130,942 thousands.

(iv) Effect on the Company's Financial Operations of Important Policies Adopted and Changes in the Legal Environment at Home and Abroad, and Measures to be Taken in Response.

Regarding important domestic and foreign policy and legal changes, the Company will promptly consult CPAs and consultant lawyers as a response. In the most recent year and as of the date of publication of this annual report, there have been no significant impacts on the Company's financial operations.

(v) Effects of and Response to Changes in Technology(including cyber security risks) and the Industry Relating to Corporate Finance and Sales

1. The Company and its subsidiaries are located in the middle of the semiconductor component supply chain. According to the industry characteristics of semiconductor component distributors, continuous technical support services mainly based on demand creation are the requirements of the Company and its subsidiaries to keep pace with the times. With the rapid development and application of technology in the electronics industry, the investment of applied technical talents and the continuous research and development of new application areas of products are all adhered to by the Company and its subsidiaries, and are also one of the foundations of the Company and its subsidiaries' core competitiveness. Therefore, the Group Companies continue to fully cooperate with upstream franchising vendors and downstream customers to actively grasp related product solutions and turnkey solutions with growing business opportunities. In the most recent year and as of the publication date of this annual report, the Company and its subsidiaries have strengthened the completeness and balance of the product portfolio, and also emphasized the diversification of the customer sales structure, in order to reduce the Group's operating risks and increase the Group's overall gross profit.

2. Managements and countermeasures of cyber security risks: Please refer to this annual

report_V. Operation Overview_vi. Cyber security management.

- (vi) The Impact of Changes in Corporate Image on Corporate Crisis Management, and the Company's Response Measures

The Company takes "bridging technology and creating value" as its business philosophy, and strives to establish partnerships with customers and vendors and treats all stakeholders fairly and pays attention to their rights; therefore, since its establishment, the company has always adhered to ethical management philosophy, fulfilled the responsibility of sustainable development, and is committed to strengthening internal management and complying with all relevant corporate governance, ethical Corporate Management and sustainable development requirements.

- (vii) Expected Benefits from, Risks Relating to and Response to Merger and Acquisition Plans

The Company has no ongoing merger and acquisition activities. In considering future M&A activities, the Company will evaluate their efficiency, risks, vertical integration and other factors in accordance with its internal control system.

- (viii) Expected Benefits from, Risks Relating to and Response to Factory Expansion Plans

Any expansion of the Company's facilities will be subject to careful evaluation by a special task force in accordance with the Company's internal control system. In the most recent year and up to the printing date of this Annual Report, no expansion of plant equipment has occurred.

- (ix) Risks Relating to and Response to Excessive Concentration of Purchasing Sources and Excessive Customer Concentration

The Company is a distributor of electronic components and peripherals. Purchases are carried out in accordance with the signed distributor agreements. These franchises of product lines are diversified and decentralized. There are no excessive concentration of purchasing sources and risks. The sales targets for downstream customers are distributed in the Asia-Pacific region. Products sold cover the markets of computers, communications, consumer, industrial and automotive electronics. A single sales customer accounts for less than 10% of total revenue, and there is no such thing as a high concentration of sales and risks.

- (x) Effects of, Risks Relating to and Response to Large Share Transfers or Changes in Shareholdings by Directors, Supervisors, or Shareholders with Shareholdings of over 10%

In the most recent year and as of the date of publication of the Annual Report, the holdings of these personnel have been stable and no such major transfers or swaps of shares.

- (xi) Effects of, Risks Relating to and Response to the Changes in Management Rights

The structure of the Company's principal shareholders is solid. A strong professional management team is in place to maximize both shareholders and the Company's best interest. Accordingly, the Company believes that the risk of changing in management rights that would cause damage to the Company is mitigated. The Company's policy is to maintain a steady ownership and management structure. As of the date of publication of the Annual Report, the Company did not identify such matters and risks.

- (xii) Litigation or Non-litigation Matters

1. Major ongoing lawsuits, non-lawsuits or administrative lawsuit: None.
2. Major ongoing lawsuits, non-lawsuits or administrative lawsuits caused by directors, supervisors or shareholders with over 10% shareholdings: None.

- (xiii) Other Major Risks

1. Trade brinkmanship and continuation of the COVID-19 outbreak increase operational risks

There have been black swans interfering with global economic activities, such as the continuation of trade brinkmanship policies and the outbreak of the COVID-19 mutated virus, the closure of important cities due to the zero-COVID policy in China, and the politicization of the semiconductor by the war between Russia and Ukraine, which have

impacted the normal activities of the global economy and the supply chain of semiconductors, and increased the risk of the Company's operations. Countermeasures include:

- (1) Do a good job in pandemic prevention management and ensure the health of our employees and the continuation of normal operations, we will continue to strengthen our communication and incentives to our employees.
- (2) Regularly review the Company's internal operation management, review the impact, and establish a rapid response crisis communication channel, with employees, management team, customers, and business partners, to protect the Company's normal operations.
- (3) Loyal to our customers and effectively assisting them in solving supply chain problems or even raising alerts, which will deepen their close relationship.
- (4) According to the trend of technology development, continue to develop new product distribution rights and deepen strategies for developing new product solutions to accumulate the strength to stand out in the future.
- (5) Exchange market information with upstream vendors and downstream customers without being interrupted by interfering factors, so as to grasp the dynamics of opportunities.
- (6) Strengthen the management wealth for operational risks caused by interfering factors, such as customer credit and collection management, exchange rate risk management, and inventory risk management. Focus on cash management to enhance liquidity and reduce the rate of capital burn rate with a prudent and proactive policy as the guiding principle.
- (7) Strengthen IT telecommuting capability and ensure both system operation and network security.
- (8) Pay attention to international sanction regulations and epidemic prevention policies, keep abreast of the response strategies and structures of customers' production bases and supply chains, establish rapid response communication channels, and strengthen support, service dynamics and flexibility to maintain the normal operation of the Company and supply chain partners.

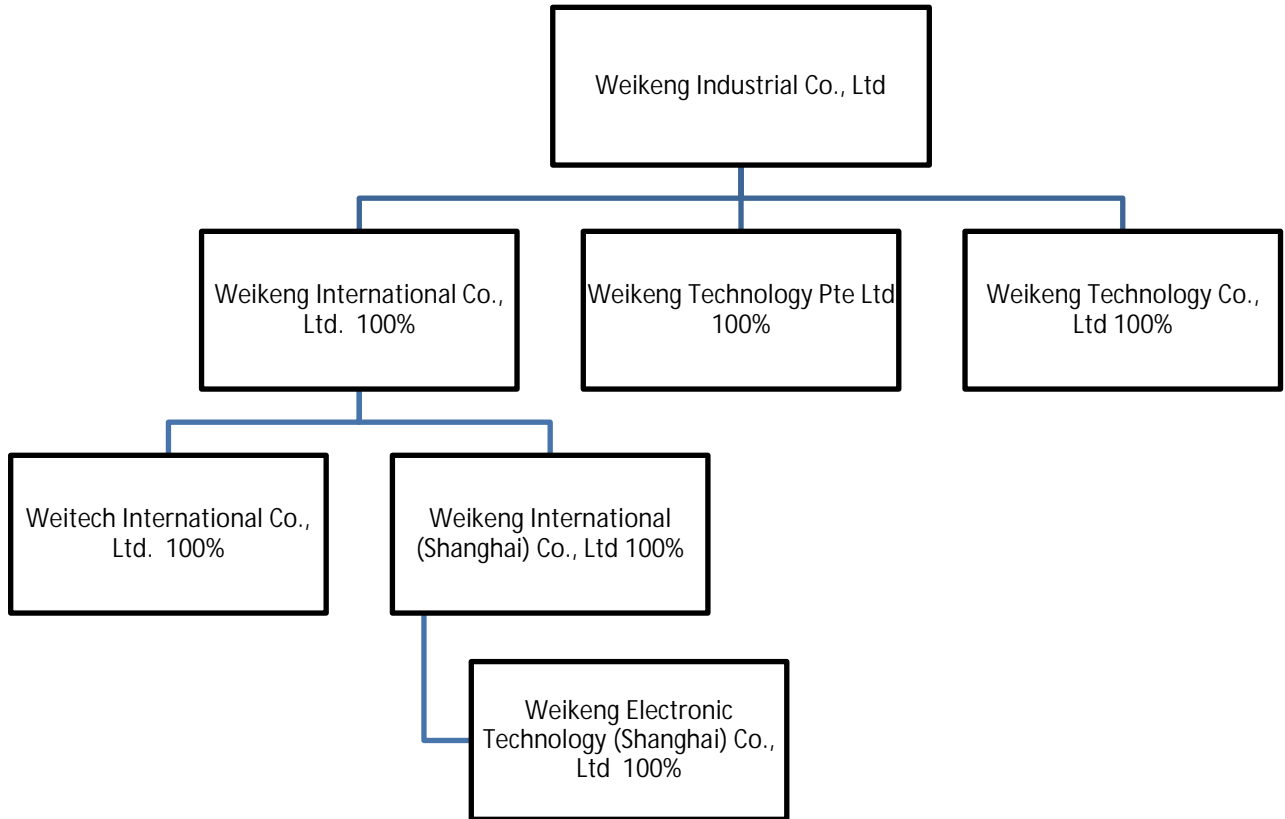
vii. Other important matters: None

VIII. Special Disclosure

i. Summary of Affiliated Companies

(i) Overview of Affiliated Companies

1. Organization chart of affiliated companies in accordance with the Article 369-2 of the Company Act



There is no cross-shareholding between the Company and affiliated companies.

2. Information on affiliated companies

As of 2021/12/31

Name of Company	Date of Establishment	Registered Address	Paid- in Capital	Major Business or Products
Weikeng International Co., Ltd.	1997.02.05	Unit A, 17/F., Ever Gain Centre, 28 On Muk Street, Shatin, N.T., Hong Kong	HK\$473,950,000 (Note: approximately equivalent to NT\$1,873,163 thousand)	Electronic Components & Peripheral Products distribution and technical support
Weikeng Technology Co., Ltd.	1988.08.01	11F-1, 308 Sec. 1 Nei Hu Rd., Taipei 11493, TAIWAN	NT\$15,892,750	Electronic Components & Peripheral Products distribution and technical support
Weitech International Co., Ltd.	1998.03.13	Room 901, 9th Floor, Finance Building, 254 Des Voeux Road Central, Sheung Wan, H.K.	HK\$100 (Note: approximately equivalent to NT\$0.41 thousand)	Electronic components trading
Weikeng Technology Pte Ltd.	2001.01.26	No 10 Upper Aljunied Link, #02-09, Johnson Controls Building, Singapore 367904	SGD\$16,001,303 (Note: approximately equivalent to NT\$335,459 thousand)	Electronic Components & Peripheral Products distribution and technical support
Weikeng International (Shanghai) Co., Ltd.	2002.05.14	Room 1618, no.118 xinling road, China (Shanghai) pilot free trade zone	US\$25,000,000 (Note: approximately equivalent to NT\$786,647 thousand)	Electronic Components & Peripheral Products distribution and technical support
Weikeng Electronic Technology (Shanghai) Co., Ltd.	2015.04.08	Room 801, Tower A, no.1068 West Tianshan Road, Changning District, Shanghai, China	CNY1,000,000 (Note: approximately equivalent to NT\$5,067 thousand)	Electronic technology development, technical consulting, etc.

- Information on the shareholders of the companies shall be concluded as the existence of the controlling and subordinate relation in accordance with Article 369-3 of the Company Act: None.
- Industries covered by the operations of all affiliates: Electronic Components & Peripheral Products distribution and technical support.
- Information on Directors, Supervisors, and Presidents of affiliates:

As of 2021/12/31

Name of Company	Title	Name or Representative	Holding	
			Shares	%
Weikeng International Co., Ltd.	Director	Hu Chiu Chiang	473,950,000	100%
	Director	Hsu Chung Yueh		
Weikeng Technology Co., Ltd.	Director	Weikeng Industrial Co., Ltd. Representative : Hu Chiu Chiang	1,589,275	100%
	Director	Weikeng Industrial Co., Ltd. Representative : Chi Ting Fang		
	Director	Weikeng Industrial Co., Ltd. Representative : Hsu Chung Yueh		
	Supervisor	Weikeng Industrial Co., Ltd. Representative : Chou Kan Lin		

Name of Company	Title	Name or Representative	Holding	
			Shares	%
Weitech International Co., Ltd.	Director	Hu Chiu Chiang	100	100%
	Director	Hsu Chung Yueh		
Weikeng Technology Pte Ltd	Director	Hu Chiu Chiang	12,412,750	100%
	Director	Hsu Chung Yueh		
	Director	Chi Ting Fang		
	Director	Hung Tung Hui		
Weikeng International (Shanghai) Co., Ltd.	Director	Weikeng International Co., Ltd. Representative : Chang Chin Hao	---	100%
Weikeng Electronic Technology (Shanghai) Co., Ltd.	Director	Weikeng International (Shanghai) Co., Ltd. Representative : Chang Chin Hao	---	100%

(ii) Operating Overview of Affiliated Companies

Unit: NT\$ thousands
As of 2021/12/31

Name of Company	Paid-in Capital	Total Assets	Total Liabilities	Net Worth	Net Sales Revenue	Operating Income (Loss)	Net Income after Tax	EPS (NT\$)
Weikeng International Co., Ltd.	1,873,163	13,292,203	8,059,940	5,232,263	37,217,912	1,514,475	1,309,121	2.762
Weikeng Technology Co., Ltd.	15,893	33,488	7,557	25,931	30,775	(52)	(134)	---
Weitech International Co., Ltd.	0.417	31,607	29,530	2,077	3,584,945	(187)	172	1,720
Weikeng Technology Pte Ltd	335,459	1,031,017	664,274	366,743	2,204,786	62,657	45,677	3.680
Weikeng International (Shanghai) Co., Ltd.	786,647	2,496,504	1,780,004	716,500	8,741,773	108,253	66,503	---
Weikeng Electronic Technology (Shanghai) Co., Ltd.	5,067	8,287	2,653	5,634	19,735	191	147	---

(iii) Consolidated financial declaration statement of affiliated companies and consolidated financial statement:

Please refer to Page 198~269 of this Annual Report for the consolidated financial statements audited and attested by KPMG, Taiwan.

ii. Private Placement of Securities in the Most Recent Year and as of the Printing Date of the Annual Report: None.

iii. Holding or Disposal of Shares in the Company by the Company's Subsidiaries During the Most Recent Fiscal Year or During the Current Fiscal Year up to the Date of Publication of the Annual Report: None.

iv. Other Important Matters: None.

IX. Matters, if any of the situations listed in Article 36, paragraph 3, subparagraph 2 of the Securities and Exchange Act, which might materially affect shareholders' equity or the price of the company's securities, has occurred during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report: None.

**WEIKENG INDUSTRIAL CO., LTD. AND
SUBSIDIARIES**

Consolidated Financial Statements

**With Independent Auditors' Report
For the Years Ended December 31, 2021 and 2020**

Address: 11F., No.308, Sec.1, Neihu Rd., Neihu Dist., Taipei City
Telephone: (02)2659-0202

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

Table of contents

Contents	Page
1. Cover Page	1
2. Table of Contents	2
3. Representation Letter	3
4. Independent Auditors' Report	4
5. Consolidated Balance Sheets	5
6. Consolidated Statement of Comprehensive Income	6
7. Consolidated Statement of Changes in Equity	7
8. Consolidated Statement of Cash Flows	8
9. Notes to the Consolidated Financial Statements	
(1) Company history	9
(2) Approval date and procedures of the consolidated financial statements	9
(3) New standards, amendments and interpretations adopted	9~10
(4) Summary of significant accounting policies	10~27
(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty	27
(6) Explanation of significant accounts	28~60
(7) Related-party transactions	61~62
(8) Pledged assets	62
(9) Commitments and contingencies	62
(10) Losses Due to Major Disasters	62
(11) Subsequent Events	62
(12) Other	62
(13) Other disclosures	
(a) Information on significant transactions	63~66
(b) Information on investees	66
(c) Information on investment in mainland China	67
(d) Major shareholders	68
(14) Segment information	68~69

Representation Letter

The entities that are required to be included in the combined financial statements of WEIKENG INDUSTRIAL CO., LTD. as of and for the year ended December 31, 2021 under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with International Financial Reporting Standards No. 10 by the Financial Supervisory Commission, "Consolidated Financial Statements." In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, WEIKENG INDUSTRIAL CO., LTD. and Subsidiaries do not prepare a separate set of combined financial statements.

Company name: WEIKENG INDUSTRIAL CO., LTD.
Chairman: Chiu-Chiang, Hu
Date: March 25, 2022



安侯建業聯合會計師事務所

KPMG

台北市110615信義路5段7號68樓(台北101大樓)
68F., TAIPEI 101 TOWER, No. 7, Sec. 5,
Xinyi Road, Taipei City 110615, Taiwan (R.O.C.)

電話 Tel + 886 2 8101 6666
傳真 Fax + 886 2 8101 6667
網址 Web home.kpmg/tw

4

Independent Auditors' Report

To the Board of Directors of Weikeng Industrial Co., Ltd.:

Opinion

We have audited the consolidated financial statements of Weikeng Industrial Co., Ltd. and its subsidiaries (“the Group”), which comprise the consolidated balance sheets as of December 31, 2021 and 2020, the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2021 and 2020, 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 the International Financial Reporting Standards (“IFRSs”), International Accounting Standards (“IASs”), Interpretations developed by the International Financial Reporting Interpretations Committee (“IFRIC”) or the former Standing Interpretations Committee (“SIC”) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audits in accordance with the “Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants” and the auditing standards generally accepted in the Republic of China. 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 Account of the Republic of China (“the Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The key audit matters we judged shall be presented in the auditors’ report as follows:

1. Recognition of Operating Revenue

Please refer to note (4)(m) “Revenue recognition” for accounting policies with respect to recognizing revenue, and to note (6)(r) “Revenue from contracts with customers” for explanatory notes about revenue.

Description of key audit matters:

Weikeng Industrial Co., Ltd. is a listed company. The Group is a distributor for the sale of electronic components and computer peripheral equipment. Operating revenue is one of the significant items in the consolidated financial statements, and the amounts and changes of operating revenue may affect the users' understanding of the entire financial statements. Therefore, the testing over revenue recognition is considered a key matter in our audit.

How the matter was addressed in our audit:

Our main audit procedures for the aforementioned key audit matters include testing the Group's controls surrounding revenue recognition in the order-to-cash transaction cycle, including reconciliations between the general ledger and sales system; performing the detailed test of relevant vouchers, as well as assessing whether the Group's timing on revenue recognition and the amounts recognized are in accordance with the related standards.

2. Valuation of Inventories

Please refer to note (4)(h) "Inventories" for accounting policies with respect to valuating inventories; note (5) "Valuation of inventories" for accounting estimates and uncertainties of affairs for inventory valuation, and to note (6)(f) "Inventories" for explanatory notes about inventories and related expenses.

Description of key audit matters:

The Group is a distributor for the sale of electronic components and computer peripheral equipment. Due to the horizontal competition in the industry and constant advancement of related technologies, the price of end electronic products are volatile, and thus, affects the price of electronic components and computer peripheral equipment. Therefore, the testing over the valuation of inventories is considered a key matter in our audit.

How the matter was addressed in our audit:

Our main audit procedures for the aforementioned key audit matters include testing the related control over the cost operating cycle; evaluating whether the policies for setting aside allowance for inventory valuation and obsolescence losses are in accordance with the Group's policies and related standard; taking into consideration the possible impact of COVID-19s; and executing the implementation of sampling procedures to check the correctness of stock age. In addition, we also examined the inventory aging reports; understood the subsequent sales status of slow-moving inventories; and evaluated the adopted basis of net realizable value to verify the rationality of the management's estimates on the allowance for inventory valuation.

Other Matter

Weikeng Industrial Co., Ltd. has additionally prepared its parent company only financial statements as of and for the years ended December 31, 2021 and 2020, on which we have issued an unmodified opinion.

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

The 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 IFRSs, IASs, IFRIC, SIC endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on this consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our 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.

The engagement partners on the audit resulting in this independent auditors' report are Jui-Lan Lo and Yiu-Kwan Au.

KPMG

Taipei, Taiwan (Republic of China)
March 25, 2022

Notes to Readers

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

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

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
WEIKENG INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2021 and 2020

(Expressed in Thousands of New Taiwan Dollars)

Assets		December 31, 2021		December 31, 2020		Liabilities and Equity		December 31, 2021		December 31, 2020	
		Amount	%	Amount	%			Amount	%	Amount	%
Current assets:						Current liabilities:					
1100	Cash and cash equivalents (note (6)(a))	\$ 2,266,607	8	2,486,340	11	2100	Short-term borrowings (note (6)(i))	\$ 10,996,048	40	9,745,315	43
1110	Current financial assets at fair value through profit or loss (note (6)(b))	607	-	624	-	2130	Current contract liabilities (note (6)(r))	305,931	1	195,013	1
1170	Notes and accounts receivable, net (notes (6)(d) and (7))	13,548,981	49	10,679,023	47	2170	Notes and accounts payable	5,308,148	19	3,575,860	16
1200	Other receivables (notes (6)(d) and (6)(e))	376,347	1	912,877	4	2200	Other payables (notes (6)(j) and (7))	952,772	4	1,246,481	5
1300	Inventories, net (note (6)(f))	10,286,868	38	7,855,756	34	2230	Current tax liabilities (note (6)(o))	361,274	1	43,793	-
1470	Prepaid expenses and other current assets	197,132	1	218,979	1	2280	Current lease liabilities (note (6)(l))	135,160	1	112,146	-
		<u>26,676,542</u>	<u>97</u>	<u>22,153,599</u>	<u>97</u>	2300	Other current liabilities	318,617	1	313,843	1
								<u>18,377,950</u>	<u>67</u>	<u>15,232,451</u>	<u>66</u>
Non-current assets:						Non-current liabilities:					
1510	Non-current financial assets at fair value through profit or loss (note (6)(b))	375	-	-	-	2500	Non-current financial liabilities at fair value through profit or loss (note (6)(b))	-	-	9,600	-
1517	Non-current financial assets at fair value through other comprehensive income (note (6)(c))	40,065	-	44,822	-	2530	Convertible bonds payable (note (6)(k))	126,336	-	929,322	4
1600	Property, plant and equipment (note (6)(g))	133,459	1	134,770	1	2570	Deferred tax liabilities (note (6)(o))	697,487	3	408,431	2
1755	Right-of-use assets (note (6)(h))	317,375	1	190,179	1	2580	Non-current lease liabilities (note (6)(l))	188,566	1	78,793	-
1780	Intangible assets	30,480	-	53,665	-	2640	Non-current net defined benefit liabilities (note (6)(n))	122,222	-	120,974	1
1840	Deferred tax assets (note (6)(o))	262,057	1	203,229	1	2670	Other non-current liabilities	181	-	181	-
1900	Other non-current assets	74,877	-	73,566	-			<u>1,134,792</u>	<u>4</u>	<u>1,547,301</u>	<u>7</u>
		<u>858,688</u>	<u>3</u>	<u>700,231</u>	<u>3</u>			<u>19,512,742</u>	<u>71</u>	<u>16,779,752</u>	<u>73</u>
						Total liabilities					
						Equity (note (6)(p)):					
						3100	Ordinary shares	4,159,342	15	3,677,513	16
						3200	Capital surplus	1,275,927	5	941,349	4
							Retained earnings:				
						3310	Legal reserve	960,709	4	890,626	4
						3320	Special reserve	365,705	1	229,459	1
						3350	Unappropriated retained earnings	1,715,388	6	700,837	3
								<u>3,041,802</u>	<u>11</u>	<u>1,820,922</u>	<u>8</u>
							Other equity interest:				
						3410	Exchange differences on translation of foreign financial statements	(373,405)	(2)	(282,193)	(1)
						3420	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	(81,178)	-	(83,513)	-
								<u>(454,583)</u>	<u>(2)</u>	<u>(365,706)</u>	<u>(1)</u>
						Total equity		8,022,488	29	6,074,078	27
Total assets		<u>\$ 27,535,230</u>	<u>100</u>	<u>22,853,830</u>	<u>100</u>	Total liabilities and equity		<u>\$ 27,535,230</u>	<u>100</u>	<u>22,853,830</u>	<u>100</u>

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
WEIKENG INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Consolidated Statement of Comprehensive Income

For the years ended December 31, 2021 and 2020

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

	2021		2020	
	Amount	%	Amount	%
4100 Net sales revenue (note (6)(r) and note (7))	\$ 72,404,886	100	58,413,402	100
5000 Cost of sales (note (6)(f))	67,242,044	93	55,345,619	95
Gross profit	<u>5,162,842</u>	<u>7</u>	<u>3,067,783</u>	<u>5</u>
Operating expenses (notes (6)(l), (6)(m), (6)(n), (7) and (12)):				
6100 Selling expenses	2,019,819	3	1,615,273	3
6200 Administrative expenses	626,981	1	473,293	-
6450 Expected credit (gains) losses (note (6)(d))	(9,577)	-	3,014	-
	<u>2,637,223</u>	<u>4</u>	<u>2,091,580</u>	<u>3</u>
Net operating income	<u>2,525,619</u>	<u>3</u>	<u>976,203</u>	<u>2</u>
Non-operating income and expenses:				
7100 Interest income	3,381	-	4,668	-
7010 Other income (note (7))	22,831	-	44,872	-
7235 Gains on financial assets (liabilities) at fair value through profit or loss, net	7,921	-	3,203	-
7230 Foreign currency exchange gains (losses), net (note (6)(t))	61,390	-	157,073	-
7050 Finance costs (note (6)(l))	(169,048)	-	(251,624)	-
7590 Miscellaneous disbursements	(774)	-	(1,307)	-
	<u>(74,299)</u>	<u>-</u>	<u>(43,115)</u>	<u>-</u>
7900 Profit before tax	2,451,320	3	933,088	2
7950 Income tax expenses (note (6)(o))	730,180	1	233,779	-
8200 Profit	<u>1,721,140</u>	<u>2</u>	<u>699,309</u>	<u>2</u>
Other comprehensive income:				
8310 Components of other comprehensive income that will not be reclassified to profit or loss				
8311 (Losses) gains on remeasurements of defined benefit plans (note (6)(n))	(8,145)	-	1,910	-
8316 Unrealized gains from investments in equity instruments measured at fair value through other comprehensive income	3,099	-	1,639	-
8349 Less: income tax relating to components of other comprehensive income that will not be reclassified to profit or loss	(1,629)	-	382	-
	<u>(3,417)</u>	<u>-</u>	<u>3,167</u>	<u>-</u>
8360 Components of other comprehensive income that may be reclassified to profit or loss				
8361 Exchange differences on translation of foreign financial statements	(114,017)	-	(172,356)	-
8399 Less: income tax relating to components of other comprehensive income that may be reclassified to profit or loss (note (6)(o))	(22,805)	-	(34,471)	-
	<u>(91,212)</u>	<u>-</u>	<u>(137,885)</u>	<u>-</u>
Other comprehensive income, net	<u>(94,629)</u>	<u>-</u>	<u>(134,718)</u>	<u>-</u>
8500 Comprehensive income	<u>\$ 1,626,511</u>	<u>2</u>	<u>564,591</u>	<u>2</u>
Earnings per common share (expressed in dollars) (note (6)(q))				
9750 Basic earnings per share	<u>\$ 4.54</u>		<u>1.90</u>	
9850 Diluted earnings per share	<u>\$ 4.02</u>		<u>1.84</u>	

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
WEIKENG INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Consolidated Statement of Changes in Equity
For the years ended December 31, 2021 and 2020
(Expressed in Thousands of New Taiwan Dollars)

	Retained earnings				Other equity interest		Total equity	
	Ordinary shares	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Exchange differences on translation of foreign financial statements		Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income
Balance at January 1, 2020	\$ 3,677,513	884,335	864,760	138,615	329,162	(144,308)	(85,152)	5,664,925
Appropriation and distribution of retained earnings:								
Legal reserve appropriated	-	-	25,866	-	(25,866)	-	-	-
Special reserve reversed	-	-	-	90,844	(90,844)	-	-	-
Cash dividends	-	-	-	-	(212,452)	-	-	(212,452)
	-	-	25,866	90,844	(329,162)	-	-	(212,452)
Consolidated net income for the year ended December 31, 2020	-	-	-	-	699,309	-	-	699,309
Other comprehensive income for the year ended December 31, 2020	-	-	-	-	1,528	(137,885)	1,639	(134,718)
Total comprehensive income for the year ended December 31, 2020	-	-	-	-	700,837	(137,885)	1,639	564,591
Conversion of convertible bonds	-	57,014	-	-	-	-	-	57,014
Balance at December 31, 2020	<u>3,677,513</u>	<u>941,349</u>	<u>890,626</u>	<u>229,459</u>	<u>700,837</u>	<u>(282,193)</u>	<u>(83,513)</u>	<u>6,074,078</u>
Appropriation and distribution of retained earnings:								
Legal reserve appropriated	-	-	70,083	-	(70,083)	-	-	-
Special reserve appropriated	-	-	-	136,246	(136,246)	-	-	-
Cash dividends	-	-	-	-	(494,508)	-	-	(494,508)
	-	-	70,083	136,246	(700,837)	-	-	(494,508)
Consolidated net income for the year ended December 31, 2021	-	-	-	-	1,721,140	-	-	1,721,140
Other comprehensive income for the year ended December 31, 2021	-	-	-	-	(6,516)	(91,212)	3,099	(94,629)
Total comprehensive income for the year ended December 31, 2021	-	-	-	-	1,714,624	(91,212)	3,099	1,626,511
Conversion of convertible bonds	481,829	334,578	-	-	-	-	-	816,407
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	764	-	(764)	-
Balance at December 31, 2021	<u>\$ 4,159,342</u>	<u>1,275,927</u>	<u>960,709</u>	<u>365,705</u>	<u>1,715,388</u>	<u>(373,405)</u>	<u>(81,178)</u>	<u>8,022,488</u>

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
WEIKENG INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Consolidated Statement of Cash Flows

For the years ended December 31, 2021 and 2020

(Expressed in Thousands of New Taiwan Dollars)

	2021	2020
Cash flows from (used in) operating activities:		
Profit before tax	\$ 2,451,320	933,088
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expenses	157,550	152,828
Amortization expenses	26,800	23,841
Expected credit (gains) losses	(9,577)	3,014
Net gains on financial assets or liabilities at fair value through profit or loss	(7,921)	(3,203)
Interest expenses	169,048	251,624
Interest income	(3,381)	(4,668)
Others	141	14
	332,660	423,450
Changes in operating assets and liabilities:		
Decrease (increase) in financial assets at fair value through profit or loss	11	(2,339)
Decrease (increase) in notes and accounts receivable	(2,860,381)	(2,458,584)
Decrease (increase) in other receivable	536,530	334,794
Decrease (increase) in inventories	(2,431,112)	2,623,244
Decrease (increase) in prepaid expenses and other current assets	21,869	57,773
	(4,733,083)	554,888
Increase (decrease) in notes and accounts payable	1,732,288	(1,740,358)
Increase (decrease) in other payable	(291,325)	(130,910)
Increase (decrease) in contract liabilities and other current liabilities	115,692	196,033
Others	(6,897)	(6,123)
	1,549,758	(1,681,358)
Total changes in operating assets and liabilities	(3,183,325)	(1,126,470)
Total adjustments	(2,850,665)	(703,020)
Cash flow (used in) from operations	(399,345)	230,068
Interest received	3,381	4,668
Interest paid	(157,648)	(271,398)
Income taxes paid	(155,052)	(157,158)
Net cash flows used in operating activities	(708,664)	(193,820)
Cash flows from (used in) investing activities:		
Proceeds from disposal of financial assets at fair value through other comprehensive income	7,451	-
Proceeds from capital reduction of financial assets at fair value through other comprehensive income	405	1,979
Acquisition of property, plant and equipment	(12,118)	(3,112)
Disposal of property, plant and equipment	282	-
Increase in refundable deposits	(753)	(1,918)
Acquisition of intangible assets	(6,533)	(35,212)
Increase in other prepayments	(558)	-
Net cash flows used in investing activities	(11,824)	(38,263)
Cash flows from (used in) financing activities:		
Increase (decrease) in short-term loans	1,250,733	(99,538)
Proceeds from issuing bonds	-	1,000,000
Decrease in guarantee deposits received	-	(30)
Payments of lease liabilities	(139,486)	(134,924)
Cash dividends paid	(494,508)	(212,452)
Net cash flows from financing activities	616,739	553,056
Effect of exchange rate changes on cash and cash equivalents	(115,984)	(170,994)
Net (decrease) increase in cash and cash equivalents	(219,733)	149,979
Cash and cash equivalents at the beginning of period	2,486,340	2,336,361
Cash and cash equivalents at the end of period	\$ 2,266,607	2,486,340

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
WEIKENG INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

(1) Company history

Weikeng Industrial Co., Ltd. (the Company) was incorporated in Taiwan as a company limited by shares in January 1977 and registered under the Ministry of Economic Affairs, R.O.C. The address of the Company's registered office is 11F, No.308 Sec. 1, Neihu Rd., Neihu Dist., Taipei City. The major activities of the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities") are the purchase and sale of electronic components and computer peripherals, technical service, and the import-export trade business. Please refer to note (4)(c) for related information. The Company's common shares were listed on the Taiwan Stock Exchange (TSE).

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

These consolidated financial statements were reported to the board of directors and issued on March 25, 2022.

(3) New standards, amendments and interpretations adopted:

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

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

- Amendments to IFRS 4 "Extension of the Temporary Exemption from Applying IFRS 9"
- Amendments to IFRS 9, IAS39, IFRS7, IFRS 4 and IFRS 16 "Interest Rate Benchmark Reform – Phase 2"
- Amendments to IFRS 16 "Covid-19-Related Rent Concessions beyond June 30, 2021"

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

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

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

(Continued)

WEIKENG INDUSTRIAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

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

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”
- IFRS 17 “Insurance Contracts” and amendments to IFRS 17 “Insurance Contracts”
- Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”
- Amendments to IAS 1 “Disclosure of Accounting Policies”
- Amendments to IAS 8 “Definition of Accounting Estimates”
- Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”

(4) Summary of significant accounting policies

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

- (a) Statement of compliance

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

- (b) Basis of preparation

- (i) Basis of measurement

Except for the following significant accounts, the consolidated financial statements have been prepared on the historical cost basis:

- 1) Financial assets at fair value through profit or loss are measured at fair value (including derivative financial instruments);
- 2) Financial assets at fair value through other comprehensive income are measured at fair value;
- 3) The defined benefit liabilities are measured at fair value of the plan assets less the present value of the defined benefit obligation limited as explained in to note 4(n).

(Continued)

WEIKENG INDUSTRIAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) Functional and presentation currency

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

(c) Basis of Consolidation

(i) Principle of preparation of the consolidated financial statements

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

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

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

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

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

Name of Investor	Name of Subsidiary	Nature of operation	Shareholding	
			December 31, 2021	December 31, 2020
The Company	Weikeng International Co., Ltd. (WKI)	Electronic components computer peripherals products distribution and technical support	100 %	100 %
"	Weikeng Technology Co., Ltd. (WKZ)	Electronic components and technical support	100 %	100 %
"	Weikeng Technology Pte. Ltd. (WTP)	"	100 %	100 %

(Continued)

WEIKENG INDUSTRIAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Name of Investor	Name of Subsidiary	Nature of operation	Shareholding	
			December 31, 2021	December 31, 2020
WKI	Weikeng International (Shanghai) Co., Ltd. (WKS)	Electronic components computer peripherals products distribution and technical support	100 %	100 %
"	Weitech International Co., Ltd. (Weitech)	Import and export trade of electronic components	100 %	100 %
WKS	Weikeng Electronic Technology (Shanghai) Co., Ltd. (WKE)	Electronic technology development and technical advisory	100 %	100 %

(d) Foreign currencies

(i) Foreign currency transactions

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

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

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

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

(ii) Foreign operations

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

(Continued)

WEIKENG INDUSTRIAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

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

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

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

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

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

An entity shall classify a liability as current when:

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

(f) Cash and cash equivalents

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

(Continued)

WEIKENG INDUSTRIAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(g) Financial instruments

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

(i) Financial assets

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

On initial recognition, a financial asset is classified as measured at: amortized cost; Fair value through other comprehensive income (FVOCI) – debt investment; FVOCI – equity investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

1) Financial assets measured at amortized cost

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

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

A financial asset measured at amortized cost is initially recognized at fair value, plus any directly attributable transaction costs. These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses, and impairment loss, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

(Continued)

WEIKENG INDUSTRIAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

2) Fair value through other comprehensive income (FVOCI)

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

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

Some accounts receivables are held within a business model whose objective is achieved by both collecting contractual cash flows and selling by the Group, therefore, those receivables are measured at FVOCI. However, they are included in the “accounts receivables” line item.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment’s fair value in other comprehensive income. This election is made on an instrument-by-instrument basis.

Debt investments at FVOCI are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

Equity investments at FVOCI are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in other comprehensive income and are never reclassified to profit or loss.

Dividend income is recognized in profit or loss on the date on which the Group’s right to receive payment is established, which in the case of quoted securities is normally the ex-dividend date.

3) Fair value through profit or loss (FVTPL)

All financial assets not classified as amortized cost or FVOCI described as above are measured at FVTPL, including derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset, which meets the requirements to be measured at amortized cost or at FVOCI, as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets in this category are measured at fair value at initial recognition. Attributable transaction costs are recognized in profit or loss as incurred. Subsequent changes that are measured at fair value, which take into account any dividend and interest income, are recognized in profit or loss.

(Continued)

WEIKENG INDUSTRIAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

4) Impairment of financial assets

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

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

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

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

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

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group considers a financial asset to be in default when the financial asset is more than 90 days past due or the debtor is unlikely to pay its credit obligations to the Group in full.

The Group considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade which is considered to be BBB- or higher per Standard & Poor's, Baa3 or higher per Moody's or twA or higher per Taiwan Ratings'.

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

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

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

(Continued)

WEIKENG INDUSTRIAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

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

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
- it is probable that the borrower will enter bankruptcy or other financial reorganization;
or
- the disappearance of an active market for a security because of financial difficulties.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets, the Group recognizes the amount of expected credit losses (or reversal) in profit or loss.

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

5) Derecognition of financial assets

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

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

(Continued)

WEIKENG INDUSTRIAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) Financial liabilities and equity instruments

1) Classification of debt or equity

Debt and equity instruments issued by the Group are classified as financial liabilities or equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

2) Equity instrument

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

3) Compound financial instruments

Compound financial instruments issued by the Group comprise convertible bonds that can be converted to ordinary shares at the option of the holder, when the number of shares to be issued is fixed and does not vary with changes in fair value.

The liability component of compound financial instruments is initially recognized at the fair value of a similar liability that does not have an equity conversion option. The equity component is initially recognized at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortized cost using the effective interest method. The equity component of a compound financial instrument is not remeasured.

Interest related to the financial liability is recognized in profit or loss.

On conversion at maturity, the financial liability is reclassified to equity and no gain or loss is recognized.

4) Financial liabilities

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

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

(Continued)

WEIKENG INDUSTRIAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

5) Derecognition of financial liabilities

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

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

6) Offsetting of financial assets and liabilities

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

(iii) Derivative financial instruments and hedge accounting

The Group holds derivative financial instruments to hedge its foreign currency and interest rate exposures. Embedded derivatives are separated from the host contract and accounted for separately if the host contract is not a financial asset and certain criteria are met. Derivatives are initially measured at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognized in profit or loss.

(h) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is based on the weighted-average-cost principle and includes expenditure incurred in acquiring the inventories, production or transition costs, and other costs incurred in bringing them to their present location and condition.

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

(i) Property, plant and equipment

(i) Recognition and measurement

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

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

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

(Continued)

WEIKENG INDUSTRIAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) Subsequent expenditure

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

(iii) Depreciation

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

Land is not depreciated.

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

- 1) Buildings: 59 years
- 2) Transportation equipment: 5~11 years
- 3) Machinery equipment: 1~6 years
- 4) Office and other equipment: 1~7 years

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

(j) Leases

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

(i) As a lessee

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

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

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

(Continued)

WEIKENG INDUSTRIAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

- 1) fixed payments, including in-substance fixed payment;
- 2) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;

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

- 1) there is a change in future lease payments arising from the change in an index or rate; or
- 2) there is a change of its assessment on whether it will exercise an extension or termination option; or
- 3) there is any lease modifications in lease subject, scope of the lease or other terms.

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

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

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

The Group has elected not to recognize right-of-use assets and lease liabilities for short-term leases and leases of low-value assets, including dormitories, part of offices and transportation equipment. The Group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(ii) As a lessor

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

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sub-lease as an operating lease.

(Continued)

WEIKENG INDUSTRIAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(k) Intangible assets

(i) Recognition and measurement

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

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

(ii) Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognized in profit or loss as incurred.

(iii) Amortization

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

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

- 1) Computer software: 1~10 years
- 2) Other intangible assets: 3 years

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

(l) Impairment of non-financial assets

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

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset shall be reduced to its recoverable amount. That reduction is an impairment loss. An impairment loss shall be recognized immediately in profit or loss.

(Continued)

WEIKENG INDUSTRIAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(m) Revenue recognition

(i) Revenue from contracts with customers

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

1) Sale of goods

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

The Group often offers commercial discounts and volume discounts to its customers. Revenue from these sales is recognized based on the price specified in the contract, net of the estimated volume discounts. Accumulated experience is used to estimate the discounts, using the expected value method, and revenue is only recognized to the extent that it is highly probable that a significant reversal will not occur. A Refund liability is recognized for expected discounts payable to customers in relation to sales made at the end of the reporting period.

For certain contracts that permit a customer to return products, revenue would not be recognized for the products expected to be returned. In addition, the Group recognized a refund liability for these contracts and an asset (and corresponding adjustment to cost of sales) for its right to recover products from customers on settling the refund liability.

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

2) Commissions

For every specific product or service which the Group promises to provide to customers, the Group should determine whether it is a principal or an agent. The Group is an agent when the other party joins to provide products or services to the customers, and the performance obligation of the Group is arranged by the other party as well. If the Group is an agent, the revenue will be recognized as the net amount from receivables of the products or services provided and payments to the other party; or be recognized based on the commission agreed upon in the contract.

(Continued)

WEIKENG INDUSTRIAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

3) Financing components

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

(n) Employee benefits

(i) Defined contribution plans

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

(ii) Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Group's net obligation in respect of the defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. The fair value of any plan assets are deducted. The discount rate is the yield at the reporting date on government bonds that have maturity dates approximating the terms of the Group's obligations and that are denominated in the same currency in which the benefits are expected to be paid.

The calculation is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Group, the recognized asset is limited to the total of the present value of the economic benefits available in the form of any future refunds from the plan or reductions in the future contributions to the plan. In order to calculate the present value of the economic benefits, consideration is given to any minimum funding requirements that apply to any plan in the Group. An economic benefit is available to the Group if it is realizable during the life of the plan, or on the settlement of the plan liabilities.

When the benefits of a plan are improved, the expense of the increased benefit relating to past service by employees is recognized immediately in profit or loss.

Remeasurements of the net defined benefit liability (asset), which comprise (1) actuarial gains and losses, (2) the return on plan assets (excluding interest) and (3) the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income. The Group can reclassify the amounts recognized in other comprehensive income to retained earnings or other equity. If the amounts recognized in other comprehensive income are transferred to other equity, they shall not be reclassified to profit or loss or recognized in retained earnings in a subsequent period.

The Group recognizes gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on curtailment comprises any resulting change in the fair value of plan assets and the change in the present value of the defined benefit obligation.

(Continued)

WEIKENG INDUSTRIAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(iii) Termination benefits

Termination benefits are recognized as an expense when the Group is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognized as an expense if the Group has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting period, then they are discounted to their present value.

(iv) Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

(o) Share-based payment

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

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

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

(p) Income taxes

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

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

(Continued)

WEIKENG INDUSTRIAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

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

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

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

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

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

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

The surtax on unappropriated earnings is recorded as current tax expense in the following year after the resolution to appropriate retained earnings is approved in a stockholders' meeting.

(Continued)

WEIKENG INDUSTRIAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(q) Earnings per share

The Group discloses the Company's basic and diluted earnings per share attributable to ordinary equity holders of the Company. The calculation of basic earnings per share is based on the profit attributable to the ordinary shareholders of the Company divided by the weighted-average number of ordinary shares outstanding. The calculation of diluted earnings per share is based on the profit attributable to ordinary shareholders of the Company, divided by the weighted-average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares, such as convertible bonds and employee compensation.

(r) Operating segments

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

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

The preparation of the consolidated financial statements in conformity with the IFRSs endorsed by the FSC requires management to make judgments, estimates, and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

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

There are no critical judgments in applying accounting policies that have significant effect on amounts recognized in the consolidated financial statements.

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

(a) Valuation of inventories

As inventories are stated at the lower of cost or net realizable value, the Group estimates the net realizable value of inventories for normal consumption, obsolescence on unmarketable items at the end of the reporting period and then writes down the cost of inventories to net realizable value. The net realizable value of the inventory is mainly determined based on assumptions as to future demand within a specific time horizon. Due to the rapid industrial transformation, there may be significant changes in the net realizable value of inventories. Please refer to note (6)(f) for further description of the valuation of inventories.

(Continued)

WEIKENG INDUSTRIAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(6) Explanation of significant accounts

(a) Cash and cash equivalents

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Cash on hand	\$ 488	493
Checking accounts and demand deposits	<u>2,266,119</u>	<u>2,485,847</u>
	<u>\$ 2,266,607</u>	<u>2,486,340</u>

Please refer to Note (6)(t) for the exchange rate, interest rate risk and sensitivity analysis of the financial assets of the Group.

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

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Current financial assets at fair value through profit or loss:		
Non-derivative financial assets		
Stock listed on domestic markets	<u>\$ 607</u>	<u>624</u>
Non-current financial assets at fair value through profit or loss:		
Convertible bonds embedded options	<u>\$ 375</u>	<u>-</u>
Non-current financial liabilities at fair value through profit or loss:		
Convertible bonds embedded options	<u>\$ -</u>	<u>9,600</u>

As of December 31, 2021 and 2020, the Group did not provide any financial assets and liabilities at fair value through profit or loss as collateral for its loans.

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

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Equity investments at fair value through other comprehensive income:		
Domestic emerging market stock	\$ 516	4,348
Domestic unlisted stock	16,941	17,866
Foreign unlisted stock	<u>22,608</u>	<u>22,608</u>
	<u>\$ 40,065</u>	<u>44,822</u>

(i) Equity investments at fair value through other comprehensive income

The Company designated the investments shown above as equity securities at fair value through other comprehensive income because these equity securities represent those investments that the Company intends to hold for long-term strategic purposes.

(Continued)

WEIKENG INDUSTRIAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

In September 2021, the Group has sold all of its shares held in Feature Integration Technology Inc., which were measured at fair value through other comprehensive income. The fair value was \$7,451 when the share was disposed of and the cumulative gains on disposal amounting to \$764, which has been transferred to retained earnings from other equity. There were no disposals of strategic investments and transfers of any cumulative gain or loss within equity relating to these investments as of December 31, 2020.

- (ii) The investee companies, Paradigm Venture Capital Corporation (PVC Corp.) and Paradiam I Venture Capital Company (Paradigm I) classified as financial assets at fair value through other comprehensive income – non-current, refunded capital in 2021 and 2020, and the Company recorded the receivable amounting to \$405 and \$1,979, respectively. The amounts have been fully received.
 - (iii) Shin Kong Global Venture Capital Corp., the Company's investee recognized as non-current financial assets at fair value through other comprehensive income, reduced its capital to offset accumulated deficits in 2021. The number of shares held by the Company decreased from 3,000 thousand shares to 960 thousand shares.
 - (iv) For credit risk and market risk, please refer to note (6)(t).
 - (v) As of December 31, 2021 and 2020, the Group did not provide any financial assets at fair value through other comprehensive income as collateral for its loans.
- (d) Notes and accounts receivable

	December 31, 2021	December 31, 2020
Notes receivable	\$ 238,953	266,113
Accounts receivable-measured as amortized cost	11,366,808	8,994,783
Accounts receivable-fair value through other comprehensive income	<u>2,034,971</u>	<u>1,530,656</u>
	13,640,732	10,791,552
Less: Loss allowance	<u>(91,751)</u>	<u>(112,529)</u>
	<u>\$ 13,548,981</u>	<u>10,679,023</u>

The Group has assessed a portion of its accounts receivable that was held within a business model whose objective is achieved by selling financial assets; therefore, such accounts receivable was measured at fair value through other comprehensive income.

The Group applies the simplified approach to provide for its expected credit losses, i.e. the use of lifetime expected loss provision for all receivables. To measure the expected credit losses, notes and accounts receivable have been grouped based on shared credit risk characteristics of the customer's ability to pay all due amounts in accordance with contract terms, as well as incorporated forward looking information, including macroeconomic and relevant industry information. The loss allowance provision was determined as follows:

(Continued)

WEIKENG INDUSTRIAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(i) The Company

December 31, 2021				
Credit rating	Carrying amount	Expected credit loss rate	Loss allowance provision	Credit impaired
Listed company (assessed by group)				
Level A	\$ 4,009,216	0.52%	20,909	No
Level B	1,150,808	1.40%	16,108	No
Unlisted company	<u>1,436,928</u>	1.16%	<u>16,663</u>	No
	<u>\$ 6,596,952</u>		<u>53,680</u>	
December 31, 2020				
Credit rating	Carrying amount	Expected credit loss rate	Loss allowance provision	Credit impaired
Listed company (assessed by group)				
Level A	\$ 2,754,068	0.85%	23,534	No
Level B	988,347	0.96%	9,456	No
Unlisted company	<u>1,118,185</u>	2.42%	<u>27,060</u>	No
	<u>\$ 4,860,600</u>		<u>60,050</u>	

The aging analysis of notes and accounts receivable was determined as follows:

	December 31, 2021	December 31, 2020
Not past due	\$ 6,429,577	4,675,460
Overdue less than 90 days	163,041	182,910
Overdue 91 to 180 days	2,595	1,836
Overdue more than 181 days	<u>1,739</u>	<u>394</u>
	<u>\$ 6,596,952</u>	<u>4,860,600</u>

(ii) Subsidiaries

December 31, 2021			
	Carrying amount	Expected credit loss rate	Loss allowance provision
Not past due	\$ 6,516,929	0.02%	1,107
Overdue less than 90 days	524,592	6.63%	34,770
Overdue 91 to 180 days	879	92.61%	814
Overdue more than 181 days	<u>1,380</u>	100.00%	<u>1,380</u>
	<u>\$ 7,043,780</u>		<u>38,071</u>

(Continued)

WEIKENG INDUSTRIAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	December 31, 2020		
	Carrying amount	Expected credit loss rate	Loss allowance provision
Not past due	\$ 5,387,951	0.18%	9,655
Overdue less than 90 days	538,255	6.91%	37,167
Overdue 91 to 180 days	11	72.73%	8
Overdue more than 181 days	4,735	100.00%	4,735
	\$ 5,930,952		51,565

For the years ended December 31, 2021 and 2020, the movement in the allowance for notes and accounts receivable was as follows:

	For the years ended December 31,	
	2021	2020
Balance at January 1	\$ 112,529	170,737
Impairment losses recognized (reversed)	(9,577)	3,014
Amounts written off	(10,285)	(58,639)
Reclassifications	-	(78)
Effect of changes in foreign exchange rates	(916)	(2,505)
Balance at December 31	\$ 91,751	112,529

The Group entered into accounts receivable factoring agreements with banks. According to the factoring agreement, the Group does not bear the loss if the account debtor does not have the ability to make payments upon the transfer of the accounts receivable factoring. The Group has not provided other guarantees except for the promissory notes, which have the same amount with the factoring, used as the guarantee for the sales return and discount. The Group received the proceeds from the discounted accounts receivable determined by agreements on the selling date. Interest is calculated and paid based on the duration and interest rate of the agreement, and the remaining amounts are received when the accounts receivable are paid by the customers. In addition, the Group has to pay a service charge based on a certain rate.

The Group derecognized the above accounts receivable because it has transferred substantially all of the risks and rewards of their ownership, and it does not have any continuing involvement by them. The amounts receivable from the financial institutions were recognized as “other receivables” upon the derecognition of those accounts receivable.

(Continued)

WEIKENG INDUSTRIAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

As of December 31, 2021 and 2020, the Group sold its accounts receivable without recourse as follows:

December 31, 2021						
Purchaser	Amount Derecognized	Amount Paid	Advanced Unpaid	Amount Recognized in Other Receivables	Range of Interest Rate	Significant Transferring Terms
Financial institutions	\$ 3,341,896	3,010,559	-	331,337	0.53%~1.14%	None

December 31, 2020						
Purchaser	Amount Derecognized	Amount Paid	Advanced Unpaid	Amount Recognized in Other Receivables	Range of Interest Rate	Significant Transferring Terms
Financial institutions	\$ 3,053,437	2,749,698	-	303,739	0.64%~1.37%	None

As of December 31, 2021 and 2020, the Group did not provide any receivables as collaterals for its loans.

Please refer to note (6)(t) for further credit risk information.

(e) Other receivables

	December 31, 2021	December 31, 2020
Other receivables – the receivables of the Group as an agent (note (6)(r))	\$ -	580,597
Other receivables – accounts receivable factored	331,337	303,739
Tax refund	32,623	28,037
Overdue receivable	22,121	22,124
Others	12,387	504
	398,468	935,001
Less: Loss allowance	(22,121)	(22,124)
	<u>\$ 376,347</u>	<u>912,877</u>

For the years ended December 31, 2021 and 2020, the movement in the allowance for other receivables was as follows:

	For the years ended December 31,	
	2021	2020
Balance at January 1	\$ 22,124	23,313
Amounts written off	-	(1,245)
Reclassifications	-	78
Effect of changes in foreign exchange rates	(3)	(22)
Balance at December 31	<u>\$ 22,121</u>	<u>22,124</u>

(Continued)

WEIKENG INDUSTRIAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

As of December 31, 2021 and 2020, the Group did not provide any other receivables as collaterals for its loans.

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

(f) Inventories

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Merchandise inventories	\$ 9,688,311	7,369,025
Goods in transit	<u>598,557</u>	<u>486,731</u>
	<u>\$ 10,286,868</u>	<u>7,855,756</u>

The details of inventory-related losses and expenses were as follows:

	<u>2021</u>	<u>2020</u>
Inventory valuation loss and obsolescence (Gain from price recovery of inventory)	(149,812)	(204,578)
Loss on scrapping of inventory and others	<u>66,087</u>	<u>40,659</u>
	<u>(83,725)</u>	<u>(163,919)</u>

The aforementioned gain from price recovery was resulted from the reason for the net realizable value below the cost had disappeared, which was because the portion of inventory was sold or scrapped which had been recognized valuation loss before. The net realizable value recovery was recognized as deduction of operating cost.

As of December 31, 2021 and 2020, the Group did not provide any inventories as collaterals for its loans.

(g) Property, plant and equipment

The cost, depreciation, and impairment of the property, plant and equipment of the Group for the years ended December 31, 2021 and 2020 were as follows:

	<u>Land</u>	<u>Buildings and construction</u>	<u>Transportation equipment</u>	<u>Machinery equipment</u>	<u>Office and other facilities equipment</u>	<u>Total</u>
Cost or deemed cost:						
Balance on January 1, 2021	\$ 77,377	51,836	16,410	19,315	167,144	332,082
Additions	-	-	2,190	5,779	4,149	12,118
Disposals	-	-	(1,367)	(154)	(1,526)	(3,047)
Effects of changes in exchange rates	-	-	(53)	(20)	(1,712)	(1,785)
Balance on December 31, 2021	<u>\$ 77,377</u>	<u>51,836</u>	<u>17,180</u>	<u>24,920</u>	<u>168,055</u>	<u>339,368</u>
Balance on January 1, 2020	\$ 77,377	51,836	16,380	18,067	171,766	335,426
Additions	-	-	-	1,562	1,550	3,112
Disposals	-	-	-	(366)	(3,691)	(4,057)
Effects of changes in exchange rates	-	-	30	52	(2,481)	(2,399)
Balance on December 31, 2020	<u>\$ 77,377</u>	<u>51,836</u>	<u>16,410</u>	<u>19,315</u>	<u>167,144</u>	<u>332,082</u>

(Continued)

WEIKENG INDUSTRIAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	Land	Buildings and construction	Transportation equipment	Machinery equipment	Office and other facilities equipment	Total
Depreciation and impairment loss:						
Balance on January 1, 2021	\$ -	21,771	12,556	14,498	148,487	197,312
Depreciation for the year	-	863	1,295	2,004	8,578	12,740
Disposals	-	-	(963)	(154)	(1,507)	(2,624)
Effects of changes in exchange rates	-	-	(24)	(9)	(1,486)	(1,519)
Balance on December 31, 2021	<u>\$ -</u>	<u>22,634</u>	<u>12,864</u>	<u>16,339</u>	<u>154,072</u>	<u>205,909</u>
Balance on January 1, 2020	\$ -	20,909	10,944	13,489	140,793	186,135
Depreciation for the year	-	862	1,553	1,350	13,415	17,180
Disposals	-	-	-	(366)	(3,661)	(4,027)
Effects of changes in exchange rates	-	-	59	25	(2,060)	(1,976)
Balance on December 31, 2020	<u>\$ -</u>	<u>21,771</u>	<u>12,556</u>	<u>14,498</u>	<u>148,487</u>	<u>197,312</u>
Book value:						
Balance on December 31, 2021	<u>\$ 77,377</u>	<u>29,202</u>	<u>4,316</u>	<u>8,581</u>	<u>13,983</u>	<u>133,459</u>
Balance on December 31, 2020	<u>\$ 77,377</u>	<u>30,065</u>	<u>3,854</u>	<u>4,817</u>	<u>18,657</u>	<u>134,770</u>
Balance on January 1, 2020	<u>\$ 77,377</u>	<u>30,927</u>	<u>5,436</u>	<u>4,578</u>	<u>30,973</u>	<u>149,291</u>

For management purposes, the Group has leased its own office building and rented other office building for operation. The purpose of this leasing was not for earning rental income or capital appreciation, so it is classified as property, plant, and equipment.

As of December 31, 2021 and 2020, the Group did not provide any property, plant, and equipment as collaterals for its loans.

(h) Right-of-use assets

The Group leases many assets including buildings and transportation equipment. Information about leases for which the Group as a lessee is presented below:

	Buildings	Transportation equipment	Total
Cost:			
Balance on January 1, 2021	\$ 407,267	11,861	419,128
Additions	273,943	-	273,943
Reductions	(102,825)	(3,653)	(106,478)
Effect of changes in exchange rates	(3,305)	(12)	(3,317)
Balance on December 31, 2021	<u>\$ 575,080</u>	<u>8,196</u>	<u>583,276</u>
Balance on January 1, 2020	\$ 389,090	7,548	396,638
Additions	44,531	4,241	48,772
Reductions	(23,542)	-	(23,542)
Effect of changes in exchange rates	(2,812)	72	(2,740)
Balance on December 31, 2020	<u>\$ 407,267</u>	<u>11,861</u>	<u>419,128</u>

(Continued)

WEIKENG INDUSTRIAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	<u>Buildings</u>	<u>Transportation equipment</u>	<u>Total</u>
Accumulated depreciation:			
Balance on January 1, 2021	\$ 223,194	5,755	228,949
Depreciation	141,684	3,126	144,810
Reductions	(102,825)	(3,653)	(106,478)
Effect of changes in exchange rates	<u>(1,377)</u>	<u>(3)</u>	<u>(1,380)</u>
Balance on December 31, 2021	<u>\$ 260,676</u>	<u>5,225</u>	<u>265,901</u>
Balance on January 1, 2020	\$ 114,037	2,988	117,025
Depreciation	132,885	2,763	135,648
Reductions	(22,790)	-	(22,790)
Effect of changes in exchange rates	<u>(938)</u>	<u>4</u>	<u>(934)</u>
Balance on December 31, 2020	<u>\$ 223,194</u>	<u>5,755</u>	<u>228,949</u>
Carrying amount:			
Balance on December 31, 2021	<u>\$ 314,404</u>	<u>2,971</u>	<u>317,375</u>
Balance on December 31, 2020	<u>\$ 184,073</u>	<u>6,106</u>	<u>190,179</u>
Balance on January 1, 2020	<u>\$ 275,053</u>	<u>4,560</u>	<u>279,613</u>

(i) Short-term borrowings

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Unsecured loans	\$ 10,077,546	9,076,469
Short-term notes and bills payable, net	<u>918,502</u>	<u>668,846</u>
	<u>\$ 10,996,048</u>	<u>9,745,315</u>
Unused short-term credit lines	<u>\$ 4,473,838</u>	<u>3,678,463</u>
Range of interest rates	<u>0.52%~3.9%</u>	<u>0.52%~4.57%</u>

(i) Issuance and repayment of borrowings

The Group's additional amounts in loans for the years ended December 31, 2021 and 2020 were \$34,413,839 and \$38,389,091, respectively, with maturities from January, 2022, to November, 2022 and from January, 2021, to September, 2021, respectively; and the repayments were \$33,163,106 and \$38,488,629, respectively.

(ii) For information on the Group's interest risk, foreign currency risk and liquidity risk, please refer to note (6)(t).

(Continued)

WEIKENG INDUSTRIAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(j) Other payables

	December 31, 2021	December 31, 2020
Other payable — the payables of the Group’s as an agent (note(6)(r))	\$ -	632,478
Accrued expenses	319,556	257,310
Bonus payable	340,548	233,671
Remuneration to employees and directors	278,657	108,755
Interest payable	14,011	14,267
	<u>\$ 952,772</u>	<u>1,246,481</u>

The accrued expenses include import and export fees, processing expense, professional services fees, pension, insurance, and payable for unused vacation time, etc.

(k) Convertible bonds payable

(i) Non-guaranteed convertible bonds:

	December 31, 2021	December 31, 2020
Aggregate principal amount	\$ 1,000,000	1,000,000
Bond discount	(7,564)	(70,678)
Cumulative converted amount	(866,100)	-
Bonds payable at end of period	<u>\$ 126,336</u>	<u>929,322</u>
Embedded derivative – call and put options		
Included in non-current financial liabilities at fair value through profit or loss	<u>\$ -</u>	<u>9,600</u>
Included in non-current financial assets at fair value through profit or loss	<u>\$ 375</u>	<u>-</u>
Equity component – conversion options (included in capital surplus – conversion options)	<u>\$ 7,634</u>	<u>57,014</u>

(ii) The Company issued the fifth domestic unsecured convertible bonds, with a face value of \$1,000,000 on November 3, 2020. The Company separated its equity and debt components as follows:

	<u>The Fifth</u>
The compound interest present values of the convertible bonds’ face value at issuance	\$ 931,700
The embedded derivative liabilities at issuance – redemption rights	11,000
The equity components at issuance	<u>57,300</u>
The total amounts of the convertible bonds at issuance	<u>\$ 1,000,000</u>

(Continued)

WEIKENG INDUSTRIAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The equity components were accounted for as capital surplus – conversion options. In accordance with IFRSs, the face value of the fifth domestic unsecured convertible bonds was allocated at \$286 to the capital surplus – conversion options.

The gain or loss resulting from changes in fair value of the embedded derivative liabilities were gains of \$7,927 and \$1,400 for the years ended December 31, 2021 and 2020, respectively.

The effective interest rates of the fifth convertible bonds were 1.53%. The annual interest expenses on convertible bonds payable for the years ended December 31, 2021 and 2020, were \$11,374 and \$2,280, respectively.

(iii) The significant terms of the fifth convertible bonds were as follows:

- 1) Duration: five years (November 3, 2020 to November 3, 2025)
- 2) Interest rate: 0%
- 3) Redemption at the option of the Company: The Company may redeem the bonds under the following circumstances:
 - a) Within the period between three months after the issuance date and 40 days before the last convertible date, the Company may redeem the bonds at their principal amount if the closing price of the Company's common stock on the Taiwan Stock Exchange for a period of 30 consecutive trading days has been 30% more than the conversion price in effect on each such trading day.
 - b) If at least 90% of the principal amount of the bonds has been converted, redeemed, or purchased and cancelled, the Company may redeem the bonds at their principal amount within the period between three months after the issuance date and 40 days before the last convertible date.
- 4) Redemption at the option of the bondholders:

The bondholders have the right to request the Company to repurchase the bonds at a price equal to the face value, plus, an accrued premium three and four years after the issuance date. The annual interest rate for the redemption, both three and four years after the issuance date, is 0.5%.
- 5) Terms of conversion:
 - a) Bondholders may opt to have the bonds converted into the common stock of the Company from February 4, 2021 to November 3, 2025.
 - b) Conversion price: NT\$18.92 per share. Starting from August 1, 2021, the adjusted conversion price due to distribution of retained earnings for 2020 was \$17.91.

(Continued)

WEIKENG INDUSTRIAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(l) Lease liabilities

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Current	\$ <u>135,160</u>	<u>112,146</u>
Non-current	\$ <u>188,566</u>	<u>78,793</u>

For the maturity analysis, please refer to note (6)(t) of financial instruments.

The amounts recognized in profit or loss were as follows:

	<u>2021</u>	<u>2020</u>
Interests on lease liabilities	\$ <u>7,137</u>	<u>6,226</u>
Expenses relating to short-term leases	\$ <u>6,138</u>	<u>5,422</u>

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

	<u>2021</u>	<u>2020</u>
Total cash outflow for leases	\$ <u>152,761</u>	<u>146,572</u>

(i) Real estate leases

The Group leases buildings for its office space, warehouses and dormitories. The leases of office space typically run for a period of 1 to 5 years, of warehouses for 1 to 4 years, and of dormitories for 2 years. Some leases include an option to renew the lease for an additional period of the same duration after the end of the contract term.

Some leases of office buildings contain extension or cancellation options exercisable by the Group before the end of the non-cancellable contract period. These leases are negotiated and monitored by local management, and accordingly, contain a wide range of different terms and conditions. The extension options held are exercisable only by the Group and not by the lessors. When the lessee is not reasonably certain to use an optional extended lease term, payments associated with the optional period will not be included within lease liabilities.

(ii) Other leases

The Group leases transportation equipment and parking space with lease terms of one year. These leases are short-term. The Group has elected not to recognize right-of-use assets and lease liabilities for these leases.

(Continued)

WEIKENG INDUSTRIAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(m) Operating lease — as lessor

As of December 31, 2021 and 2020, the future minimum lease receivables under non-cancellable leases are as follows:

	December 31, 2021	December 31, 2020
Less than one year	\$ 5,026	1,451
Between one and five years	11,897	1,531
	<u>\$ 16,923</u>	<u>2,982</u>

For the years ended December 31, 2021 and 2020, the rental revenue under operating leases were \$5,508 and \$5,373, respectively.

The department office leases as combined leases of land and buildings. The Group has classified these leases as operating leases, because it does not transfer substantially all of the risks and rewards incidental to the ownership of the assets.

(n) Employee benefits

(i) Defined benefit plans

The present value of the defined benefit obligations and fair value of plan assets of the Company were as follows:

	December 31, 2021	December 31, 2020
Present value of defined benefit obligations	\$ 242,018	230,850
Fair value of plan assets	(119,796)	(109,876)
Net defined benefit liabilities	<u>\$ 122,222</u>	<u>120,974</u>

The Company makes defined benefit plan contributions to the pension fund account at the Bank of Taiwan that provides pensions for employees upon retirement. The plans entitle a retired employee to receive an payment based on years of service and average salary for the six months prior to retirement.

1) Composition of plan assets

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

The Company's Bank of Taiwan labor pension reserve account balance amounted to \$119,796 at the end of the reporting period. For information on the utilization of the labor pension fund assets including the asset allocation and yield of the fund, please refer to the website of the Labor Pension Fund Supervisory Committee.

(Continued)

WEIKENG INDUSTRIAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

2) Movements in present value of the defined benefit obligations

The movements in present value of defined benefit obligations for the Company's were as follows:

	<u>2021</u>	<u>2020</u>
Defined benefit obligation at January 1	\$ 230,850	227,394
Current service costs and interest	1,762	2,664
Remeasurement in net defined benefit liability (assets)	9,406	1,000
Benefits paid by the plan	-	(208)
Defined benefit obligation at December 31	<u>\$ 242,018</u>	<u>230,850</u>

3) Movements of defined benefit plan assets

The movements in defined benefit plan assets for the Company were as follows:

	<u>2021</u>	<u>2020</u>
Fair value of plan assets at January 1	\$ 109,876	98,387
Contributions made	7,994	7,630
Expected return on plan assets	665	948
Remeasurement of the net defined benefit liability (assets)	1,261	2,911
Fair value of plan assets at December 31	<u>\$ 119,796</u>	<u>109,876</u>

4) Expenses recognized in profit or loss

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

	<u>2021</u>	<u>2020</u>
Service cost	\$ 366	464
Net interest on net defined benefit liability (assets)	1,396	2,200
Expected return on plan assets	(665)	(948)
	<u>\$ 1,097</u>	<u>1,716</u>
Selling expenses	\$ 801	1,233
Administrative expenses	296	483
	<u>\$ 1,097</u>	<u>1,716</u>

(Continued)

WEIKENG INDUSTRIAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

5) Actuarial assumptions

The following are the Company's principal actuarial assumptions:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Discount rate	0.625 %	0.625 %
Future salary increases	3.000 %	3.000 %

The expected allocation payment made by the Company to the defined benefit plans for the one year period after the reporting date was \$8,358.

The weighted-average duration of the defined benefit obligation is 13.27 years.

6) Sensitivity analysis

As of December 31, 2021 and 2020, if the actuarial assumptions had changed, the impact on the present value of the defined benefit obligation shall be as follows:

	<u>Impact on the defined benefit obligation</u>	
	<u>Increase 0.25%</u>	<u>Decrease 0.25%</u>
December 31, 2021		
Discount Rate	\$ (5,368)	5,572
Future salary increases	5,324	(5,153)
December 31, 2020		
Discount Rate	(5,610)	5,820
Future salary increases	5,573	5,401

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown above. The method used in the sensitivity analysis is consistent with the calculation of pension liabilities in the balance sheets.

There is no change in the method and assumptions used in the preparation of sensitivity analysis for 2021 and 2020.

(ii) Defined contribution plans

The Company and WKZ allocates 6% of each employee's monthly wages to the labor pension personal account at the Bureau of the Labor Insurance in accordance with the provisions of the Labor Pension Act. Under this defined contribution plan, the Company and WKZ allocates a fixed amount to the Bureau of the Labor Insurance without additional legal or constructive obligations.

(Continued)

WEIKENG INDUSTRIAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The Company and WKZ recognized the pension costs under the defined contribution method amounting to \$22,858 and \$22,098 for the years ended December 31, 2021 and 2020, respectively. Payment was made to the Bureau of Labor Insurance.

Other subsidiaries recognized the pension expense, basic endowment insurance expense, and social welfare expenses amounting to \$66,037 and \$38,115 for the years ended December 31, 2021 and 2020, respectively.

(o) Income taxes

(i) Income tax expenses

1) The components of income tax for the years 2021 and 2020 were as follows:

	<u>2021</u>	<u>2020</u>
Current tax expense		
Current period	\$ 474,245	115,449
Adjustment for prior periods	<u>1,273</u>	<u>(4,504)</u>
	<u>475,518</u>	<u>110,945</u>
Deferred tax expense		
Origination and reversal of temporary differences	<u>254,662</u>	<u>122,834</u>
Income tax expense	<u>\$ 730,180</u>	<u>233,779</u>

2) The amounts of income tax recognized in other comprehensive income for 2021 and 2020 were as follows:

	<u>2021</u>	<u>2020</u>
Items that will not be reclassified subsequently to profit or loss:		
Remeasurement from defined benefit plans	<u>\$ (1,629)</u>	<u>382</u>
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign financial statements	<u>\$ (22,805)</u>	<u>(34,471)</u>

3) The reconciliation of income tax and profit before tax for 2021 and 2020 was as follows:

	<u>2021</u>	<u>2020</u>
Income tax using each entities of the Group's legal tax rate	\$ 723,370	257,323
Non-deductible expenses	13,161	3,144
Net investment income and tax-exempt income	(2,938)	(4,600)
Change in unrecognized temporary differences	(13,419)	(13,430)
Under (Over) provision in prior periods	7,814	(4,504)
Others	<u>2,192</u>	<u>(4,154)</u>
Income tax expense	<u>\$ 730,180</u>	<u>233,779</u>

(Continued)

WEIKENG INDUSTRIAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) Deferred tax assets and liabilities

1) Unrecognized deferred tax assets

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

	December 31, 2021	December 31, 2020
Tax effect of deductible temporary differences	<u>\$ 18,221</u>	<u>31,640</u>

The Group assessed that the deductible temporary differences which can be offsetted with the taxable income are not probable to be utilized. Hence, such temporary differences are not recognized under deferred tax assets.

2) Recognized deferred tax assets and liabilities

The changes in the amount of deferred tax assets and liabilities for 2021 and 2020 were as follows:

	Defined Benefit Plans	Exchange differences on translation	Bad debt expense over the tax limitation	Loss on valuation of inventory	Allowance for sales discount	Others	Total
Deferred tax assets:							
Balance at January 1, 2021	\$ 2,883	70,547	6,803	44,510	50,592	27,894	203,229
Recognized in profit or loss	-	-	(4,986)	(19,668)	9,834	49,214	34,394
Recognized in other comprehensive income	<u>1,629</u>	<u>22,805</u>	-	-	-	-	<u>24,434</u>
Balance at December 31, 2021	<u>\$ 4,512</u>	<u>93,352</u>	<u>1,817</u>	<u>24,842</u>	<u>60,426</u>	<u>77,108</u>	<u>262,057</u>
Balance at January 1, 2020	\$ 3,265	36,076	10,860	98,377	37,676	29,902	216,156
Recognized in profit or loss	-	-	(4,057)	(53,867)	12,916	(2,008)	(47,016)
Recognized in other comprehensive income	<u>(382)</u>	<u>34,471</u>	-	-	-	-	<u>34,089</u>
Balance at December 31, 2020	<u>\$ 2,883</u>	<u>70,547</u>	<u>6,803</u>	<u>44,510</u>	<u>50,592</u>	<u>27,894</u>	<u>203,229</u>

	Temporary difference from subsidiary investment	Others	Total
Deferred tax liabilities:			
Balance at January 1, 2021	\$ 394,474	13,957	408,431
Recognized in profit or loss	<u>270,960</u>	<u>18,096</u>	<u>289,056</u>
Balance at December 31, 2021	<u>\$ 665,434</u>	<u>32,053</u>	<u>697,487</u>
Balance at January 1, 2020	329,964	2,649	332,613
Recognized in profit or loss	<u>64,510</u>	<u>11,308</u>	<u>75,818</u>
Balance at December 31, 2020	<u>\$ 394,474</u>	<u>13,957</u>	<u>408,431</u>

(Continued)

WEIKENG INDUSTRIAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

- (iii) The ROC Income Tax Act allows losses for tax purposes, as assessed by the tax authorities, to be offset against the taxable income in the following ten years. WKZ's estimated tax losses which could be used to offset the future taxable income are summarized as follows:

<u>Year of loss</u>	<u>Amount of loss</u>	<u>Deductible amount</u>	<u>Expiry year</u>	<u>Note</u>
2012	\$ 931	931	2022	Assessed
2013	559	559	2023	Assessed
2014	513	513	2024	Assessed
2015	481	481	2025	Assessed
2016	360	360	2026	Assessed
2017	678	678	2027	Assessed
2018	441	441	2028	Assessed
2019	513	513	2029	Assessed
2020	530	530	2030	Assessed
	<u>\$ 5,006</u>	<u>5,006</u>		

- (iv) The Company's and WKZ's income tax returns through 2019 and 2020 have been examined and approved by the R.O.C. income tax authorities.

(p) Capital and other equities

As of December 31, 2021, the number of authorized ordinary shares were 550,000 shares (2020: 450,000 shares) with par value of TWD 10 per share. The total value of authorized ordinary shares amounted to \$5,500,000 (2020: \$4,500,000). As of that date, 415,934 shares (2020: 367,751 shares) of ordinary shares amounting to \$4,159,342 (2020: \$3,677,513) were issued. All issued shares were paid up upon issuance.

(i) Common stock

For the year ended December 31, 2021, 48,183 thousand new common shares, with a par value of TWD10, amounting to \$481,829, were issued due to the conversion of convertible bonds. As of reporting date, the related registration procedures for 48,021 shares were completed.

(ii) Capital surplus

Balances on capital surplus of the Company were as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Additional paid in capital	\$ 1,229,711	845,753
Treasury share transactions	37,617	37,617
Donation from shareholders	712	712
Convertible bonds – conversion options	7,634	57,014
Others	253	253
	<u>\$ 1,275,927</u>	<u>941,349</u>

(Continued)

WEIKENG INDUSTRIAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

For the year ended December 31, 2021, the capital surplus deriving from those convertible bonds, which were converted to common stock, amounted to \$334,578 (including the capital surplus-conversion options transferred to the capital surplus-additional paid-in capital of \$49,380).

In accordance with the Company Act, realized capital reserves can be utilized for issuing new shares or being distributed as cash dividends only after offsetting losses. The aforementioned capital reserves include share premiums and donation gains. In accordance with the Securities Offering and Issuance Guidelines, the amount of capital reserves to be utilized for issuing new shares shall not exceed 10 percent of paid-in capital every year. Capital reserve increased by transferring paid-in capital in excess of par value may not be capitalized until the fiscal year after the competent authority for company registrations approves registration of the capital increase.

(iii) Retained earnings

The Company's Article of Incorporation stipulates that Company's earnings should first be used to pay any taxes, offset the prior years' deficits, be set aside as legal reserve, and then set aside or reverse special reserve, any remaining profit, together with any undistributed retained earnings at the beginning, be distributed according to the distribution plan proposed by the Board of Directors to be submitted during the stockholders' meeting for approval. Before the distribution of dividends, the Board of Directors shall first take into consideration its profitability, plan of capital expenditure, business expansion and capital, requirements for cash flow, regulations, and degree of dilution of earnings per share in determining the proportion of stock and cash dividends to be paid. After the above appropriations, current and prior-period earnings that remain undistributed will be proposed for distribution by the Board of Directors, and a meeting of shareholders will be held to adopt this resolution. The total distribution shall not be less than 50% of the current distributable earnings, and the cash dividends shall not be less than 20% of the total dividends.

The Company authorize dividends, bonus and the legal reserve and capital surplus in whole or in part be paid in cash based on the resolution of the Board of Directors with over two-thirds directors present and approved by a majority vote of the present directors, then shall be reported to shareholders meeting.

1) Legal reverse

When a company incurs no loss, it may, pursuant to a resolution by the shareholders' meeting, distribute its legal reserve by issuing new shares or by distributing cash, and only the portion of the legal reserve which exceeds 25% of capital may be distributed.

(Continued)

WEIKENG INDUSTRIAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

2) Special reverse

In accordance with the guidelines of the FSC, net earnings after income taxes, plus any other item recognized in undistributed retained earnings and undistributed prior-period earnings shall be reclassified as a special earnings reserve during earnings distribution. Aforementioned amount equal to the difference between the carry net amount of other reductions from equity and the carrying amount of special reserve. Similarly, a portion of undistributed prior-period earnings shall be reclassified as a special earnings reserve (which does not qualify for earnings distribution) to account for cumulative amount of other reductions from equity pertaining to prior periods. The subsequent reversals of the contra accounts in shareholders' equity shall qualify for additional distributions.

3) Earnings distribution

The amounts for cash dividends of the Company's earnings distribution for 2020 and 2019 were decided by the Board meeting held on March 26, 2021 and March 27, 2020.

	2020		2019	
	Amount per share	Total amount	Amount per share	Total amount
Dividends distributed to ordinary shareholders:				
Cash dividends	\$ 1.33341226	494,508	0.57770670	212,452

On March 25, 2022, the Company's Board of Directors resolved to appropriate the 2021 earnings. These earnings were appropriated as follows:

	2021	
	Amount per share	Total amount
Dividends distributed to ordinary shareholders		
Cash dividends	\$ 3.05392536	1,270,232

(q) Earnings per share

(i) Basic earnings per share

The calculation of basic earnings per share at December 31, 2021 and 2020 was based on the profit attributable to ordinary shareholders of the Company and the weighted average number of ordinary shares outstanding as follows:

1) Profit attributable to ordinary shareholders of the Company

	2021	2020
Profit attributable to ordinary shareholders of the Company	\$ 1,721,140	699,309

(Continued)

WEIKENG INDUSTRIAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

2) Weighted-average number of ordinary shares (thousands)

	2021	2020
Weighted-average number of ordinary share	378,742	367,751

	2021	2020
3) Basic earnings per share (TWD)	\$ 4.54	1.90

(ii) Diluted earnings per share

The calculation of diluted earnings per share on December 31, 2021 and 2020 was based on profit attributable to ordinary shareholders of the Company, and the weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares calculated as follows.

1) Profit attributable to ordinary shareholders of the Company (diluted)

	2021	2020
Profit attributable to ordinary shareholders of the Company (basic)	\$ 1,721,140	699,309
Convertible bonds payable	3,447	880
Profit attributable to ordinary shareholders of the Company (diluted)	\$ 1,724,587	700,189

2) Weighted-average number of ordinary shares (thousand, diluted)

	2021	2020
Weighted-average number of ordinary shares (basic)	378,742	367,751
Effect of convertible bonds	43,039	8,376
Effect of employee stock remuneration	6,818	4,614
Weighted-average number of ordinary shares (diluted) on December 31	428,599	380,741

	2021	2020
3) Diluted earnings per share (TWD)	\$ 4.02	1.84

(Continued)

WEIKENG INDUSTRIAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(r) Revenue from contracts with customers

(i) Disaggregation of revenue

	<u>2021</u>	<u>2020</u>
Primary geographical markets:		
Taiwan	\$ 7,093,458	5,614,082
China	60,850,958	49,044,599
Others	<u>4,460,470</u>	<u>3,754,721</u>
	<u>\$ 72,404,886</u>	<u>58,413,402</u>
Major products/services lines		
Chipset/memory components	\$ 26,838,132	24,107,788
Mixed and other components	45,559,219	34,232,826
Others	<u>7,535</u>	<u>72,788</u>
	<u>\$ 72,404,886</u>	<u>58,413,402</u>

The Group was determined in some specific transactions as an agent that the other party sold some merchandises to end-customer by delivering them to the Group. In these cases, the Group did not obtain the control of the merchandises, therefore, the Group recognized the remaining sales amounts which have been offset against the payment to the other party from the transactions; or recognized the commission signed with the other party, as revenue.

For the years ended December 31, 2021 and 2020, the Company was determined as an agent in the aforementioned transactions which revenue amounted to \$3,643 and \$72,001, respectively. Due to the above transactions, the other receivables amounted to \$0 and \$580,597 as of December 31, 2021 and 2020, respectively; and the other payables amounted to \$0 and \$632,478 as of the years then ended respectively. Please refer to note (6)(e) and (6)(j).

(ii) Contract balance

	<u>December 31, 2021</u>	<u>December 31, 2020</u>	<u>January 1, 2020</u>
Notes and accounts receivable (included related parties)	\$ 13,640,732	10,791,552	8,394,190
Less: allowance for impairment	<u>(91,751)</u>	<u>(112,529)</u>	<u>(170,737)</u>
	<u>\$ 13,548,981</u>	<u>10,679,023</u>	<u>8,223,453</u>
Contract liabilities	<u>\$ 305,931</u>	<u>195,013</u>	<u>91,026</u>

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

The amounts of revenue recognized for the years ended December 31, 2021 and 2020 that were included in the contract liability balance at the beginning of the period were \$164,043 and \$68,075, respectively.

(Continued)

WEIKENG INDUSTRIAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The major change in the balance of contract assets and contract liabilities is the difference between the time frame in the performance obligation to be satisfied and the payment to be received.

(s) Remuneration to employees and directors

The Company's Articles of Incorporation require that earning shall first be offset against any deficit, then, 6% to 10% of profit before tax (before deducting remuneration to employees and directors) will be distributed as employee remuneration and a maximum of 2.5% will be allocated as directors' remuneration. Employees who are entitled to receive the above-mentioned employee remuneration, in share or cash, include the employees of the subsidiaries of the Company who meet certain specific requirements. Actual distribution should be determined in the Board of Directors' meeting, with no less than two-thirds of directors present, and approved by more than half of the directors attending the meeting, then shall be report to the meeting of shareholders.

For the years ended December 31, 2021 and 2020, the accrued remuneration of the Company's employees were \$191,512 and \$78,442, as well as directors were \$47,878 and \$19,611, respectively. These amounts were calculated by using the Company's profit before tax for the period before deducting the amount of remuneration to employees and directors, multiplied by the distribution ratio of remuneration to employees and directors under the Company's articles of Incorporation, and expensed under operating expenses. If the Board of Directors resolved to distribute employees' remuneration in the form of shares, the numbers of shares to be distributed were calculated based on the closing price of the Company's ordinary shares one day before the date of the meeting of the board of directors.

The amounts, as stated in the financial statements, are identical to those of the actual distributions for 2021 and 2020. Related information would be available at the Market Observation Post System website.

(t) Financial Instruments

(i) Credit risk

1) Exposure to credit risk

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

2) Concentration of credit risk

Because the Group caters to a wide variety of customers and has a diverse market distribution, the Group does not concentrate in any single individual customer. Therefore, there is no significant credit risk of concentration in trade receivable. In order to reduce credit risk, the Group monitors the financial conditions of its customers regularly. However, the Group does not require its customers to provide any collateral.

(Continued)

WEIKENG INDUSTRIAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

3) Receivables

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

The amount of other financial assets at amortized cost include other receivables which had been impaired. For the loss allowance provision, please refer to the note (6)(e).

(ii) Liquidity risk

The following table shows the contractual maturities of financial liabilities, including estimated interest payments.

	<u>Carrying Amount</u>	<u>Contractual cash flows</u>	<u>Within a year</u>	<u>Over 1 year</u>
December 31, 2021				
Non-derivative financial liabilities				
Unsecured loans	\$ 10,077,546	(10,099,600)	(10,099,600)	-
Short-term notes and bill payable	918,502	(920,000)	(920,000)	-
Lease liabilities	323,726	(339,394)	(141,152)	(198,242)
Notes and accounts payable	5,308,148	(5,308,148)	(5,308,148)	-
Other payables	952,772	(952,772)	(952,772)	-
Bonds payable	126,336	(133,900)	-	(133,900)
	<u>\$ 17,707,030</u>	<u>(17,753,814)</u>	<u>(17,421,672)</u>	<u>(332,142)</u>
December 31, 2020				
Non-derivative financial liabilities				
Unsecured loans	\$ 9,076,469	(9,097,195)	(9,097,195)	-
Short-term notes and bills payable	668,846	(670,000)	(670,000)	-
Lease liabilities	190,939	(196,566)	(115,933)	(80,633)
Notes and accounts payable	3,575,860	(3,575,860)	(3,575,860)	-
Other payables	1,246,481	(1,246,481)	(1,246,481)	-
Bonds payable	929,322	(1,000,000)	-	(1,000,000)
Derivative financial liabilities				
Convertible bonds payable embedded derivatives	9,600	-	-	-
	<u>\$ 15,697,517</u>	<u>(15,786,102)</u>	<u>(14,705,469)</u>	<u>(1,080,633)</u>

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

(Continued)

WEIKENG INDUSTRIAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(iii) Market risk

1) Currency risk

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

	December 31, 2021			December 31, 2020		
	Foreign currency	Exchange rate	TWD	Foreign currency	Exchange rate	TWD
Financial assets						
Monetary items						
USD	\$ 294,374	USD/TWD 27.68	8,148,260	257,506	USD/TWD 28.48	7,333,779
USD	388	USD/CNY 6.3935	10,731	540	USD/CNY 6.5142	15,383
Non-monetary items						
USD	745	USD/TWD 27.68	20,622	745	USD/TWD 28.48	21,218
Financial liabilities						
Monetary items						
USD	196,128	USD/TWD 27.68	5,428,819	172,907	USD/TWD 28.48	4,924,379
USD	24,714	USD/CNY 6.3935	684,073	19,077	USD/CNY 6.5142	543,302

2) Currency risk sensitivity analysis

The Group's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, account receivables, other receivables, financial assets at fair value through other comprehensive income, loans and borrowings, accounts payables and other payables that are denominated in foreign currency. A change of 5% in the exchange rate of TWD or CNY against foreign currency for the years ended December 31, 2021 and 2020 would have increase (decreased) the other comprehensive income (before tax) \$1,031 and \$1,061, respectively. For the years ended December 31, 2021 and 2020 would have increased (decreased) the net profit before tax as follows. The analysis is performed on the same basis for both periods.

	For the years ended December 31,	
	2021	2020
USD (against the TWD)		
Strengthening 5%	\$ 135,972	120,470
Weakening 5%	(135,972)	(120,470)
USD (against the CNY)		
Strengthening 5%	(33,667)	(26,396)
Weakening 5%	33,667	26,396

(Continued)

WEIKENG INDUSTRIAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

3) Exchange gains and losses of monetary items

As the Group deals in diverse foreign currencies, gains or losses on foreign exchange were summarized as a single amount. For the years ended December 31, 2021 and 2020, the foreign exchange gains (losses), including both realized and unrealized, amounted to \$61,390 and \$157,073, respectively.

4) Equity market price risk

If the price of the fair value of equity instruments (including the stocks listed on domestic market at stock exchange (over-the-counter) market share, domestic emerging market stocks and domestic and foreign unlisted stocks) changed at the report date. (with the same analysis performed for both periods, assuming all other variable factors remain constant), it would have resulted in the change in the comprehensive income as illustrated below.

	<u>2021</u>		<u>2020</u>	
	Other comprehensive income before tax	Net income before tax	Other comprehensive income before tax	Net income before tax
Securities prices at reporting date				
Increasing 5%	\$ <u>2,003</u>	<u>30</u>	<u>2,241</u>	<u>31</u>
Decreasing 5%	\$ <u>(2,003)</u>	<u>(30)</u>	<u>(2,241)</u>	<u>(31)</u>

(iv) Interest rate analysis

The details of financial assets and liabilities exposed to interest rate risk were as follows:

	<u>Carrying amount</u>	
	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Variable rate instruments:		
Financial assets	\$ 1,708,908	1,836,291
Financial liabilities	(10,077,546)	(9,076,469)

The following sensitivity analysis is based on the risk exposure to interest rate on the derivative and non-derivative financial instruments on the reporting date. Regarding the assets and liabilities with variable interest rates, the analysis is based on the assumption that the amount of assets and liabilities outstanding at the reporting date were outstanding throughout the year. The rate of change is expressed as the interest rate increase or decrease by 0.25% when reporting to management internally, which also represents the Group's management's assessment of the reasonably possible interest rate change.

If the interest rate had increased or decreased by 0.25%, the Group's net profit before tax would have decreased or increased by \$20,922 and \$18,100 for the years ended December 31, 2021 and 2020, respectively, which would be mainly resulting from demand deposits, and unsecured loans with variable interest rates.

(Continued)

WEIKENG INDUSTRIAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(v) Fair value

1) Categories and the fair value of financial instruments

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

	December 31, 2021				
	Carrying amount	Fair Value			
		Level 1	Level 2	Level 3	Total
Financial assets mandatorily measured at fair value through profit or loss					
Stocks listed on domestic markets	\$ 607	607	-	-	607
Convertible bonds payable embedded derivative	<u>375</u>	-	375	-	375
Subtotal	<u>982</u>				
Financial assets at fair value through other comprehensive income					
Notes and accounts receivable, net	2,034,971	-	-	-	-
Emerging market stock	516	516	-	-	516
Stocks unlisted on domestic markets and foreign market	<u>39,549</u>	-	-	39,549	39,549
Subtotal	<u>2,075,036</u>				
Financial assets measured at amortized cost					
Cash and cash equivalents	2,266,607	-	-	-	-
Notes and accounts receivable, net	11,514,010	-	-	-	-
Other receivables	343,724	-	-	-	-
Guarantee deposits paid	<u>74,220</u>	-	-	-	-
Subtotal	<u>14,198,561</u>				
	<u>\$ 16,274,579</u>				

(Continued)

WEIKENG INDUSTRIAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	December 31, 2021				
	Carrying amount	Fair Value			
		Level 1	Level 2	Level 3	Total
Financial liabilities measured at amortized cost					
Bank loans	\$ 10,996,048	-	-	-	-
Lease liabilities	323,726	-	-	-	-
Notes and accounts payable	5,308,148	-	-	-	-
Other payables	952,772	-	-	-	-
Bonds payable	<u>126,336</u>	-	-	-	-
Subtotal	<u>17,707,030</u>				
	<u>\$ 17,707,030</u>				
	December 31, 2020				
	Carrying amount	Fair Value			
		Level 1	Level 2	Level 3	Total
Financial assets mandatorily measured at fair value through profit or loss					
Stocks listed on domestic markets	\$ <u>624</u>	624	-	-	624
Financial assets at fair value through other comprehensive income					
Notes and accounts receivable, net	1,530,656	-	-	-	-
Emerging market stock	4,348	4,348	-	-	4,348
Stocks unlisted on domestic markets and foreign market	<u>40,474</u>	-	-	40,474	40,474
Subtotal	<u>1,575,478</u>				
Financial assets measured at amortized cost					
Cash and cash equivalents	2,486,340	-	-	-	-
Notes and accounts receivable, net	9,148,367	-	-	-	-
Other receivables	884,840	-	-	-	-
Guarantee deposits paid	<u>73,467</u>	-	-	-	-
Subtotal	<u>12,593,014</u>				
	<u>\$ 14,169,116</u>				

(Continued)

WEIKENG INDUSTRIAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	December 31, 2020				
	Carrying amount	Fair Value			
		Level 1	Level 2	Level 3	Total
Financial liabilities at fair value through profit or loss					
Convertible bonds payable embedded derivative	\$ 9,600	-	9,600	-	9,600
Financial liabilities measured at amortized cost					
Bank loans	9,745,315	-	-	-	-
Lease liabilities	190,939	-	-	-	-
Notes and accounts payable	3,575,860	-	-	-	-
Other payables	1,246,481	-	-	-	-
Bonds payable	<u>929,322</u>	-	-	-	-
Subtotal	<u>15,687,917</u>				
	<u>\$ 15,697,517</u>				

There were no transfers of financial instruments between any levels for the years ended December 31, 2021 and 2020.

2) Valuation techniques for financial instruments not measured at fair value

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

a) Financial assets measured at amortized cost

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

3) Valuation technique of financial instruments measured at fair value

a) Non-derivative financial instruments

If the financial instrument has a public quoted price in an active market, the public quoted price will be determined as the fair value. The measurements on fair value of the financial instruments without an active market are determined using the valuation technique or the quoted market price of its counterparts. Fair value measured using the valuation technique can be extrapolated from similar financial instruments, discounted cash flow method, or other valuation techniques which include the model used in calculating the observable market data at the consolidated balance sheet date.

(Continued)

WEIKENG INDUSTRIAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The Group holds the unquoted equity investments of financial instruments without an active market. The measurement of fair value of the equity instruments is based on the Guideline Public Company method, which mainly assumes the evaluation by the price value and the price to book value ratio of similar public company and by the discount for lack of marketability. The estimation has been adjusted by the effect resulting from the discount for lack of marketability of the securities.

b) Derivative financial instruments

Measurement of fair value of derivative instruments is based on the valuation techniques that are generally accepted by the market participants. For instance, discount method or option pricing models. Fair value of forward currency exchange is usually determined by using the forward currency rate.

4) Reconciliation of Level 3 fair values

	Fair value through other comprehensive income
	Unquoted equity instruments
Opening balance, January 1, 2021	\$ 40,474
Capital refunded	(405)
Total gains and losses recognized:	
In other comprehensive income	(520)
Ending Balance, December 31, 2021	\$ 39,549
Opening balance, January 1, 2020	\$ 42,453
Capital refunded	(1,979)
Ending Balance, December 31, 2020	\$ 40,474

5) Quantified information on significant unobservable inputs (Level 3) used in fair value measurement

The Group's financial instruments that use Level 3 inputs to measure fair value include "financial assets measured at fair value through other comprehensive income - equity investments".

(Continued)

WEIKENG INDUSTRIAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Quantified information of significant unobservable inputs was as follows:

<u>Item</u>	<u>Valuation technique</u>	<u>Significant unobservable inputs</u>	<u>Inter-relationships between significant unobservable inputs and fair value measurement</u>
Financial assets at fair value through other comprehensive income	Guideline Public Company method	<ul style="list-style-type: none"> · Enterprise value to sale ratio as of December 31, 2021 was 1.61 · Price-to-sale ratio as of December 31, 2020 was 1.44 · Price-book ratio (as of December 31, 2021 and 2020 was 0.9 and 0.88, respectively) · Market liquidity discount rate (as of December 31, 2021 and 2020 were 17.45% and 17.25%, respectively) 	<ul style="list-style-type: none"> · The higher the price-to-sales ratio, price-book ratio, and the enterprise value to sale ratio, the higher the fair value · The higher the market liquidity discount rate, the lower the fair value
Financial assets at fair value through profit or loss	Net Asset Value Method	<ul style="list-style-type: none"> · Net asset value 	<ul style="list-style-type: none"> · Not applicable

(u) Financial risk management

(i) Briefings

The Group is exposed to the following risks arising from financial instruments:

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

In this note expressed the information on risk exposure and objectives, policies and procedures of risk measurement and management. For detailed information, please refer to the related notes of each risk.

(Continued)

WEIKENG INDUSTRIAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) Structure of risk management

The Group's finance department provides business services for the overall internal department. It sets the objectives, policies and processes for managing the risk and the methods used to measure the risk arising from both the domestic and international financial market operations. The Group minimizes the risk exposure through derivative financial instruments. The board of directors regulated the use of derivative and non-derivative financial instruments in accordance with the Group's policy about risks arising from financial instruments such as currency risk, interest rate risk, credit risk, the use of derivative and non-derivative financial instruments and the investments of excess liquidity. The internal auditors of the Group continue with the review of the amount of the risk exposure in accordance with the Group's policies and the risk management policies and procedures. The Group has no transactions in financial instruments (including derivative financial instruments) for the purpose of speculation.

(iii) Credit risk

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

1) Accounts receivable and other receivables

The Group has established a credit policy under which each new customer is analyzed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. The Group's review includes external ratings, when available, and in some cases bank references. Purchase limits are established for each customer, and these limits are reviewed periodically. The customers evaluated as low credit rating by the Group only have prepayment transactions with the Group.

Trade and other receivables mainly relate to a wide range of customers from different industries and geographic regions. The Group continued to assess the financial condition and credit risk of its customers, by grouping trade and other receivables based on their characteristics and will purchase credit guarantee insurance contracts if necessary.

Because the Group caters to a wide variety of customers and has a diverse market distribution, the Group does not concentrate in any single individual customer. Therefore, there is no significant credit risk of concentration in trade receivable. In order to reduce the credit risk, the Group monitors the financial conditions of its customers regularly. However, the Group does not require its customers to provide any collateral.

2) Investments

The credit risks exposure in the bank deposits, investments with fixed income and other financial instruments are measured and monitored by the Group's finance department. Since the Group's transaction counterparties and the contractually obligated counterparties are banks, financial institutes and corporate organizations with good credits, there are no compliance issues, and therefore, no significant credit risk. The finance department evaluates the counterparty's credit condition when investing in bond investment without an active market, and do not expect to have any significant credit risk.

(Continued)

WEIKENG INDUSTRIAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(iv) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

The Group manages sufficient cash and cash equivalents so as to cope with its operations and mitigate the effects of fluctuations in cash flows. The Group's management supervises the banking facilities and ensures in compliance with the terms of the loan agreements.

Borrowings from the banks and accounts receivable factoring are important sources of liquidity for the Group. Please refer to note (6)(d) and note (6)(i) for unused short-term bank facilities and factoring amount as of December 31, 2021 and 2020.

(v) Market risk

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

1) Currency risk

The Group is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the functional currencies of the Group, primarily the USD, CNY and HKD.

When short-term assets and liabilities denominated in a foreign currency are unbalanced, the Group uses current exchange rate to buy or sell about foreign currency to ensure that the net risk is maintained at an acceptable level.

2) Interest rate risk

As the Group's borrowings position are based on USD and NTD, the Group's capital cost will result in an decrease (increase) when Federal Reserve ("Fed") and Central Bank of the Republic of China (Taiwan) decrease (increase) the interest rate of USD and NTD. The Group adjusts the proportion of the USD and NTD borrowings to minimize the cost of capital, in order to reduce interest rate risk to an acceptable level.

3) Other price risk

The management of the Group monitors the listed or OTC share investments and open-end mutual funds based on the market price.

(v) Capital management

The policy of the board of directors is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Capital consists of ordinary shares, capital surplus, and retained earnings.

(Continued)

WEIKENG INDUSTRIAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The Group monitors the capital structure by way of periodical review on the liability ratio. As of December 31, 2021 and 2020 the liability ratios were as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Total liabilities	\$ 19,512,742	16,779,752
Total assets	27,535,230	22,853,830
Liability ratio	71 %	73 %

As of December 31, 2021, there were no changes in the Group's approach to capital management.

(w) Investing and financing activities not affecting current cash flow

The Group's investing and financing activities which did not affect the current cash flow for the years ended December 31, 2021 and 2020, were as follows:

- (i) For the acquisition of right-of-use assets from leases, please refer to note (6)(h).
- (ii) For conversion of convertible bonds to ordinary shares, please refer to note (6)(k).

The reconciliation of liabilities arising from financing activities was as follows:

	<u>January 1, 2021</u>	<u>Cash flows</u>	<u>Non-cash changes</u>			<u>December 31, 2021</u>
			<u>Acquisition</u>	<u>Reduction</u>	<u>Foreign exchange movement</u>	
Short-term loans	\$ 9,745,315	1,250,733	-	-	-	10,996,048
Lease liabilities	190,939	(139,486)	273,943	-	(1,670)	323,726
Bonds payable	<u>929,322</u>	-	-	(802,986)	-	<u>126,336</u>
Total liabilities from financing activities	<u>\$ 10,865,576</u>	<u>1,111,247</u>	<u>273,943</u>	<u>(802,986)</u>	<u>(1,670)</u>	<u>11,446,110</u>

	<u>January 1, 2020</u>	<u>Cash flows</u>	<u>Non-cash changes</u>			<u>December 31, 2020</u>
			<u>Acquisition</u>	<u>Reduction</u>	<u>Foreign exchange movement</u>	
Short-term loans	\$ 9,844,853	(99,538)	-	-	-	9,745,315
Lease liabilities	279,792	(134,924)	48,772	(769)	(1,932)	190,939
	-	<u>1,000,000</u>	-	(70,678)	-	<u>929,322</u>
Total liabilities from financing activities	<u>\$ 10,124,645</u>	<u>765,538</u>	<u>48,772</u>	<u>(71,447)</u>	<u>(1,932)</u>	<u>10,865,576</u>

(Continued)

WEIKENG INDUSTRIAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(7) Related-party transactions

(a) Name and relationships with related parties

The following are entities that have had transactions with the Group during the period covered in the consolidated financial statements:

<u>Related-party</u>	<u>Relationship</u>
Weiji Investment Co., Ltd.	The same chairman
Genlog Industrial Co., Ltd.	Substantive related-party

(b) Other related party transactions

(i) Sale of goods to related parties

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

	<u>2021</u>	<u>2020</u>
Other related parties	\$ <u>13</u>	\$ <u>14</u>

There were no significant differences in terms of collection and pricing on sales to related parties and other customers. The collection period was approximately 30 days after the sales date.

(ii) Processing fee and consultancy fees from related Parties

Other related parties were commissioned to provide processing services and consulting services to the Group. The amounts were as follows:

	<u>2021</u>	<u>2020</u>
Other related parties	\$ <u>6,594</u>	\$ <u>9,554</u>

(iii) Lease

The Group leased a portion of its building to its related parties for office use purpose. The rentals collected monthly were as follows:

	<u>2021</u>	<u>2020</u>
Other related parties	\$ <u>1,145</u>	\$ <u>1,191</u>

(iv) Receivables from related parties

The receivables from related parties were as follows:

<u>Account</u>	<u>Relationship</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Notes and accounts receivables	Other related parties	\$ <u>-</u>	\$ <u>12</u>

(Continued)

WEIKENG INDUSTRIAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(v) Payable to related parties

<u>Account</u>	<u>Related party categories</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Other payables	Other related parties	\$ <u>355</u>	<u>460</u>

(c) Key management personnel compensation

Key management personnel compensation comprised:

	<u>2021</u>	<u>2020</u>
Short-term employee benefits	268,135	162,560
Post-employment benefits	<u>839</u>	<u>830</u>
	<u><u>268,974</u></u>	<u><u>163,390</u></u>

(8) Pledged assets: None.

(9) Commitments and contingencies:

The balances of L/Cs for deferred payment of import value added tax and the purchase of merchandise were as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
	\$ <u>188,312</u>	<u>167,400</u>

(10) Losses Due to Major Disasters: None

(11) Subsequent Events: None

(12) Other:

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

By item	By function	For the years ended December 31,	
		2021	2020
		Operating expenses	Operating expenses
Employee benefits			
Salary		1,484,804	1,177,031
Labor and health insurance		104,168	88,085
Pension		89,992	61,929
Remuneration of directors		87,357	30,625
Others		60,980	41,431
Depreciation		157,550	152,828
Amortization		26,800	23,841

(Continued)

WEIKENG INDUSTRIAL CO., LTD. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

(13) Other disclosures:

(a) Information on significant transactions:

The following is the information on significant transactions required by the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” for the Group for the year ended December 31, 2021:

(i) Loans to other parties: None

(ii) Guarantees and endorsements for other parties:

(In thousands of new Taiwan dollars)

No.	Name of guarantor	Counter-party of guarantee and endorsement		Limitation on amount of guarantees and endorsements for a specific enterprise	Highest balance for guarantees and endorsements during the period	Balance of guarantees and endorsements as of reporting date	Actual usage amount during the period	Property pledged for guarantees and endorsements (Amount)	Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements	Maximum amount for guarantees and endorsements	Parent company endorsements/ guarantees to third parties on behalf of subsidiary (note 2)	Subsidiary endorsements/ guarantees to third parties on behalf of parent company (note 2)	Endorsements/ guarantees to third parties on behalf of companies in Mainland China (note 2)
		Name	Relationship with the Company										
0	The Company	WKI	100% owned subsidiary	12,033,732	6,137,694	6,071,848	5,446,030	-	75.68 %	24,067,464	Y	N	N
"	"	WTP	100% owned subsidiary	12,033,732	611,490	525,920	464,755	-	6.55 %	24,067,464	Y	N	N
"	"	WKS	100% owned subsidiary	12,033,732	1,052,550	908,140	174,503	-	11.31 %	24,067,464	Y	N	Y

Note 1 : The total amount of the guarantee provided by the Company shall not exceed three hundred percent (300%) of the higher amount between the Company’s capital amount and net worth. However, for any individual entity whose voting shares are 50% or more owned, directly or indirectly, by the Company shall not exceed fifty percent (50%) of the maximum amount for guarantee on recent audited or reviewed financial statements.

Note 2 : For those entities as the guarantor to the subsidiary, subsidiary as the guarantor to the company, or the guarantor that located in China, please fill in “Y”.

(iii) Securities held as of December 31, 2021 (excluding investment in subsidiaries, associates and joint ventures):

(Shares/units (thousands))

Name of holder	Category and name of security	Relationship with company	Account title	Ending balance				Highest balance during the year		Note
				Shares/Units (thousands)	Carrying amount	Percentage of ownership (%)	Fair value	Shares/Units (thousands)	Percentage of ownership (%)	
The Company	Securities of listed companies	-	Financial assets mandatorily measured at fair value through profit or loss-current	34	\$ 607	-	\$ 607	34	-	
"	EBM Technologies Inc.	-	Financial assets at fair value through other comprehensive income-non-current	15	\$ 516	0.02	\$ 516	15	0.02	
"	Clientron Corp.	-	"	750	\$ 7,458	6.79	\$ 7,458	750	6.79	
"	Paradigm I Venture Capital Company (Paradigm I)	-	"	230	2,301	10.49	2,301	271	10.49	
"	Paradigm Venture Capital Corporation (PVC Corp.)	-	"	-	15,150	9.90	15,150	-	9.90	
"	InnoBridge Venture Fund ILP. (InnoBridge)	-	"	960	4,800	12.00	4,800	3,000	12.00	
"	Shin Kong Global Venture Capital Corp.	-	"	800	9,840	1.67	9,840	800	1.67	
"	Vision Wide Technology Co., Ltd. (VTEC)	-	"							
					\$ 39,549		\$ 39,549			

(Continued)

WEIKENG INDUSTRIAL CO., LTD. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

- (iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20% of the capital stock: None
- (v) Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None
- (vi) Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None
- (vii) Related-party transactions for purchases and sales with amounts exceeding the lower of NT\$100 million or 20% of the capital stock:

(In thousands)

Name of company	Related party	Nature of relationship	Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		Note
			Purchases/ (Sales)	Amount	Percentage of total purchases/ (sales)	Payment terms	Unit price	Payment terms	Ending balance	Percentage of total notes/accounts receivable (payable)	
The Company	WKI	100% owned subsidiary	(Sales)	(111,687) (USD(4,010))	(0.37) %	OA30	No significant difference with other customer	-	Accounts Receivable 12,744 (USD460)	0.19 %	
"	"	"	Purchases	569,546 (USD20,347)	2.00 %	"	"	-	-	- %	
WKI	The Company	Parent company	Purchases	111,687 (USD4,010)	0.30 %	"	"	-	Accounts Payable (12,744) (USD(460))	(0.65) %	
"	"	"	(Sales)	(596,546) (USD(20,347))	(1.53) %	"	"	-	-	- %	
"	WKS	Subsidiary	(Sales)	(4,930,339) (USD(175,966))	(13.25) %	OA60	"	-	Accounts Receivable 686,938 (USD24,817)	12.11 %	
WKS	WKI	Parent company	Purchases	4,930,339 (USD175,966)	64.83 %	"	"	-	Accounts Payable (686,938) (USD(24,817))	(66.95) %	

Note: The amounts of the transaction and the ending balance had been offset in the consolidated financial statements.

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

(In thousands)

Name of company	Counter-party	Nature of relationship	Ending balance	Turnover rate	Overdue		Amounts received in subsequent period (Note)	Allowance for bad debts	Note
					Amount	Action taken			
WKI	WKS	Subsidiary	686,938 (USD24,817)	7.94	-	-	USD 22,607	-	The amounts of the transaction and the ending balance had been offset in the consolidated financial statements.

Note: Information as of March 15, 2022.

- (ix) Trading in derivative instruments: Please refer to note (6)(b)

(Continued)

WEIKENG INDUSTRIAL CO., LTD. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

(x) Business relationships and significant intercompany transactions:

No. (Note 1)	Name of company	Name of counter-party	Nature of relationship (Note 2)	Intercompany transactions			
				Account name	Amount	Trading terms	Percentage of the consolidated net revenue or total assets
0	The Company	WKI	1	Sales Revenue	111,687	The price is marked up based on operating cost, and the receivables depend on OA30 after offsetting the accounts payable.	0.15%
"	"	"	"	Accounts Receivable	12,744	"	0.05%
"	"	"	"	Management and Credit Service Revenue	356,117	The price is set by percentage of the contract and is received quarterly.	0.49%
"	"	"	"	Other Receivables	83,594	"	0.30%
"	"	WKS	"	Sales Revenue	2,111	The price is marked up based on operating cost, OA60.	-%
"	"	"	"	Accounts Receivable	353	"	-%
"	"	"	"	Management and Credit Service Revenue	7,778	The price is set by percentage of the contract and is received quarterly.	0.01%
"	"	WTP	"	Sales Revenue	59,954	The price is marked up based on operating cost, and the receivables depend on OA30 after offsetting the accounts payable.	0.08%
"	"	"	"	Accounts Receivable	26,517	"	0.10%
"	"	"	"	Management and Credit Service Revenue	5,352	The price is set by percentage of the contract and is received quarterly.	0.01%
"	"	"	"	Other Receivables	1,347	"	-%
"	"	"	"	"	5,479	"	0.01%
"	"	"	"	"	2,299	"	0.01%
1	WKI	The Company	2	Sales Revenue	569,546	The price is marked up based on operating cost, and the receivables depend on OA30 after offsetting the accounts payable.	0.79%
"	"	WKS	3	Sales Revenue	4,930,339	The price is marked up based on operating cost, and the receivables depend on funding demand and OA60.	6.81%
"	"	"	"	Accounts Receivable	686,938	"	2.49%

(Continued)

WEIKENG INDUSTRIAL CO., LTD. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

No. (Note 1)	Name of company	Name of counter-party	Nature of relationship (Note 2)	Intercompany transactions			
				Account name	Amount	Trading terms	Percentage of the consolidated net revenue or total assets
2	WKS	WKI	"	Service Revenue	30,362	The price is set by percentage of the contract, OA30.	0.04%
"	"	"	"	Accounts Receivable	918	"	-%

Note 1: The numbers filled in as follows:

1. 0 represents the Company.
2. Subsidiaries are sorted in a numerical order starting from 1.

Note 2: Relationship with the transactions labeled as follows:

- 1 represents the transactions from the parent company to its subsidiaries.
- 2 represents the transactions from the subsidiaries to the parent company.
- 3 represents the transactions between subsidiaries.

(b) Information on investees:

The following is the information on investees for the year ended December 31, 2021 (excluding information on investees in Mainland China):

(In thousands)

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Highest			The highest holdings in the period		Net income (losses) of investee	Investment income (losses) of investor	Note
				December 31, 2021	December 31, 2020	Shares (In Thousands)	Percentage of Ownership	Carrying amount	Shares (In Thousands)	Percentage of Ownership			
The Company	WKI	Hong Kong	Electronic components computer peripherals products distribution and technical support	\$ 1,322,295	1,044,995	473,950	100%	\$ 5,232,263	473,950	100%	1,309,121	\$ 1,309,121	Subsidiary
"	WKZ	Taiwan	Electronic components and technical support	12,983	12,983	1,589	100%	25,931	1,589	100%	(134)	(134)	"
"	WTP	Singapore	"	293,327	293,327	12,413	100%	366,743	12,413	100%	45,677	45,677	"
				<u>\$ 1,628,605</u>	<u>1,351,305</u>			<u>\$ 5,624,937</u>				<u>\$ 1,354,664</u>	
WKI	Weitech	Hong Kong	Import and export trade of electronic components	0.41 (HKD0.1)	0.41 (HKD0.1)	-	100%	2,076 (USD75)	-	100%	172 (USD6)	172 (USD6)	Subsidiary's subsidiary

(Continued)

WEIKENG INDUSTRIAL CO., LTD. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

(c) Information on investment in mainland China:

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

(In thousands)

Name of investee	Main businesses and products	Total amount of paid-in capital	Method of investment	Accumulated outflow of investment from Taiwan as of January 1, 2021	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2021	Net income (losses) of the investee	Percentage of ownership	Highest balance during the year		Investment income (losses) of investor	Book value (Note 3)	Accumulated remittance of earnings in current period
					Outflow (Note 3)	Inflow				Shares/ Units	Highest Percentage of ownership			
WKS	Electronic components, computer peripherals, products, distribution and technical support	786,647 (USD25,000)	Note 1 - 4	304,594 (USD9,800)	-	-	304,594 (USD9,800)	66,503 (USD2,374) (Note 2)	100%	-	100%	66,503 (USD2,374) (Note 2)	716,500 (USD25,855)	-
WKE	Electronic technology development and technical advisory	5,067 (RMB1,000)	Note 1 - 5	-	-	-	-	147 (USD(5))	100%	-	100%	147 (USD(5))	5,635 (USD204)	-

(ii) Limitation on investment in Mainland China:

Accumulated Investment in Mainland China as of December 31, 2021	Investment Amounts Authorized by Investment Commission, MOEA (note 3)	Upper Limit on Investment
304,594 (USD9,800)	692,000 (USD25,000)	4,813,493

Note 1: Investment in Mainland China was through a company in the third area.

Note 2: The investment gains and losses of the current period are recognized according to the financial statements, which have been reviewed by the Company's independent auditors, and were translated into New Taiwan Dollars at the average exchange rates.

Note 3: The currency was translated into New Taiwan Dollars at the exchange rates at the end of reporting period.

Note 4: The difference was due to Weikeng International Co. Ltd.'s investment of US\$15,200 thousand dollars on Weikeng International (Shanghai) Co. Ltd. using its own funds.

Note 5: The difference was due to Weikeng International (Shanghai) Co. Ltd.'s investment of RMB1,000 thousand dollars on Weikeng Electronic Technology (Shanghai) Co. Ltd. using its own funds.

(iii) Significant transactions:

Please refer to Information on significant transactions for the information on significant direct or indirect transactions, which were eliminated in the preparation of consolidated financial statements, between the Group and the investee companies in Mainland China in 2021.

(Continued)

WEIKENG INDUSTRIAL CO., LTD. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

(d) Major shareholders:

Shareholder's Name	Shareholding	Shares	Percentage
Weiji Investment Co., Ltd.		30,426,876	7.32 %

Note (i): The information of major shareholders is based on the last business day of the end of each quarter set by Taiwan Depository & Clearing Corporation, wherein the shareholders hold more than 5% of the Company's ordinary shares, which have been completely registered non-physically (including treasury shares). There may be differences between the share capital recorded in the Company's financial statements and the actual number of the delivered shares, which have been completely registered non-physically due to the different methods used in their calculation.

Note (ii): In the case of the above information, if the shareholder delivers the shares to the trust, the shares will be disclosed as a personal account under the trust account of the principal opened by the trustee. As for the shareholders' declaration of more than 10% of the insider's shareholdings under the Securities and Exchange Act, the shareholders' stocks should be include in their own shareholdings, plus, the shares delivered to the trust, wherein the shareholders have the right of decision on using the trust property. For information on insider's equity declaration, please refer to market observation post system.

(14) Segment information:

- (a) The Group has only one operating segment, which is the electronic components segment, of which, the major activities are the purchase and sales of electronic components and computer peripherals, technical service, as well as the import/export trade business. The Group's information of operating segment are consistent with the consolidated financial statements. Please refer to the consolidated statements of comprehensive income and the consolidated balance sheet for the segment profit and assets, respectively.
- (b) Product and service information

The Group operates in a single industry, the main industry for the trading of electronic components and computer peripheral products. Please refer to notes (6)(r).

(Continued)

WEIKENG INDUSTRIAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(c) Geographic information

Please refer to notes 6(r) for the geographic information on the Group's sales presented by destination of customer and the stated below is the geographic information on the Group's non-current assets presented by location.

Non-current Assets:

Area	2021	2020
Taiwan	\$ 239,610	240,510
China	293,258	169,356
Singapore	23,224	42,216
	\$ 556,092	452,082

Non-current assets include property, plant and equipment, intangible assets, right-of-use assets and other assets, not including deferred tax assets and pension fund assets.

(d) Information about major customers

There were no individual customers who accounted for over 10% of consolidated net sales in 2021 and 2020.

WEIKENG INDUSTRIAL CO., LTD.**Parent Company Only Financial Statements****With Independent Auditors' Report
For the Years Ended December 31, 2021 and 2020**

Address: 11F., No.308, Sec.1, Neihu Rd., Neihu Dist., Taipei City
Telephone: (02)2659-0202

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

Table of contents

Contents	Page
1. Cover Page	1
2. Table of Contents	2
3. Independent Auditors' Report	3
4. Balance Sheets	4
5. Statements of Comprehensive Income	5
6. Statements of Changes in Equity	6
7. Statements of Cash Flows	7
8. Notes to Parent Company Only Financial Statements	
(1) Company history	8
(2) Approval date and procedures of the financial statements	8
(3) New standards, amendments and interpretations adopted	8~9
(4) Summary of significant accounting policies	9~25
(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty	25
(6) Explanation of significant accounts	26~58
(7) Related-party transactions	58~60
(8) Pledged assets	61
(9) Commitments and contingencies	61
(10) Losses Due to Major Disasters	61
(11) Subsequent Events	61
(12) Other	61~62
(13) Other disclosures	
(a) Information on significant transactions	62~64
(b) Information on investees	65
(c) Information on investment in mainland China	65~66
(d) Major shareholders	66
(14) Segment information	66
9. List of major account titles	67~74



安侯建業聯合會計師事務所
KPMG

台北市110615信義路5段7號68樓(台北101大樓)
68F., TAIPEI 101 TOWER, No. 7, Sec. 5,
Xinyi Road, Taipei City 110615, Taiwan (R.O.C.)

電話 Tel + 886 2 8101 6666
傳真 Fax + 886 2 8101 6667
網址 Web home.kpmg/tw

Independent Auditors' Report

To the Board of Directors of Weikeng Industrial Co., Ltd.:

Opinion

We have audited the financial statements of Weikeng Industrial Co., Ltd. (“the Company”), which comprise the balance sheets as of December 31, 2021 and 2020, the statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and 2020, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and the auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China (“the Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis 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 financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The key audit matters we judged shall be presented in the auditors' report as follows:

1. Recognition of Operating Revenue

Please refer to note (4)(m) “Revenue recognition” for accounting policies with respect to recognizing revenue, and to note (6)(s) “Revenue from contracts with customers” for explanatory notes about revenue.

Description of key audit matters:

Weikeng Industrial Co., Ltd. is a listed company. The Company is a distributor for the sale of electronic components and computer peripheral equipment. Operating revenue is one of the significant items in the financial statements, and the amounts and changes of operating revenue may affect the users' understanding of the entire financial statements. Therefore, the testing over revenue recognition is considered a key matter in our audit.

How the matter was addressed in our audit:

Our main audit procedures for the aforementioned key audit matters include testing the Company's controls surrounding revenue recognition in the order-to-cash transaction cycle, including reconciliations between the general ledger and sales system; performing the detailed test of relevant vouchers, as well as assessing whether the Company's timing on revenue recognition and the amounts recognized are in accordance with related standards.

2. Valuation of Inventories

Please refer to note (4)(g) "Inventories" for accounting policies with respect to valuating inventories, to note (5) "Valuation of inventories" for accounting estimates and uncertainties of affairs for inventory valuation; and to note (6)(f) "Inventories" for explanatory notes about inventories and related expenses.

Description of key audit matters:

The Company is a distributor for the sale of electronic components and computer peripheral equipment. Due to the horizontal competition in the industry and constant advancement of related technologies, the price of end electronic products are volatile, and thus, affects the price of electronic components and computer peripheral equipment. Therefore, the testing over the valuation of inventories is considered a key matter in our audit.

How the matter was addressed in our audit:

Our main audit procedures for the aforementioned key audit matters include testing the related control over the cost operating cycle; evaluating whether the policies for setting aside allowance for inventory valuation and obsolescence losses are in accordance with the Company's policies and related standards; and executing the implementation of sampling procedures to check the correctness of stock age. In addition, we also examined the inventory aging reports, understood the subsequent sales status of slow-moving inventories; and evaluated the adopted basis of net realizable value to verify the rationality of the management's estimates on the allowance for inventory valuation.

3. The share of profit (loss) of subsidiaries and investments accounted for using equity method

Please refer to note (4)(h) "Investments of subsidiaries" for the accounting policies; note (6)(g) "Investments accounted for using equity method" for explanatory notes about the investments under equity method.

Description of key audit matters:

The subsidiaries, which are recognized under equity method, are distributors for the sale of electronic components and computer peripheral equipment with holding material assets, such as accounts receivable and inventories. Therefore, the share of profit of subsidiaries and investments accounted for using equity method which is one of the material items in the financial statements is considered a key matter in our audit.

How the matter was addressed in our audit:

Our main audit procedures for the aforementioned key audit matters include understanding the related control over investments accounted for using equity method; testing the changes of the investment under equity method within the year, including the recognition of investments gains (losses) and the share of comprehensive income; as well as assessing whether the Company's recognition of investments are in accordance with the related standards.

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

The management is responsible for the preparation and fair presentation of the financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the 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 investments in other entities accounted for using the equity method to express an opinion on this financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period 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.

The engagement partners on the audit resulting in this independent auditors' report are Jui-Lan Lo and Yiu-Kwan Au.

KPMG

Taipei, Taiwan (Republic of China)
March 25, 2022

Notes to Readers

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

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

(English Translation of Financial Statements Originally Issued in Chinese)
WEIKENG INDUSTRIAL CO., LTD.

Statements of Comprehensive Income

For the years ended December 31, 2021 and 2020

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

	2021		2020		
	Amount	%	Amount	%	
4100	Net sales revenue (notes (6)(s) and note (7))	\$ 29,964,915	100	27,706,010	100
5000	Cost of sales (note (6)(f) and note (7))	<u>28,361,656</u>	<u>95</u>	<u>26,467,370</u>	<u>96</u>
	Gross profit	<u>1,603,259</u>	<u>5</u>	<u>1,238,640</u>	<u>4</u>
	Operating expenses (notes (6)(n), (6)(o), note (7) and (12)):				
6100	Selling expenses	822,502	3	656,547	2
6200	Administrative expenses	343,001	1	271,854	1
6450	Expected credit (gains) losses (note (6)(d))	<u>(7,284)</u>	<u>-</u>	<u>25,090</u>	<u>-</u>
		<u>1,158,219</u>	<u>4</u>	<u>953,491</u>	<u>3</u>
	Net operating income	<u>445,040</u>	<u>1</u>	<u>285,149</u>	<u>1</u>
	Non-operating income and expenses:				
7100	Interest income	525	-	1,796	-
7010	Other income (notes (6)(n) and note (7))	375,504	1	284,683	1
7230	Foreign currency exchange gains (losses), net (note (6)(u))	58,442	-	112,975	-
7235	Gains on financial assets (liabilities) at fair value through profit or loss	7,921	-	3,203	-
7375	Share of profit of associates accounted for using equity method (note (6)(g))	1,354,664	5	322,024	1
7050	Financial costs (note ((6)(m) and note (7))	(86,956)	-	(126,777)	-
7590	Miscellaneous disbursements	<u>(633)</u>	<u>-</u>	<u>(571)</u>	<u>-</u>
0		<u>1,709,467</u>	<u>6</u>	<u>597,333</u>	<u>2</u>
7900	Profit before tax	2,154,507	7	882,482	3
7950	Less: Income tax expenses (note (6)(p))	<u>433,367</u>	<u>1</u>	<u>183,173</u>	<u>1</u>
	Profit	<u>1,721,140</u>	<u>6</u>	<u>699,309</u>	<u>2</u>
	Other comprehensive income:				
8310	Items that will not be reclassified to profit or loss				
8311	(Losses) gains on remeasurements of defined benefit plans (note (6)(o))	(8,145)	-	1,910	-
8316	Unrealized gains from investments in equity instruments measured at fair value through other comprehensive income	3,099	-	1,639	-
8349	Less: Income tax related to components of other comprehensive income that will not be reclassified to profit or loss (note (6)(p))	<u>(1,629)</u>	<u>-</u>	<u>382</u>	<u>-</u>
		<u>(3,417)</u>	<u>-</u>	<u>3,167</u>	<u>-</u>
8360	Items that may be reclassified to profit or loss				
8361	Exchange differences on translation of foreign financial statements	(114,017)	(1)	(172,356)	-
8399	Less: Income tax related to components of other comprehensive income that may be reclassified to profit or loss (note (6)(p))	<u>(22,805)</u>	<u>-</u>	<u>(34,471)</u>	<u>-</u>
	Components of other comprehensive income that will be reclassified to profit or loss	<u>(91,212)</u>	<u>(1)</u>	<u>(137,885)</u>	<u>-</u>
8300	Other comprehensive income	<u>(94,629)</u>	<u>(1)</u>	<u>(134,718)</u>	<u>-</u>
8500	Comprehensive income	<u>\$ 1,626,511</u>	<u>5</u>	<u>564,591</u>	<u>2</u>
	Earnings per share: (note (6)(r))				
9750	Basic earnings per share	<u>\$ 4.54</u>		<u>1.90</u>	
9850	Diluted earnings per share	<u>\$ 4.02</u>		<u>1.84</u>	

See accompanying notes to financial statements.

(English Translation of Financial Statements Originally Issued in Chinese)
WEIKENG INDUSTRIAL CO., LTD.

Statements of Changes in Equity

For the years ended December 31, 2021 and 2020

(Expressed in Thousands of New Taiwan Dollars)

	Ordinary shares	Capital surplus	Retained earnings			Other equity interest		Total equity
			Legal reserve	Special reserve	Unappropriated retained earnings	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on financial assets at fair value through other comprehensive income	
Balance at January 1, 2020	\$ 3,677,513	884,335	864,760	138,615	329,162	(144,308)	(85,152)	5,664,925
Appropriation and distribution of retained earnings:								
Legal reserve appropriated	-	-	25,866	-	(25,866)	-	-	-
Special reserve appropriated	-	-	-	90,844	(90,844)	-	-	-
Cash dividends	-	-	-	-	(212,452)	-	-	(212,452)
	-	-	25,866	90,844	(329,162)	-	-	(212,452)
Net income	-	-	-	-	699,309	-	-	699,309
Other comprehensive income	-	-	-	-	1,528	(137,885)	1,639	(134,718)
Total comprehensive income	-	-	-	-	700,837	(137,885)	1,639	564,591
Conversion of convertible bonds	-	57,014	-	-	-	-	-	57,014
Balance at December 31, 2020	3,677,513	941,349	890,626	229,459	700,837	(282,193)	(83,513)	6,074,078
Appropriation and distribution of retained earnings:								
Legal reserve appropriated	-	-	70,083	-	(70,083)	-	-	-
Special reserve appropriated	-	-	-	136,246	(136,246)	-	-	-
Cash dividends	-	-	-	-	(494,508)	-	-	(494,508)
	-	-	70,083	136,246	(700,837)	-	-	(494,508)
Net income	-	-	-	-	1,721,140	-	-	1,721,140
Other comprehensive income	-	-	-	-	(6,516)	(91,212)	3,099	(94,629)
Total comprehensive income	-	-	-	-	1,714,624	(91,212)	3,099	1,626,511
Conversion of convertible bonds	481,829	334,578	-	-	-	-	-	816,407
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	764	-	(764)	-
Balance at December 31, 2021	\$ 4,159,342	1,275,927	960,709	365,705	1,715,388	(373,405)	(81,178)	8,022,488

See accompanying notes to financial statements.

(English Translation of Financial Statements Originally Issued in Chinese)
WEIKENG INDUSTRIAL CO., LTD.

Statements of Cash Flows

For the years ended December 31, 2021 and 2020

(Expressed in Thousands of New Taiwan Dollars)

	2021	2020
Cash flows from (used in) operating activities:		
Profit before tax	\$ 2,154,507	882,482
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	64,432	58,474
Amortization expense	8,573	5,291
Expected credit (gains) losses	(7,284)	25,090
Net gains on financial assets or liabilities at fair value through profit or loss	(7,921)	(3,203)
Interest expense	86,956	126,777
Interest income	(525)	(1,796)
Share of profit of subsidiaries, associates and joint ventures accounted for using equity method	(1,354,664)	(322,024)
	<u>(1,210,433)</u>	<u>(111,391)</u>
Changes in operating assets and liabilities:		
Decrease (increase) in financial assets at fair value through profit or loss	11	(2,339)
Decrease (increase) in notes and accounts receivable	(1,764,493)	(1,084,054)
Decrease (increase) in other receivable	523,612	341,624
Decrease (increase) in inventories	(94,915)	648,806
Decrease (increase) in prepaid expenses and other current assets	58,580	3,875
	<u>(1,277,205)</u>	<u>(92,088)</u>
Increase (decrease) in accounts payable	1,461,689	(486,402)
Increase (decrease) in other payable	(443,201)	(220,087)
Increase (decrease) in contract liabilities and other current liabilities	77,489	44,760
Increase (decrease) in net defined benefit liability—non-current	(6,897)	(6,123)
	<u>1,089,080</u>	<u>(667,852)</u>
Total changes in operating assets and liabilities	<u>(188,125)</u>	<u>(759,940)</u>
Total adjustments	<u>(1,398,558)</u>	<u>(871,331)</u>
Cash flow from operations	755,949	11,151
Interest received	525	1,796
Interest paid	(76,855)	(131,257)
Income taxes paid	(40,391)	(108,177)
Net cash flows from operating activities	<u>639,228</u>	<u>(226,487)</u>
Cash flows from (used in) investing activities:		
Proceeds from disposal of financial assets at fair value through other comprehensive income	7,451	-
Proceeds from capital reduction of financial assets at fair value through other comprehensive income	405	1,979
Acquisition of investment accounted for using equity method	(277,300)	(270,720)
Acquisition of property, plant and equipment	(2,357)	(1,492)
Increase in refundable deposits	170	(1,062)
Acquisition of intangible assets	(3,686)	(14,483)
Increase in other prepayments	(277)	-
Net cash flows used in investing activities	<u>(275,594)</u>	<u>(285,778)</u>
Cash flows from (used in) financing activities:		
Increase (decrease) in short-term loans	264,240	(98,563)
Proceeds from issuing bonds	-	1,000,000
Decrease in guarantee deposits received	-	(30)
Payment of lease liabilities	(59,446)	(52,871)
Cash dividends paid	(494,508)	(212,452)
Net cash flows (used in) from financing activities	<u>(289,714)</u>	<u>636,084</u>
Net Increase (decrease) in cash and cash equivalents	73,920	123,819
Cash and cash equivalents at beginning of period	<u>1,479,458</u>	<u>1,355,639</u>
Cash and cash equivalents at end of period	<u>\$ 1,553,378</u>	<u>1,479,458</u>

See accompanying notes to financial statements.

(English Translation of Financial Statements and Report Originally Issued in Chinese)
WEIKENG INDUSTRIAL CO., LTD.
Notes to the Financial Statements
For the years ended December 31, 2021 and 2020
(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

(1) Company history

Weikeng Industrial Co., Ltd. (the Company) was incorporated in Taiwan as a company limited by shares in January 1977 and registered under the Ministry of Economic Affairs, R.O.C. The address of the Company's registered office is 11F, No.308 Sec. 1, Neihu Rd., Neihu Dist., Taipei City. The major activities of the Company are the purchase and sale of electronic components and computer peripherals, technical service, and the import-export trade business. The Company's common shares were listed on the Taiwan Stock Exchange (TSE).

(2) Approval date and procedures of the financial statements:

The accompanying parent company only financial statements were authorized for issuance by the Board of directors on March 25, 2022.

(3) New standards, amendments and interpretations adopted:

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

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

- Amendments to IFRS 4 "Extension of the Temporary Exemption from Applying IFRS 9"
- Amendments to IFRS 9, IAS39, IFRS7, IFRS 4 and IFRS 16 "Interest Rate Benchmark Reform—Phase 2"
- Amendments to IFRS 16 "Covid-19-Related Rent Concessions beyond June 30, 2021"

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

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

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

(Continued)

WEIKENG INDUSTRIAL CO., LTD.
Notes to the Financial Statements

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

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

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”
- IFRS 17 “Insurance Contracts” and amendments to IFRS 17 “Insurance Contracts”
- Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”
- Amendments to IAS 1 “Disclosure of Accounting Policies”
- Amendments to IAS 8 “Definition of Accounting Estimates”
- Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”

(4) Summary of significant accounting policies

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

- (a) Statement of compliance

These annual financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (hereinafter referred to as the Regulations).

- (b) Basis of preparation

- (i) Basis of measurement

Except for the following significant accounts, the financial statements have been prepared on the historical cost basis:

- 1) Financial assets at fair value through profit or loss are measured at fair value (including derivative financial instruments);
- 2) Financial assets at fair value through other comprehensive income are measured at fair value;
- 3) The defined benefit liabilities are measured at fair value of the plan assets less the present value of the defined benefit obligation limited as explained in to note 4(n).

(Continued)

WEIKENG INDUSTRIAL CO., LTD.
Notes to the Financial Statements

(ii) Functional and presentation currency

The functional currency of the Company is determined based on the primary economic environment in which the entity operate. The financial statements are presented in New Taiwan Dollars, which is the Company's functional currency. All financial information presented in New Taiwan Dollars has been rounded to the nearest thousand.

(c) Foreign currencies

(i) Foreign currency transactions

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

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

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

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

(ii) Foreign operations

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

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

(Continued)

WEIKENG INDUSTRIAL CO., LTD.
Notes to the Financial Statements

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

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

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

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

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

An entity shall classify a liability as current when:

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

(e) Cash and cash equivalents

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

(f) Financial instruments

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

(Continued)

WEIKENG INDUSTRIAL CO., LTD.
Notes to the Financial Statements

(i) Financial assets

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

On initial recognition, a financial asset is classified as measured at: amortized cost; Fair value through other comprehensive income (FVOCI) – debt investment; FVOCI – equity investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

1) Financial assets measured at amortized cost

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

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

A financial asset measured at amortized cost is initially recognized at fair value, plus any directly attributable transaction costs. These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses, and impairment loss, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

2) Fair value through other comprehensive income (FVOCI)

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

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

Some accounts receivables are held within a business model whose objective is achieved by both collecting contractual cash flows and selling by the Company, therefore, those receivables are measured at FVOCI. However, they are included in the “accounts receivables” line item.

(Continued)

WEIKENG INDUSTRIAL CO., LTD.
Notes to the Financial Statements

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an instrument-by-instrument basis.

Debt investments at FVOCI are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

Equity investments at FVOCI are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in other comprehensive income and are never reclassified to profit or loss.

Dividend income is recognized in profit or loss on the date on which the Company's right to receive payment is established, which in the case of quoted securities is normally the ex-dividend date.

3) Fair value through profit or loss (FVTPL)

All financial assets not classified as amortized cost or FVOCI described as above are measured at FVTPL, including derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset, which meets the requirements to be measured at amortized cost or at FVOCI, as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets in this category are measured at fair value at initial recognition. Attributable transaction costs are recognized in profit or loss as incurred. Subsequent changes that are measured at fair value, which take into account any dividend and interest income, are recognized in profit or loss.

4) Impairment of financial assets

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

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

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

(Continued)

WEIKENG INDUSTRIAL CO., LTD.
Notes to the Financial Statements

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

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

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Company considers a financial asset to be in default when the financial asset is more than 90 days past due or the debtor is unlikely to pay its credit obligations to the Company in full.

The Company considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade which is considered to be BBB- or higher per Standard & Poor's, Baa3 or higher per Moody's or tWA or higher per Taiwan Ratings'.

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

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

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

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

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

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;

(Continued)

WEIKENG INDUSTRIAL CO., LTD.
Notes to the Financial Statements

- it is probable that the borrower will enter bankruptcy or other financial reorganization;
or
- the disappearance of an active market for a security because of financial difficulties.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets, the Company recognizes the amount of expected credit losses (or reversal) in profit or loss.

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

5) Derecognition of financial assets

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

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

(ii) Financial liabilities and equity instruments

1) Classification of debt or equity

Debt and equity instruments issued by the Company are classified as financial liabilities or equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

2) Equity instrument

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

(Continued)

WEIKENG INDUSTRIAL CO., LTD.
Notes to the Financial Statements

3) Compound financial instruments

Compound financial instruments issued by the Company comprise convertible bonds that can be converted to ordinary shares at the option of the holder, when the number of shares to be issued is fixed and does not vary with changes in fair value.

The liability component of compound financial instruments is initially recognized at the fair value of a similar liability that does not have an equity conversion option. The equity component is initially recognized at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortized cost using the effective interest method. The equity component of a compound financial instrument is not remeasured.

Interest related to the financial liability is recognized in profit or loss.

On conversion at maturity, the financial liability is reclassified to equity and no gain or loss is recognized.

4) Financial liabilities

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

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

5) Derecognition of financial liabilities

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

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

(Continued)

WEIKENG INDUSTRIAL CO., LTD.
Notes to the Financial Statements

6) Offsetting of financial assets and liabilities

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

(iii) Derivative financial instruments and hedge accounting

The Company holds derivative financial instruments to hedge its foreign currency and interest rate exposures. Embedded derivatives are separated from the host contract and accounted for separately if the host contract is not a financial asset and certain criteria are met. Derivatives are initially measured at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognized in profit or loss.

(g) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is based on the weighted-average-cost principle and includes expenditure incurred in acquiring the inventories, production or transition costs, and other costs incurred in bringing them to their present location and condition.

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

(h) Investment in subsidiaries

The subsidiaries in which the Company holds controlling interest are accounted for using equity method in the parent-company-only financial statements. Under equity method, the net income, other comprehensive income and equity in the parent-company-only financial statements are the same as those attributable to the owners of parent in the consolidated financial statements.

Changes in the Company's ownership of subsidiaries which have not resulted in the loss of control are treated as equity transactions with the owner.

(i) Property, plant and equipment

(i) Recognition and measurement

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

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

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

(Continued)

WEIKENG INDUSTRIAL CO., LTD.
Notes to the Financial Statements

(ii) Subsequent expenditure

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

(iii) Depreciation

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

Land is not depreciated.

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

- 1) Buildings: 59 years
- 2) Transportation equipment: 5~6 years
- 3) Machinery equipment: 1~6 years
- 4) Office and other equipment: 1~7 years

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

(j) Leases

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

(i) As a lessee

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

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

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

(Continued)

WEIKENG INDUSTRIAL CO., LTD.
Notes to the Financial Statements

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

- 1) fixed payments, including in-substance fixed payment;
- 2) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;

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

- 1) there is a change in future lease payments arising from the change in an index or rate; or
- 2) there is a change of its assessment on whether it will exercise an extension or termination option; or
- 3) there is any lease modifications in lease subject, scope of the lease or other terms.

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

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

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

The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases and leases of low-value assets, including part of offices and transportation equipment. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(ii) As a lessor

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

When the Company is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Company applies the exemption described above, then it classifies the sub-lease as an operating lease.

(Continued)

WEIKENG INDUSTRIAL CO., LTD.
Notes to the Financial Statements

(k) Intangible assets

(i) Other intangible assets

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

(ii) Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognized in profit or loss as incurred.

(iii) Amortization

Amortization is calculated over the cost of the asset, less its residual value, and is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use. Computer software costs are amortized, on the average, by 1 to 3 years.

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

(l) Impairment of non-financial assets

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

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset shall be reduced to its recoverable amount. That reduction is an impairment loss. An impairment loss shall be recognized immediately in profit or loss.

(m) Revenue recognition

(i) Revenue from contracts with customers

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

(Continued)

WEIKENG INDUSTRIAL CO., LTD.
Notes to the Financial Statements

1) Sale of goods

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

The Company often offers commercial discounts and volume discounts to its customers. Revenue from these sales is recognized based on the price specified in the contract, net of the estimated volume discounts. Accumulated experience is used to estimate the discounts, using the expected value method, and revenue is only recognized to the extent that it is highly probable that a significant reversal will not occur. A Refund liability is recognized for expected discounts payable to customers in relation to sales made at the end of the reporting period.

For certain contracts that permit a customer to return products, revenue would not be recognized for the products expected to be returned. In addition, the Company recognized a refund liability for these contracts and an asset (and corresponding adjustment to cost of sales) for its right to recover products from customers on settling the refund liability.

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

2) Commissions

For every specific product or service which the Company promises to provide to customers, the Company should determine whether it is a principal or an agent. The Company is an agent when the other party joins to provide products or services to the customers, and the performance obligation of the Company is arranged by the other party as well. If the Company is an agent, the revenue will be recognized as the net amount from receivables of the products or services provided and payments to the other party; or be recognized based on the commission agreed upon in the contract.

3) Financing components

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

(Continued)

WEIKENG INDUSTRIAL CO., LTD.
Notes to the Financial Statements

(n) Employee benefits

(i) Defined contribution plans

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

(ii) Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Company's net obligation in respect of the defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. The fair value of any plan assets are deducted. The discount rate is the yield at the reporting date on government bonds that have maturity dates approximating the terms of the Company's obligations and that are denominated in the same currency in which the benefits are expected to be paid.

The calculation is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Company, the recognized asset is limited to the total of the present value of the economic benefits available in the form of any future refunds from the plan or reductions in the future contributions to the plan. In order to calculate the present value of the economic benefits, consideration is given to any minimum funding requirements that apply to any plan in the Company. An economic benefit is available to the Company if it is realizable during the life of the plan, or on the settlement of the plan liabilities.

When the benefits of a plan are improved, the expense of the increased benefit relating to past service by employees is recognized immediately in profit or loss.

Remeasurements of the net defined benefit liability (asset), which comprise (1) actuarial gains and losses, (2) the return on plan assets (excluding interest) and (3) the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income. The Company can reclassify the amounts recognized in other comprehensive income to retained earnings or other equity. If the amounts recognized in other comprehensive income are transferred to other equity, they shall not be reclassified to profit or loss or recognized in retained earnings in a subsequent period.

The Company recognizes gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on curtailment comprises any resulting change in the fair value of plan assets and the change in the present value of the defined benefit obligation.

(Continued)

WEIKENG INDUSTRIAL CO., LTD.
Notes to the Financial Statements

(iii) Termination benefits

Termination benefits are recognized as an expense when the Company is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognized as an expense if the Company has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting period, then they are discounted to their present value.

(iv) Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

(o) Share-based payment

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

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

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

(p) Income Taxes

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

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

(Continued)

WEIKENG INDUSTRIAL CO., LTD.
Notes to the Financial Statements

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

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

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

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

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

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

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

The surtax on unappropriated earnings is recoded as current tax expense in the following year after the resolution to appropriate retained earnings is approved in a stockholders' meeting.

(Continued)

WEIKENG INDUSTRIAL CO., LTD.
Notes to the Financial Statements

(q) Earnings per share

The Company discloses the Company's basic and diluted earnings per share attributable to ordinary equity holders of the Company. The calculation of basic earnings per share is based on the profit attributable to the ordinary shareholders of the Company divided by the weighted-average number of ordinary shares outstanding. The calculation of diluted earnings per share is based on the profit attributable to ordinary shareholders of the Company, divided by the weighted-average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares, such as convertible bonds and employee compensation.

(r) Operating segments

The operating segment information is disclosed within the consolidated financial statements but not disclosed in the parent company only financial statement.

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

The preparation of the financial statements in conformity with the Regulations requires management to make judgments, estimates, and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

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

There are no critical judgments in applying accounting policies that have significant effect on amounts recognized in the financial statements.

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

(a) Valuation of inventories

As inventories are stated at the lower of cost or net realizable value, the Company estimates the net realizable value of inventories for normal consumption, obsolescence on unmarketable items at the end of the reporting period and then writes down the cost of inventories to net realizable value. The net realizable value of the inventory is mainly determined based on assumptions as to future demand within a specific time horizon. Due to the rapid industrial transformation, there may be significant changes in the net realizable value of inventories. Please refer to note (6)(f) for further description of the valuation of inventories.

(Continued)

WEIKENG INDUSTRIAL CO., LTD.
Notes to the Financial Statements

(6) Explanation of significant accounts

(a) Cash and cash equivalents

	December 31, 2021	December 31, 2020
Cash on hand	\$ 134	134
Checking accounts and demand deposits	<u>1,553,244</u>	<u>1,479,324</u>
	<u>\$ 1,553,378</u>	<u>1,479,458</u>

Please refer to note (6)(u) for the exchange risk, interest rate risk and the sensitivity analysis of the financial assets of the Company.

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

	December 31, 2021	December 31, 2020
Current financial assets measured at fair value through profit or loss:		
Non-derivative financial assets		
Stock listed on domestic markets	<u>\$ 607</u>	<u>624</u>
Non-current financial assets at fair value through profit or loss:		
Convertible bonds embedded options	<u>\$ 375</u>	<u>-</u>
Non-current financial liabilities at fair value through profit or loss:		
Convertible bonds embedded options	<u>\$ -</u>	<u>9,600</u>

As of December 31, 2021 and 2020, the Company did not provide any financial assets and liabilities at fair value through profit or loss as collateral for its loans.

(c) Financial assets at fair value through other comprehensive income – non-current

	December 31, 2021	December 31, 2020
Equity investments at fair value through other comprehensive income:		
Domestic emerging market stock	\$ 516	4,348
Domestic unlisted stock	16,941	17,866
Foreign unlisted stock	<u>22,608</u>	<u>22,608</u>
	<u>\$ 40,065</u>	<u>44,822</u>

(i) Equity investments at fair value through other comprehensive income

The Company designated the investments shown above as equity securities at fair value through other comprehensive income because these equity securities represent those investments that the Company intends to hold for long-term strategic purposes.

(Continued)

WEIKENG INDUSTRIAL CO., LTD.
Notes to the Financial Statements

In September 2021, the Company sold all of its shares in Feature Integration Technology Inc., which was measured at fair value through other comprehensive income, at \$7,451. The cumulative gains on disposal amounted to \$764, which had been transferred to retained earnings from other equity. No strategic investments were disposed of for the year ended December 31, 2020, and there were no transfers of any cumulative gain or loss within equity relating to these investments.

- (ii) The investee companies, Paradigm Venture Capital Corporation (PVC Corp.) and Paradiam I Venture Capital Company (Paradigm I) classified as financial assets at fair value through other comprehensive income – non-current, refunded capital in 2021 and 2020, and the Company recorded the receivable amounting to \$405 and \$1,979, respectively. The amounts have been fully received.
 - (iii) Shin Kong Global Venture Capital Corp., the Company's investee recognized as non-current financial assets at fair value through other comprehensive income, reduced its capital to offset accumulated deficits in 2021. The number of shares held by the Company decreased from 3,000 thousand shares to 960 thousand shares.
 - (iv) For credit risk and market risk, please refer to note (6)(u).
 - (v) As of December 31, 2021 and 2020, the Company did not provide any financial assets at fair value through other comprehensive income as collateral for its loans.
- (d) Notes and accounts receivable

	December 31, 2021	December 31, 2020
Notes receivable	\$ 22,710	14,284
Accounts receivable-measured as amortized cost	5,172,582	3,430,740
Accounts receivable-fair value through other comprehensive income	1,443,573	1,429,348
	6,638,865	4,874,372
Less: Loss allowance	(53,680)	(60,964)
	\$ 6,585,185	4,813,408

The Company has assessed a portion of its accounts receivable that was held within a business model whose objective is achieved by selling financial assets; therefore, such accounts receivable was measured at fair value through other comprehensive income.

The Company applies the simplified approach to provide for its expected credit losses, i.e. the use of lifetime expected loss provision for all receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics of the customer's ability to pay all due amounts in accordance with contract terms, as well as incorporated forward looking information, including macroeconomic and relevant industry information. The loss allowance provision was determined as follows:

(Continued)

WEIKENG INDUSTRIAL CO., LTD.
Notes to the Financial Statements

<u>Credit rating</u>	<u>December 31, 2021</u>			
	<u>Carrying amount</u>	<u>Expected credit loss rate</u>	<u>Loss allowance provision</u>	<u>Credit impaired</u>
Listed company (assessed by group)				
Level A	\$ 4,009,216	0.52%	20,909	No
Level B	1,150,808	1.40%	16,108	No
Unlisted company	1,436,928	1.16%	16,663	No
(Related-party) subsidiaries and sub-subsidiaries	<u>41,913</u>	-%	<u>-</u>	No
	<u>\$ 6,638,865</u>		<u>53,680</u>	
<u>Credit rating</u>	<u>December 31, 2020</u>			
	<u>Carrying amount</u>	<u>Expected credit loss rate</u>	<u>Loss allowance provision</u>	<u>Credit impaired</u>
Listed company (assessed by group)				
Level A	\$ 2,754,068	0.85%	23,534	No
Level B	988,347	0.96%	9,456	No
Unlisted company	1,118,185	2.42%	27,060	No
(Related-party) subsidiaries and sub-subsidiaries	<u>13,772</u>	-%	<u>-</u>	No
	<u>\$ 4,874,372</u>		<u>60,050</u>	

The aging analysis of notes and accounts receivable were determined as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Not past due	\$ 6,452,984	4,685,025
Overdue less than 90 days	181,547	187,117
Overdue 91 to 180 days	2,595	1,836
Overdue more than 181 days	<u>1,739</u>	<u>394</u>
	<u>\$ 6,638,865</u>	<u>4,874,372</u>

(Continued)

WEIKENG INDUSTRIAL CO., LTD.
Notes to the Financial Statements

For the years ended December 31, 2021 and 2020, the movement in the allowance for notes and accounts receivable were as follows:

	For the years ended December 31,	
	2021	2020
Balance at January 1	\$ 60,964	35,874
Impairment loss recognized (reversed)	(7,284)	25,090
Balance at December 31	\$ 53,680	60,964

The Company has entered into accounts receivable factoring agreements with banks. According to the factoring agreement, the Company does not bear the loss if the account debtor does not have the ability to make payments upon the transfer of the accounts receivable factoring. The Company has not provided other guarantee except for the promissory notes, which have the same amount with the factoring used as the guarantee for the sales return and discount. The Company received the proceeds from the discounted accounts receivable determined by agreement on the selling date. Interest is calculated and paid based on the duration and interest rate of the agreement, and the remaining amounts are received when the accounts receivable are paid by the customers. In addition, the Company has to pay a service charge based on a certain rate.

The Company derecognized the above trade receivables because it has transferred substantially all of the risks and rewards of their ownership, and it does not have any continuing involvement in them. The amounts receivable from the financial institutions were recognized as “other receivables” upon the derecognition of those trade receivables.

As of December 31, 2021 and 2020, the Company sold its trade receivable without recourse as follows:

December 31, 2021						
Purchaser	Amount Derecognized	Amount Paid	Advanced Unpaid	Amount Recognized in Other Receivables	Range of Interest Rate	Significant Transferring Terms
Financial institutions	\$ 3,076,785	2,771,749	-	305,036	0.53%~1.14%	None

December 31, 2020						
Purchaser	Amount Derecognized	Amount Paid	Advanced Unpaid	Amount Recognized in Other Receivables	Range of Interest Rate	Significant Transferring Terms
Financial institutions	\$ 2,776,227	2,500,209	-	276,018	0.64%~1.37%	None

As of December 31, 2021 and 2020, the Company did not provide any receivables as collaterals for its loans.

Please refer to note (6)(u) for further credit risk information.

(Continued)

WEIKENG INDUSTRIAL CO., LTD.
Notes to the Financial Statements

(e) Other receivables

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Other receivables—the receivables of the Company as an agent (note (6)(s))	\$ -	580,597
Other receivables—accounts receivable factored	305,036	276,018
Other receivables—related parties	84,941	73,204
Tax refund	32,623	28,037
Overdue receivable	22,016	22,016
Others	<u>11,966</u>	<u>322</u>
	456,582	980,194
Less: Loss allowance	<u>(22,016)</u>	<u>(22,016)</u>
	<u>\$ 434,566</u>	<u>958,178</u>

For the years ended December 31, 2021 and 2020, the movement in the allowance for other receivables were as follows:

	<u>2021</u>	<u>2020</u>
Balance at January 1	\$ 22,016	22,150
Amounts written off	<u>-</u>	<u>(134)</u>
Balance at December 31	<u>\$ 22,016</u>	<u>22,016</u>

As of December 31, 2021 and 2020, the Company did not provide any other receivables as collaterals for its loans.

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

(f) Inventories

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Merchandise inventories	\$ 2,813,896	2,760,252
Goods in transit	<u>220,206</u>	<u>178,935</u>
	<u>\$ 3,034,102</u>	<u>2,939,187</u>

The details of inventory-related losses and expenses were as follows:

	<u>2021</u>	<u>2020</u>
Inventory valuation loss and obsolescence (Gain from price recovery of inventory)	\$ (98,339)	(267,317)
Loss on scrapping of inventory and others	<u>2,997</u>	<u>1,202</u>
	<u>\$ (95,342)</u>	<u>(266,115)</u>

(Continued)

WEIKENG INDUSTRIAL CO., LTD.
Notes to the Financial Statements

The aforementioned gain from price recovery is due to the fact that part of the inventories previously recognized as loss on valuation have been sold or scrapped, resulting in the disappearance of the reason that the net realized value of the inventory is lower than the cost, the net realizable value recovery was recognized as the deduction of operating costs.

As of December 31, 2021 and 2020, the Company did not provide any inventories as collaterals for its loans.

(g) Investments accounted for using equity method

	December 31, 2021	December 31, 2020
Subsidiaries	\$ 5,624,937	4,106,990

- (i) For the financial statements of the subsidiaries, please refer to the consolidated financial statements.
- (ii) For the years ended December 31, 2021 and 2020, the profits of the subsidiaries and related parties recognized by the Company were \$1,354,664 and \$322,024, respectively.
- (iii) The Company subscribed for the cash increase stocks of its subsidiaries, Weikeng International Company Limited (WKI), with the amount of \$277,300 and 270,720, respectively, with the shareholding ratio of 100%.
- (iv) The relevant information on major foreign currency equity investments of the reporting date is as follows:

	December 31, 2021			December 31, 2020		
	Foreign currency	Exchange rate	TWD	Foreign currency	Exchange rate	TWD
USD	\$ 202,276	27.68	5,599,006	143,291	28.480	4,080,925

- (v) As of December 31, 2021 and 2020, the Company did not provide any investments accounted for using equity method as collaterals for its loan.

(h) Property, plant and equipment

The cost, depreciation, and impairment of the property, plant and equipment of the Company for the years ended December 31, 2021 and 2020 were as follows:

	Land	Buildings and construction	Transportation equipment	Machinery equipment	Office and other facilities equipment	Total
Cost or deemed cost:						
Balance on January 1, 2021	\$ 60,526	48,540	8,516	15,590	70,264	203,436
Additions	-	-	-	1,330	1,027	2,357
Disposals	-	-	-	(154)	(270)	(424)
Balance on December 31, 2021	\$ 60,526	48,540	8,516	16,766	71,021	205,369
Balance on January 1, 2020	\$ 60,526	48,540	8,516	14,741	72,133	204,456
Additions	-	-	-	849	643	1,492
Disposals	-	-	-	-	(2,512)	(2,512)
Balance on December 31, 2020	\$ 60,526	48,540	8,516	15,590	70,264	203,436

(Continued)

WEIKENG INDUSTRIAL CO., LTD.
Notes to the Financial Statements

	Land	Buildings and construction	Transportation equipment	Machinery equipment	Office and other facilities equipment	Total
Depreciation and impairment loss:						
Balance on January 1, 2021	\$ -	20,311	7,195	12,720	66,658	106,884
Depreciation for the year	-	809	661	1,100	2,294	4,864
Disposals	-	-	-	(154)	(270)	(424)
Balance on December 31, 2021	<u>\$ -</u>	<u>21,120</u>	<u>7,856</u>	<u>13,666</u>	<u>68,682</u>	<u>111,324</u>
Balance on January 1, 2020	\$ -	19,502	6,450	11,832	65,887	103,671
Depreciation for the year	-	809	745	888	3,283	5,725
Disposals	-	-	-	-	(2,512)	(2,512)
Balance on December 31, 2020	<u>\$ -</u>	<u>20,311</u>	<u>7,195</u>	<u>12,720</u>	<u>66,658</u>	<u>106,884</u>
Book value:						
Balance on December 31, 2021	<u>\$ 60,526</u>	<u>27,420</u>	<u>660</u>	<u>3,100</u>	<u>2,339</u>	<u>94,045</u>
Balance on December 31, 2020	<u>\$ 60,526</u>	<u>28,229</u>	<u>1,321</u>	<u>2,870</u>	<u>3,606</u>	<u>96,552</u>
Balance on January 1, 2020	<u>\$ 60,526</u>	<u>29,038</u>	<u>2,066</u>	<u>2,909</u>	<u>6,246</u>	<u>100,785</u>

For management purpose, the Company has leased its own office building and rented other office building for operation. The purpose of this leasing was not for earning rental income or capital appreciation, so it is classified as property, plant, and equipment.

As of December 31, 2021 and 2020, the Company did not provide any property, plant, and equipment as collaterals for its loans.

(i) Right-of-use assets

The Company leases many assets including buildings and transportation equipment. Information about leases for which the Company as a lessee was presented below:

	Buildings	Transportation equipment	Total
Cost:			
Balance on January 1, 2021	\$ 187,109	7,548	194,657
Additions	66,010	-	66,010
Reductions	(46,293)	(3,653)	(49,946)
Balance on December 31, 2021	<u>\$ 206,826</u>	<u>3,895</u>	<u>210,721</u>
Balance on January 1, 2020	\$ 175,894	7,548	183,442
Additions	11,215	-	11,215
Balance on December 31, 2020	<u>\$ 187,109</u>	<u>7,548</u>	<u>194,657</u>
Accumulated depreciation:			
Balance on January 1, 2021	\$ 100,490	5,515	106,005
Depreciation	57,878	1,690	59,568
Reductions	(46,293)	(3,653)	(49,946)
Balance on December 31, 2021	<u>\$ 112,075</u>	<u>3,552</u>	<u>115,627</u>
Balance on January 1, 2020	\$ 50,268	2,988	53,256
Depreciation	50,222	2,527	52,749
Balance on December 31, 2020	<u>\$ 100,490</u>	<u>5,515</u>	<u>106,005</u>

(Continued)

WEIKENG INDUSTRIAL CO., LTD.
Notes to the Financial Statements

	<u>Buildings</u>	<u>Transportation equipment</u>	<u>Total</u>
Carrying amount:			
Balance on December 31, 2021	\$ <u>94,751</u>	<u>343</u>	<u>95,094</u>
Balance on December 31, 2020	\$ <u>86,619</u>	<u>2,033</u>	<u>88,652</u>
Balance on January 1, 2020	\$ <u>125,626</u>	<u>4,560</u>	<u>130,186</u>

(j) Short-term borrowings

The details of Company's short-term borrowings were as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Unsecured loans	\$ 3,992,844	3,978,260
Short-term notes and bills payable, net	<u>918,502</u>	<u>668,846</u>
	<u>\$ 4,911,346</u>	<u>4,647,106</u>
Unused short-term credit lines	<u>\$ 3,333,763</u>	<u>2,467,301</u>
Range of interest rates	<u>0.52%~1.02%</u>	<u>0.52%~1.12%</u>

(i) Issuance and repayment of borrowings

The Company's additional amounts in loans for the years ended December 31, 2021 and 2020 were \$20,008,422 and \$21,781,774, respectively, with maturities from January to November, 2022 and from January to September 2021, respectively; and the repayments were \$19,744,182 and \$21,880,337, respectively.

(ii) For information on the Company's interest risk, exchange rate, foreign currency risk and liquidity risk, please refer to note (6)(u).

(k) Other payables

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Other payable — the payables of the Company's as an agent (note(6)(s))	\$ -	632,478
Accrued expenses	109,630	106,178
Bonus payable	149,974	105,486
Remuneration to employees and directors	239,390	98,053
Interest payable	<u>6,144</u>	<u>7,388</u>
	<u>\$ 505,138</u>	<u>949,583</u>

The accrued expenses include import and export fees, processing expense, professional services fees, pension, insurance, and payable for unused vacation time etc.

(Continued)

WEIKENG INDUSTRIAL CO., LTD.
Notes to the Financial Statements

(l) Convertible bonds payable

(i) Non-guaranteed convertible bonds:

	December 31, 2021	December 31, 2020
Aggregate principal amount	\$ 1,000,000	1,000,000
Bond discount	(7,564)	(70,678)
Cumulative converted amount	<u>(866,100)</u>	<u>-</u>
	126,336	929,322
Less: Convertible bonds payable – could be repaid within one year	<u>-</u>	<u>-</u>
Bonds payable at end of period	<u>\$ 126,336</u>	<u>929,322</u>
Embedded derivative – call and put options		
Included in non-current financial liabilities at fair value through profit or loss	<u>\$ -</u>	<u>9,600</u>
Included in non-current financial assets at fair value through profit or loss	<u>\$ 375</u>	<u>-</u>
Equity component – conversion options (included in capital surplus – conversion options)	<u>\$ 7,634</u>	<u>57,014</u>

- (ii) The Company issued the fifth domestic unsecured convertible bonds, with a face value of \$1,000,000 on November 3, 2020. The Company separated its equity and debt components as follows:

	The Fifth
The compound interest present values of the convertible bonds' face value at issuance	\$ 931,700
The embedded derivative liabilities at issuance – redemption rights	11,000
The equity components at issuance	<u>57,300</u>
The total amounts of the convertible bonds at issuance	<u>\$ 1,000,000</u>

The equity components were accounted for as capital surplus – conversion options. In accordance with IFRSs, the face value of the fifth domestic unsecured convertible bonds was allocated at \$286 to the capital surplus – conversion options.

The gain or loss resulting from changes in fair value of the embedded derivative liabilities were gains of \$7,927 and \$1,400 for the years ended December 31, 2021 and 2020, respectively.

The effective interest rates of the fifth convertible bonds were 1.53%. The annual interest expenses on convertible bonds payable for the years ended December 31, 2021 and 2020, were \$11,374 and \$2,280, respectively.

(Continued)

WEIKENG INDUSTRIAL CO., LTD.
Notes to the Financial Statements

(iii) The significant terms of the fifth convertible bonds were as follows:

- 1) Duration: five years (November 3, 2020 to November 3, 2025)
- 2) Interest rate: 0%
- 3) Redemption at the option of the Company: The Company may redeem the bonds under the following circumstances:
 - a) Within the period between three months after the issuance date and 40 days before the last convertible date, the Company may redeem the bonds at their principal amount if the closing price of the Company's common stock on the Taiwan Stock Exchange for a period of 30 consecutive trading days has been 30% more than the conversion price in effect on each such trading day.
 - b) If at least 90% of the principal amount of the bonds has been converted, redeemed, or purchased and cancelled, the Company may redeem the bonds at their principal amount within the period between three months after the issuance date and 40 days before the last convertible date.
- 4) Redemption at the option of the bondholders:

The bondholders have the right to request the Company to repurchase the bonds at a price equal to the face value, plus, an accrued premium three and four years after the issuance date. The annual interest rate for the redemption, both three and four years after the issuance date, is 0.5%.
- 5) Terms of conversion:
 - a) Bondholders may opt to have the bonds converted into the common stock of the Company from February 4, 2021 to November 3, 2025.
 - b) Conversion price: NTD18.92 per share. Starting from August 1, 2021, the adjusted conversion price due to the distribution of retained earnings for 2020 was \$17.91.

(m) Lease liabilities

	December 31, 2021	December 31, 2020
Current	<u>\$ 58,825</u>	<u>49,297</u>
Non-current	<u>\$ 36,795</u>	<u>39,788</u>

For the maturity analysis, please refer to note (6)(u) of financial instruments.

The amounts recognized in profit or loss were as follows:

	2021	2020
Interest on lease liabilities	<u>\$ 1,050</u>	<u>1,746</u>
Expenses relating to short-term leases	<u>\$ 2,050</u>	<u>1,095</u>

(Continued)

WEIKENG INDUSTRIAL CO., LTD.
Notes to the Financial Statements

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

	2021	2020
Total cash outflow for leases	<u>\$ 62,546</u>	<u>55,712</u>

(i) Real estate leases

The Company leases buildings for its office space and warehouses. The leases of office space typically run for a period of 1 to 5 years, and warehouses for 1 to 4 years. Some leases include an option to renew the lease for an additional period of the same duration after the end of the contract term.

Some leases of office buildings contain extension or cancellation options exercisable by the Company before the end of the non-cancellable contract period. These leases are negotiated and monitored by local management, and accordingly, contain a wide range of different terms and conditions. The extension options held are exercisable only by the Company and not by the lessors. In which lessee is not reasonably certain to use an optional extended lease term, payments associated with the optional period are not included within lease liabilities.

(ii) Other leases

The Company leases transportation equipment and parking space with lease terms of one year. These leases are short-term. The Company has elected not to recognize right-of-use assets and lease liabilities for these leases.

(n) Operating lease – As a lessor

As of December 31, 2021 and 2020, the future minimum lease receivables under non-cancellable leases are as follows:

	December 31, 2021	December 31, 2020
Less than one year	<u>\$ 5,049</u>	<u>1,474</u>
Between one and five years	<u>11,897</u>	<u>1,554</u>
	<u>\$ 16,946</u>	<u>3,028</u>

For the years ended December 31, 2021 and 2020, the rental revenue under operating leases were \$5,501 and \$5,366, respectively.

The department office leases were combined leases of land and buildings. The Company has classified these leases as operating leases, because it does not transfer substantially all of the risks and rewards incidental to the ownership of the assets.

(Continued)

WEIKENG INDUSTRIAL CO., LTD.
Notes to the Financial Statements

(o) Employee benefits

(i) Defined benefit plans

The present value of the defined benefit obligations and fair value of plan assets of the Company were as follows:

	December 31, 2021	December 31, 2020
Present value of defined benefit obligations	\$ 242,018	230,850
Fair value of plan assets	(119,796)	(109,876)
Net defined benefit liabilities	<u>\$ 122,222</u>	<u>120,974</u>

The Company makes defined benefit plan contributions to the pension fund account at the Bank of Taiwan that provides pensions for employees upon retirement. The plans entitle a retired employee to receive a payment based on years of service and average salary for the six months prior to retirement.

1) Composition of plan assets

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

The Company's Bank of Taiwan labor pension reserve account balance amounted to \$119,796 at the end of the reporting period. For information on the utilization of the labor pension fund assets including the asset allocation and yield of the fund, please refer to the website of the Labor Pension Fund Supervisory Committee.

2) Movements in present value of the defined benefit obligations

The movements in present value of defined benefit obligations for the Company's were as follows:

	2021	2020
Defined benefit obligation at January 1	\$ 230,850	227,394
Current service costs and interest	1,762	2,664
Remeasurement in net defined benefit liability (assets)	9,406	1,000
Benefits paid by the plan	-	(208)
Defined benefit obligation at December 31	<u>\$ 242,018</u>	<u>230,850</u>

(Continued)

WEIKENG INDUSTRIAL CO., LTD.
Notes to the Financial Statements

3) Movements of defined benefit plan assets

The movements in defined benefit plan assets for the Company were as follows:

	<u>2021</u>	<u>2020</u>
Fair value of plan assets at January 1	\$ 109,876	98,387
Contributions made	7,994	7,630
Expected return on plan assets	665	948
Remeasurement of the net defined benefit liability (assets)	<u>1,261</u>	<u>2,911</u>
Fair value of plan assets at December 31	<u><u>\$ 119,796</u></u>	<u><u>109,876</u></u>

4) Expenses recognized in profit or loss

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

	<u>2021</u>	<u>2020</u>
Service cost	\$ 366	464
Net interest on net defined benefit liability (assets)	1,396	2,200
Expected return on plan assets	<u>(665)</u>	<u>(948)</u>
	<u><u>\$ 1,097</u></u>	<u><u>1,716</u></u>
Selling expenses	\$ 801	1,233
Administrative expenses	<u>296</u>	<u>483</u>
	<u><u>\$ 1,097</u></u>	<u><u>1,716</u></u>

5) Actuarial assumptions

The following are the Company's principal actuarial assumptions:

	<u>December 31,</u> <u>2021</u>	<u>December 31,</u> <u>2020</u>
Discount rate	0.625 %	0.625 %
Future salary increases	3.000 %	3.000 %

The expected allocation payment made by the Company to the defined benefit plans for the one year period after the reporting date was \$8,358.

The weighted-average duration of the defined benefit obligation is 13.27 years.

(Continued)

WEIKENG INDUSTRIAL CO., LTD.
Notes to the Financial Statements

6) Sensitivity analysis

As of December 31, 2021 and 2020, if the actuarial assumptions had changed, the impact on the present value of the defined benefit obligation shall be as follows:

	Impact on the defined benefit obligation	
	<u>Increase 0.25%</u>	<u>Decrease 0.25%</u>
December 31, 2021		
Discount Rate	\$ (5,368)	5,572
Future salary increases	5,324	(5,153)
December 31, 2020		
Discount Rate	(5,610)	5,820
Future salary increases	5,573	(5,401)

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown above. The method used in the sensitivity analysis is consistent with the calculation of pension liabilities in the balance sheets.

There is no change in the method and assumptions used in the preparation of sensitivity analysis for 2021 and 2020.

(ii) Defined contribution plans

The Company allocates 6% of each employee's monthly wages to the labor pension personal account at the Bureau of the Labor Insurance in accordance with the provisions of the Labor Pension Act. Under this defined contribution plan, the Company allocates a fixed amount to the Bureau of the Labor Insurance without additional legal or constructive obligations.

The Company recognized the pension costs under the defined contribution method amounting to \$22,841 and \$22,081 for the years ended December 31, 2021 and 2020, respectively. Payment was made to the Bureau of Labor Insurance.

(Continued)

WEIKENG INDUSTRIAL CO., LTD.
Notes to the Financial Statements

(p) Income taxes

(i) Income tax expenses

1) The components of income tax in the years 2021 and 2020 were as follows:

	<u>2021</u>	<u>2020</u>
Current tax expense		
Current period	\$ 130,002	64,395
Adjustment for prior periods	<u>(1,608)</u>	<u>(4,209)</u>
	<u>128,394</u>	<u>60,186</u>
Deferred tax expense		
Origination and reversal of temporary differences	<u>304,973</u>	<u>122,987</u>
Income tax expense	<u>\$ 433,367</u>	<u>183,173</u>

2) The amounts of income tax recognized in other comprehensive income for 2021 and 2020 were as follows:

	<u>2021</u>	<u>2020</u>
Items that will not be reclassified subsequently to profit or loss:		
Remeasurement from defined benefit plans	<u>\$ (1,629)</u>	<u>382</u>
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign financial statements	<u>\$ (22,805)</u>	<u>(34,471)</u>

3) The reconciliation of income tax and profit before tax for 2021 and 2020 was as follows:

	<u>2021</u>	<u>2020</u>
Profit before tax	<u>\$ 2,154,507</u>	<u>882,482</u>
Income tax using the Company's legal tax rate	430,901	176,496
Net investment income and tax-exempt income	(42)	(8)
Under (Over) provision in prior periods and others	<u>2,508</u>	<u>6,685</u>
Income tax expense	<u>\$ 433,367</u>	<u>183,173</u>

(Continued)

WEIKENG INDUSTRIAL CO., LTD.
Notes to the Financial Statements

(ii) Deferred tax assets and liabilities

1) Unrecognized deferred tax assets

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

	December 31, 2021	December 31, 2020
Tax effect of deductible temporary differences	<u><u>\$ 19,814</u></u>	<u><u>19,814</u></u>

The Company assessed that the income tax deductible items which can be offsetted with the taxable income are not probable to be utilized. Hence, such temporary differences are not recognized under deferred tax assets.

2) Recognized deferred tax assets and liabilities

The changes in the amount of deferred tax assets and liabilities for 2021 and 2020 were as follows:

	<u>Defined Benefit Plans</u>	<u>Exchange differences on translation</u>	<u>Bad debt expense over the tax limitation</u>	<u>Loss on valuation of inventory</u>	<u>Allowance for sales discount</u>	<u>Others</u>	<u>Total</u>
Deferred tax assets:							
Balance at January 1, 2021	\$ 2,883	70,547	6,803	44,510	50,592	26,408	201,743
Recognized in profit or loss	-	-	(4,986)	(19,668)	9,834	(1,075)	(15,895)
Recognized in other comprehensive income	<u>1,629</u>	<u>22,805</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>24,434</u>
Balance at December 31, 2021	<u><u>\$ 4,512</u></u>	<u><u>93,352</u></u>	<u><u>1,817</u></u>	<u><u>24,842</u></u>	<u><u>60,426</u></u>	<u><u>25,333</u></u>	<u><u>210,282</u></u>
Balance at January 1, 2020	\$ 3,265	36,076	10,860	98,377	37,676	28,528	214,782
Recognized in profit or loss	-	-	(4,057)	(53,867)	12,916	(2,120)	(47,128)
Recognized in other comprehensive income	<u>(382)</u>	<u>34,471</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>34,089</u>
Balance at December 31, 2020	<u><u>\$ 2,883</u></u>	<u><u>70,547</u></u>	<u><u>6,803</u></u>	<u><u>44,510</u></u>	<u><u>50,592</u></u>	<u><u>26,408</u></u>	<u><u>201,743</u></u>

(Continued)

WEIKENG INDUSTRIAL CO., LTD.
Notes to the Financial Statements

	Temporary difference from subsidiary investment	Others	Total
Deferred tax liabilities:			
Balance at January 1, 2021	\$ 394,474	13,192	407,666
Recognized in profit or loss	<u>270,960</u>	<u>18,118</u>	<u>289,078</u>
Balance at December 31, 2021	<u>\$ 665,434</u>	<u>31,310</u>	<u>696,744</u>
Balance at January 1, 2020	329,964	1,843	331,807
Recognized in profit or loss	<u>64,510</u>	<u>11,349</u>	<u>75,859</u>
Balance at December 31, 2020	<u>\$ 394,474</u>	<u>13,192</u>	<u>407,666</u>

(iii) The income tax return of the Company was authorized through 2019.

(q) Capital and other equities

As of December 31, 2021, the number of authorized ordinary shares was 550,000 shares (2020: 450,000 shares) with par value of \$10 per share. The total value of authorized ordinary shares was amounted to \$5,500,000 (2020: \$4,500,000). As of that date, 415,934 shares (2020: 367,751 shares) of ordinary shares amounting to \$4,159,342 (2020: \$3,677,513) were issued. All issued shares were paid up upon issuance.

(i) Common stock

For the year ended December 31, 2020, 48,183 thousand new common shares, with a par value of \$10, amounting to \$481,829, were issued due to the conversion of convertible bonds. As of reporting date, the related registration procedures for 48,021 shares were completed.

(ii) Capital surplus

Balance on capital surplus of the Company were as follows:

	December 31, 2021	December 31, 2020
Additional paid in capital	\$ 1,229,711	845,753
Treasury share transactions	37,617	37,617
Donation from shareholders	712	712
Convertible bonds–conversion options	7,634	57,014
Others	<u>253</u>	<u>253</u>
	<u>\$ 1,275,927</u>	<u>941,349</u>

For the year ended December 31, 2020, the capital surplus deriving from those convertible bonds, which were converted to common stock, amounted to \$334,578. (Including the capital surplus-conversion options transferred to the capital surplus-additional paid-in capital of \$49,380).

(Continued)

WEIKENG INDUSTRIAL CO., LTD.
Notes to the Financial Statements

In accordance with the Company Act, realized capital reserves can be utilized for issuing new shares or being distributed as cash dividends only after offsetting losses. The aforementioned capital reserves include share premiums and donation gains. In accordance with the Securities Offering and Issuance Guidelines, the amount of capital reserves to be utilized for issuing new shares shall not exceed 10 percent of paid-in capital every year. Capital reserve increased by transferring paid-in capital in excess of par value may not be capitalized until the fiscal year after the competent authority for company registrations approves registration of the capital increase.

(iii) Retained earnings

The Company's Article of Incorporation stipulates that Company's earnings should first be used to pay any taxes, offset the prior years' deficits, be set aside as legal reserve, and then set aside or reverse special reserve, any remaining profit, together with any undistributed retained earnings at the beginning, be distributed according to the distribution plan proposed by the Board of Directors to be submitted during the stockholders' meeting for approval. Before the distribution of dividends, the Board of Directors shall first take into consideration its profitability, plan of capital expenditure, business expansion and capital, requirements for cash flow, regulations, and degree of dilution of earnings per share in determining the proportion of stock and cash dividends to be paid. After the above appropriations, current and prior-period earnings that remain undistributed will be proposed for distribution by the Board of Directors, and a meeting of shareholders will be held to adopt this resolution. The total distribution shall not be less than 50% of the current distributable earnings, and the cash dividends shall not be less than 20% of the total dividends.

The Company authorize dividends, bonus and the legal reserve and capital surplus in whole or in part be paid in cash based on the resolution of the Board of Directors with over two-thirds directors present and approved by a majority vote of the present directors, then shall be reported to shareholders meeting.

1) Legal reverse

When a company incurs no loss, it may, pursuant to a resolution by the shareholders' meeting, distribute its legal reserve by issuing new shares or by distributing cash, and only the portion of the legal reserve which exceeds 25% of capital may be distributed.

2) Special reverse

In accordance with the guidelines of the FSC, net earnings after income taxes, plus any other item recognized in undistributed retained earnings and undistributed prior-period earnings shall be reclassified as a special earnings reserve during earnings distribution. Aforementioned amount equal to the difference between the carry net amount of other reductions from equity and the carrying amount of special reserve. Similarly, a portion of undistributed prior-period earnings shall be reclassified as a special earnings reserve (which does not qualify for earnings distribution) to account for cumulative amount of other reductions from equity pertaining to prior periods. The subsequent reversals of the contra accounts in shareholders' equity shall qualify for additional distributions.

(Continued)

WEIKENG INDUSTRIAL CO., LTD.
Notes to the Financial Statements

3) Earnings distribution

The amount for cash dividends on the appropriation of earnings for 2020 and 2019 had been approved during the Board meeting on March 26, 2021 and March 27, 2020, as well as the shareholders' meeting on July 20, 2021 and June 17, 2020, respectively. The relevant dividend distributions to shareholders were as follows:

	<u>2020</u>		<u>2019</u>	
	<u>Amount per share</u>	<u>Total amount</u>	<u>Amount per share</u>	<u>Total amount</u>
Dividends distributed to ordinary shareholders:				
Cash dividends	\$ 1.33341226	<u>494,508</u>	0.57770670	<u>212,452</u>

On March 25, 2022, the Company's Board of Directors resolved to appropriate the 2021 earnings. These earnings were appropriated as follows:

	<u>2021</u>	
	<u>Amount per share</u>	<u>Total amount</u>
Dividends distributed to ordinary shareholders		
Cash dividends	\$ 3.05392536	<u>1,270,232</u>

(r) Earnings per share

(i) Basic earnings per share

The calculation of basic earnings per share at December 31, 2021 and 2020 was based on the profit attributable to ordinary shareholders of the Company and the weighted average number of ordinary shares outstanding as follows:

1) Profit attributable to ordinary shareholders of the Company

	<u>2021</u>	<u>2020</u>
Profit attributable to ordinary shareholders of the Company	\$ <u>1,721,140</u>	<u>699,309</u>

2) Weighted-average number of ordinary shares (thousands)

	<u>2021</u>	<u>2020</u>
Weighted-average number of ordinary shares	<u>378,742</u>	<u>367,751</u>

3) Basic earnings per share (TWD)

	<u>2021</u>	<u>2020</u>
Basic earnings per share (TWD)	\$ <u>4.54</u>	<u>1.90</u>

(Continued)

WEIKENG INDUSTRIAL CO., LTD.
Notes to the Financial Statements

(ii) Diluted earnings per share

The calculation of diluted earnings per share on December 31, 2021 and 2020 was based on profit attributable to ordinary shareholders of the Company, and the weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares calculated as follows.

1) Profit attributable to ordinary shareholders of the Company (diluted)

	<u>2021</u>	<u>2020</u>
Profit attributable to ordinary shareholders of the Company (basic)	\$ 1,721,140	699,309
Convertible bonds payable	<u>3,447</u>	<u>880</u>
Profit attributable to ordinary shareholders of the Company (diluted)	<u>\$ 1,724,587</u>	<u>700,189</u>

2) Weighted-average number of ordinary shares (thousand, diluted)

	<u>2021</u>	<u>2020</u>
Weighted-average number of ordinary shares (basic)	378,742	367,751
Effect of convertible bonds	43,039	8,376
Effect of employee stock remuneration	<u>6,818</u>	<u>4,614</u>
Weighted-average number of ordinary shares (diluted) on December 31	<u>428,599</u>	<u>380,741</u>

	<u>2021</u>	<u>2020</u>
3) Diluted earnings per share (TWD)	<u>\$ 4.02</u>	<u>1.84</u>

(s) Revenue from contracts with customers

(i) Disaggregation of revenue

	<u>2021</u>	<u>2020</u>
Primary geographical markets:		
Taiwan	\$ 7,089,380	5,614,084
China	20,559,210	19,978,884
Others	<u>2,316,325</u>	<u>2,113,042</u>
	<u>\$ 29,964,915</u>	<u>27,706,010</u>
Major products/services lines		
Chipset/memory components	\$ 11,162,086	12,550,321
Mixed and other components	18,795,684	15,082,925
Others	<u>7,145</u>	<u>72,764</u>
	<u>\$ 29,964,915</u>	<u>27,706,010</u>

(Continued)

WEIKENG INDUSTRIAL CO., LTD.
Notes to the Financial Statements

For the years ended December 31, 2021 and 2020, the Company was determined in some specific transactions as an agent that the other party sold some merchandises to end-customer by delivering them to the Company. In these cases, the Company did not obtain the control of the merchandises, therefore, the Company recognized the remaining sales amounts which have been offset against the payment to the other party from the transactions; or recognized the commission signed with the other party, as revenue.

For the years ended December 31, 2021 and 2020, the Company was determined as an agent in the aforementioned transactions which revenue amounted to \$3,643 and \$72,001, respectively. Due to the above transactions, the other receivables amounted to \$0 and \$580,597 as of December 31, 2021 and 2020, respectively; and the other payables amounted to \$0 and \$632,478 as of the years then ended respectively. Please refer to note (6)(e) and (6)(k).

(ii) Contract balance

	<u>December 31, 2021</u>	<u>December 31, 2020</u>	<u>January 1, 2020</u>
Notes and accounts receivable (included related parties)	\$ 6,638,865	4,874,372	3,790,318
Less: allowance for impairment	<u>(53,680)</u>	<u>(60,964)</u>	<u>(35,874)</u>
	<u>\$ 6,585,185</u>	<u>4,813,408</u>	<u>3,754,444</u>
Contract liabilities	<u>\$ 34,902</u>	<u>8,489</u>	<u>20,173</u>

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

The amounts of revenue recognized for the years ended December 31, 2021 and 2020 that were included in the contract liability balance at the beginning of the period were \$2,640 and \$12,920, respectively.

The major change in the balance of contract assets and contract liabilities is the difference between the time frame in the performance obligation to be satisfied and the payment to be received.

(t) Remuneration to employees and directors

The Company's Articles of Incorporation require that earning shall first be offset against any deficit, then, 6% to 10% of profit before tax (before deducting remuneration to employees and directors) will be distributed as employee remuneration and a maximum of 2.5% will be allocated as directors' remuneration. Employees who are entitled to receive the above-mentioned employee remuneration, in share or cash, include the employees of the subsidiaries of the Company who meet certain specific requirements. Actual distribution should be determined in the Board of Directors' meeting, with no less than two-thirds of directors present, and approved by more than half of the directors attending the meeting, then shall be report to the meeting of shareholders.

(Continued)

WEIKENG INDUSTRIAL CO., LTD.
Notes to the Financial Statements

For the years ended December 31, 2021 and 2020, the accrued remuneration of the Company's employees were \$191,512 and \$78,442, as well as directors were \$47,878 and \$19,611, respectively. These amounts were calculated by using the Company's profit before tax for the period before deducting the amount of remuneration to employees and directors, multiplied by the distribution ratio of remuneration to employees and directors under the Company's articles of Incorporation, and expensed under operating expenses. If the Board of Directors resolved to distribute employees' remuneration in the form of shares, the numbers of shares to be distributed were calculated based on the closing price of the Company's ordinary shares one day before the date of the meeting of the Board of Directors.

The amounts, as stated in the financial statements, are identical to those of the actual distributions for 2021 and 2020. Related information would be available at the Market Observation Post System website.

(u) Financial Instruments

(i) Credit risk

1) Exposure to credit risk

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

2) Concentration of credit risk

Because the Company caters to a wide variety of customers and has a diverse market distribution, the Company does not concentrate in any single individual customer. Therefore, there is no significant credit risk of concentration in trade receivable. In order to reduce credit risk, the Company monitors the financial conditions of its customers regularly. However, the Company does not require its customers to provide any collateral.

3) Receivables

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

The amount of other financial assets at amortized cost include other receivables which had been impaired. For the loss allowance provision, please refer to the note (6)(e).

(Continued)

WEIKENG INDUSTRIAL CO., LTD.
Notes to the Financial Statements

(ii) Liquidity risk

The following table shows the contractual maturities of financial liabilities, including estimated interest payments.

	<u>Carrying Amount</u>	<u>Contractual cash flows</u>	<u>Within a year</u>	<u>Over 1 year</u>
December 31, 2021				
Non-derivative financial liabilities				
Unsecured loans	\$ 3,992,844	(4,002,108)	(4,002,108)	-
Short-term notes and bill payable	918,502	(920,000)	(920,000)	-
Lease liabilities	95,620	(96,909)	(59,672)	(37,237)
Accounts payables	2,900,255	(2,900,255)	(2,900,255)	-
Other payables	505,138	(505,138)	(505,138)	-
Bonds payable	126,336	(133,900)	-	(133,900)
	<u>\$ 8,538,695</u>	<u>(8,558,310)</u>	<u>(8,387,173)</u>	<u>(171,137)</u>
December 31, 2020				
Non-derivative financial liabilities				
Unsecured loans	\$ 3,978,260	(3,986,640)	(3,986,640)	-
Short-term notes and bill payable	668,846	(670,000)	(670,000)	-
Lease liabilities	89,085	(91,188)	(51,034)	(40,154)
Accounts payables	1,438,566	(1,438,566)	(1,438,566)	-
Other payables	949,583	(949,583)	(949,583)	-
Bonds payable	929,322	(1,000,000)	-	(1,000,000)
Derivative financial liabilities				
Convertible bonds payable embedded derivatives	9,600	-	-	-
	<u>\$ 8,063,262</u>	<u>(8,135,977)</u>	<u>(7,095,823)</u>	<u>(1,040,154)</u>

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

(iii) Market risk

1) Currency risk

The Company's significant exposure to foreign currency risk was as follows:

	<u>December 31, 2021</u>			<u>December 31, 2020</u>		
	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>TWD</u>	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>TWD</u>
Financial assets						
Monetary items						
USD	\$ 294,173	27.68	8,142,724	257,434	28.480	7,331,728
Non-monetary items						
USD	745	27.68	20,622	745	28.480	21,218
Financial liabilities						
Monetary items						
USD	196,128	27.68	5,428,819	172,906	28.480	4,924,379

(Continued)

WEIKENG INDUSTRIAL CO., LTD.
Notes to the Financial Statements

2) Currency risk sensitivity analysis

The Company's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, notes and account receivables, other receivables, financial assets at fair value through other comprehensive income, loans and borrowings, notes and accounts payables and other payables that are denominated in foreign currency. A change of 5% in the exchange rate of TWD or USD against foreign currency for the years ended December 31, 2021 and 2020 would have increase (decreased) the other comprehensive income (before tax) \$1,031 and \$1,061, respectively. For the years ended December 31, 2021 and 2020 would have increased (decreased) the net profit before tax as follows. The analysis is performed on the same basis for both periods.

	<u>2021</u>	<u>2020</u>
USD (against the TWD)		
Strengthening 5%	\$ 135,695	120,367
Weakening 5%	(135,695)	(120,367)

3) Exchange gains and losses of monetary items

As the Company deals in diverse foreign currencies, gains or losses on foreign exchange were summarized as a single amount. For the years ended December 31, 2021 and 2020, the foreign exchange gain (loss), including both realized and unrealized, amounted to a gain of \$58,442 and \$112,975, respectively.

4) Equity market price risk

If the price of the fair value of equity instruments (including the stocks listed on domestic market at stock exchange (over-the-counter) market share, domestic emerging market stocks and domestic and foreign unlisted stocks) changed at the report date. (with the same analysis performed for both periods, assuming all other variable factors remain constant), it would have resulted in the change in the comprehensive income as illustrated below.

	<u>2021</u>		<u>2020</u>	
	<u>Other comprehensive income before tax</u>	<u>Net income before tax</u>	<u>Other comprehensive income before tax</u>	<u>Net income before tax</u>
<u>Securities prices at reporting date</u>				
Increasing 5%	\$ <u>2,003</u>	<u>30</u>	<u>2,241</u>	<u>31</u>
Decreasing 5%	\$ <u>(2,003)</u>	<u>(30)</u>	<u>(2,241)</u>	<u>(31)</u>

(Continued)

WEIKENG INDUSTRIAL CO., LTD.
Notes to the Financial Statements

(iv) Interest rate analysis

The details of financial assets and liabilities exposed to interest rate risk were as follows:

	<u>Carrying amount</u>	
	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Variable rate instruments:		
Financial assets	\$ 1,413,572	1,341,919
Financial liabilities	(3,992,844)	(3,978,260)

The following sensitivity analysis is based on the risk exposure to interest rate on the derivative and non-derivative financial instruments on the reporting date. Regarding the assets and liabilities with variable interest rates, the analysis is on the basis of the assumption that the amount of assets and liabilities outstanding at the reporting date were outstanding throughout the year. The rate of change is expressed as the interest rate increase or decrease by 0.25% when reporting to management internally, which also represents the Company's management's assessment of the reasonably possible interest rate change.

If the interest rate had increased or decreased by 0.25%, the Company's net profit before tax would have decreased or increased by \$6,448 and \$6,591 for the years ended December 31, 2021 and 2020, respectively, which would be mainly resulting from demand deposits, and unsecured loans with variable interest rates.

(v) Fair value

1) Categories and the fair value of financial instruments

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

(Continued)

WEIKENG INDUSTRIAL CO., LTD.
Notes to the Financial Statements

	December 31, 2021				
	Carrying amount	Fair Value			
		Level 1	Level 2	Level 3	Total
Financial assets mandatorily measured at fair value through profit or loss					
Stocks listed on domestic markets	\$ 607	607	-	-	607
Convertible bonds payable embedded derivatives	<u>375</u>	-	375	-	375
Subtotal	<u>982</u>				
Financial assets at fair value through other comprehensive income					
Notes and accounts receivable, net	1,443,573	-	-	-	-
Emerging market stock	516	516	-	-	516
Stocks unlisted on domestic markets and foreign market	<u>39,549</u>	-	-	39,549	39,549
Subtotal	<u>1,483,638</u>				
Financial assets measured at amortized cost					
Cash and cash equivalents	1,553,378	-	-	-	-
Notes and accounts receivable, net	5,141,612	-	-	-	-
Other receivables	401,943	-	-	-	-
Guarantee deposits paid	<u>22,549</u>	-	-	-	-
Subtotal	<u>7,119,482</u>				
	<u>\$ 8,604,102</u>				
Financial liabilities measured at amortized cost					
Bank loans	\$ 4,911,346	-	-	-	-
Lease liabilities	95,620	-	-	-	-
Accounts payable	2,900,255	-	-	-	-
Other payables	505,138	-	-	-	-
Bonds payable	<u>126,336</u>	-	-	-	-
Subtotal	<u>8,538,695</u>				
	<u>\$ 8,538,695</u>				

(Continued)

WEIKENG INDUSTRIAL CO., LTD.
Notes to the Financial Statements

	December 31, 2020				
	Carrying amount	Fair Value			
		Level 1	Level 2	Level 3	Total
Financial assets mandatorily measured at fair value through profit or loss					
Stocks listed on domestic markets	\$ 624	624	-	-	624
Financial assets at fair value through other comprehensive income					
Notes and accounts receivable, net	1,429,348	-	-	-	-
Emerging market stock	4,348	4,348	-	-	4,348
Stocks unlisted on domestic markets and foreign market	40,474	-	-	40,474	40,474
Subtotal	<u>1,474,170</u>				
Financial assets measured at amortized cost					
Cash and cash equivalents	1,479,458	-	-	-	-
Notes and accounts receivable, net	3,384,060	-	-	-	-
Other receivables	930,141	-	-	-	-
Guarantee deposits paid	22,719	-	-	-	-
Subtotal	<u>5,816,378</u>				
	<u>\$ 7,291,172</u>				
Financial liabilities measured at fair value through profit or loss					
Convertible bonds embedded options	\$ 9,600	-	9,600	-	9,600
Financial liabilities measured at amortized cost					
Bank loans	4,647,106	-	-	-	-
Lease liabilities	89,085	-	-	-	-
Accounts payable	1,438,566	-	-	-	-
Other payables	949,583	-	-	-	-
Bonds payable	929,322	-	-	-	-
Subtotal	<u>8,053,662</u>				
	<u>\$ 8,063,262</u>				

There were no transfers of financial instruments between any levels for the years ended December 31, 2021 and 2020.

2) Valuation techniques for financial instruments not measured at fair value

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

(Continued)

WEIKENG INDUSTRIAL CO., LTD.
Notes to the Financial Statements

a) Financial assets measured at amortized cost

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

3) Valuation technique of financial instruments measured at fair value

a) Non-derivative financial instruments

If the financial instrument has a public quoted price in an active market, the public quoted price will be determined as the fair value. The measurements on fair value of the financial instruments without an active market are determined using the valuation technique or the quoted market price of its counterparty. Fair value measured using the valuation technique can be extrapolated from similar financial instruments, discounted cash flow method, or other valuation techniques which include the model used in calculating the observable market data at the balance sheet date.

The Company holds the unquoted equity investments of financial instruments without an active market. The measurement of fair value of the equity instruments is based on the Guideline Public Company method, which mainly assumes the evaluation by the price to book value ratio of similar public company and by the discount for lack of marketability. The estimation has been adjusted by the effect resulting from the discount for lack of marketability of the securities.

b) Derivative financial instruments

Measurement of fair value of derivative instruments is based on the valuation techniques that are generally accepted by the market participants. For instance, discount method or option pricing models. Fair value of forward currency exchange is usually determined by using the forward currency rate.

4) Reconciliation of Level 3 fair values

	Fair value through other comprehensive income
	Unquoted equity instruments
Opening balance, January 1, 2021	\$ 40,474
Capital refunded	(405)
Total gains and losses recognized:	
In other comprehensive income	(520)
Ending Balance, December 31, 2021	<u>\$ 39,549</u>
Opening balance, January 1, 2020	\$ 42,453
Capital refunded	(1,979)
Ending Balance, December 31, 2020	<u><u>\$ 40,474</u></u>

(Continued)

WEIKENG INDUSTRIAL CO., LTD.
Notes to the Financial Statements

- 5) Quantified information on significant unobservable inputs (Level 3) used in fair value measurement

The Company's financial instruments that use Level 3 inputs to measure fair value include "financial assets measured at fair value through other comprehensive income - equity investments".

Quantified information of significant unobservable inputs was as follows:

<u>Item</u>	<u>Valuation technique</u>	<u>Significant unobservable inputs</u>	<u>Inter-relationships between significant unobservable inputs and fair value measurement</u>
Financial assets at fair value through other comprehensive income	Guideline Public Company method	<ul style="list-style-type: none"> · Enterprise value to sale ratio as of December 31, 2021 was 1.61 · Price-to-sale ratio as of December 31, 2020 was 1.44 · Price-book ratio (as of December 31, 2021 and 2020 was 0.9 and 0.88, respectively) · Market liquidity discount rate (as of December 31, 2021 and 2020 were 17.45% and 17.25%, respectively) 	<ul style="list-style-type: none"> · The higher the price-to-sales ratio, price-book ratio, and the enterprise value to sale ratio, the higher the fair value · The higher the market liquidity discount rate, the lower the fair value
Financial assets at fair value through profit or loss	Net Asset Value Method	<ul style="list-style-type: none"> · Net asset value 	<ul style="list-style-type: none"> · Not applicable

(v) Financial risk management

(i) Briefings

The Company is exposed to the following risks arising from financial instruments:

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

In this note expressed the information on risk exposure and objectives, policies and procedures of risk measurement and management. For detailed information, please refer to the related notes of each risk.

(Continued)

WEIKENG INDUSTRIAL CO., LTD.
Notes to the Financial Statements

(ii) Structure of risk management

The Company's finance department provides business services for the overall internal department. It sets the objectives, policies and processes for managing the risk and the methods used to measure the risk arising from both the domestic and international financial market operations. The Company minimizes the risk exposure through derivative financial instruments. The Board of Directors regulated the use of derivative and non-derivative financial instruments in accordance with the Company's policy about risks arising from financial instruments such as currency risk, interest rate risk, credit risk, the use of derivative and non-derivative financial instruments and the investments of excess liquidity. The internal auditors of the Company continue with the review of the amount of the risk exposure in accordance with the Company's policies and the risk management policies and procedures. The Company has no transactions in financial instruments (including derivative financial instruments) for the purpose of speculation.

(iii) Credit risk

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

1) Accounts receivable and other receivables

The Company has established a credit policy under which each new customer is analyzed individually for creditworthiness before the Company's standard payment and delivery terms and conditions are offered. The Company's review includes external ratings, when available, and in some cases bank references. Purchase limits are established for each customer, and these limits are reviewed periodically. The customers evaluated as low credit rating by the Company only have prepayment transactions with the Company.

Trade and other receivables mainly relate to a wide range of customers from different industries and geographic regions. The Company continued to assess the financial condition and credit risk of its customers, by grouping trade and other receivables based on their characteristics and will purchase credit guarantee insurance contracts if necessary.

Because the Company caters to a wide variety of customers and has a diverse market distribution, the Company does not concentrate in any single individual customer. Therefore, there is no significant credit risk of concentration in trade receivable. In order to reduce the credit risk, the Company monitors the financial conditions of its customers regularly. However, the Company does not require its customers to provide any collateral.

(Continued)

WEIKENG INDUSTRIAL CO., LTD.
Notes to the Financial Statements

2) Investments

The credit risks exposure in the bank deposits, investments with fixed income and other financial instruments are measured and monitored by the Company's finance department. Since the Company's transaction counterparties and the contractually obligated counterparties are banks, financial institutes and corporate organizations with good credits, there are no compliance issues, and therefore, no significant credit risk. The finance department evaluates the counterparty's credit condition when investing in bond investment without an active market, and do not expect to have any significant credit risk.

(iv) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

The Company manages sufficient cash and cash equivalents so as to cope with its operations and mitigate the effects of fluctuations in cash flows. The Company's management supervises the banking facilities and ensures in compliance with the terms of the loan agreements.

Borrowings from the banks and accounts receivable factoring are important sources of liquidity for the Company. Please refer to note (6)(d) and note (6)(j) for unused short-term bank facilities and factoring amount as of December 31, 2021 and 2020.

(v) Market risk

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

1) Currency risk

The Company is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the functional currencies of the Company, primarily the USD, CNY and HKD.

When short-term assets and liabilities denominated in a foreign currency are unbalanced, the Company uses exchange rate to buy or sell about foreign currency to ensure that the net risk is maintained at an acceptable level.

2) Interest rate risk

As the Company's borrowings position are based on USD and NTD, the Company's capital cost will result in an decrease (increase) when Federal Reserve ("Fed") and Central Bank of the Republic of China (Taiwan) decrease (increase) the interest rate of USD and NTD. The Company adjusts the proportion of the USD and NTD borrowings to minimize the cost of capital, in order to reduce interest rate risk to an acceptable level.

(Continued)

WEIKENG INDUSTRIAL CO., LTD.
Notes to the Financial Statements

3) Other price risk

The management of the Company monitors the listed or OTC share investments and open-end mutual funds based on the market price.

(w) Capital management

The policy of the Board of Directors is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Capital consists of ordinary shares, capital surplus, and retained earnings.

The Company monitors the capital structure by way of periodical review on the liability ratio. As of December 31, 2021 and 2020 the liability ratios were as follows:

	December 31, 2021	December 31, 2020
Total liabilities	\$ 9,789,708	8,858,456
Total assets	17,812,196	14,932,534
Liability ratio	55 %	59 %

As of December 31, 2021, there were no changes in the Company's approach to capital management.

(x) Investing and financing activities not affecting current cash flow

The Company's investing and financing activities which did not affect the current cash flow for the years ended December 31, 2021 and 2020, were as follows:

- (i) For the acquisition of right-of-use assets from leases, please refer to note (6)(i).
- (ii) For conversion of convertible bonds to ordinary shares, please refer to note (6)(l).

The reconciliation of liabilities arising from financing activities was as follows:

	January 1, 2021	Cash flows	Non-cash changes			December 31, 2021
			Acquisition	Decrease	Foreign exchange movement	
Short-term loans	\$ 4,647,106	264,240	-	-	-	4,911,346
Lease liabilities	89,085	(59,446)	66,010	-	(29)	95,620
Bonds payable	929,322	-	-	(802,986)	-	126,336
Total liabilities from financing activities	<u>\$ 5,665,513</u>	<u>204,794</u>	<u>66,010</u>	<u>(802,986)</u>	<u>(29)</u>	<u>5,133,302</u>

(Continued)

WEIKENG INDUSTRIAL CO., LTD.
Notes to the Financial Statements

	January 1, 2020	Cash flows	Non-cash changes			December 31, 2020
			Acquisition	Decrease	Foreign exchange movement	
Short-term loans	\$ 4,745,669	(98,563)	-	-	-	4,647,106
Lease liabilities	130,745	(52,871)	11,215	-	(4)	89,085
Bonds payable	-	1,000,000	-	(70,678)	-	929,322
Total liabilities from financing activities	<u>\$ 4,876,414</u>	<u>848,566</u>	<u>11,215</u>	<u>(70,678)</u>	<u>(4)</u>	<u>5,665,513</u>

(7) Related-party transactions

(a) Name and relationship with related parties

The following are entities that have had transactions with the Company and its Subsidiaries during the period covered in the financial report were as follows:

Related-party	Relationship
Weikeng International Co., Ltd. (WKI)	Subsidiary
Weikeng Technology Co., Ltd. (WKZ)	Subsidiary
Weikeng Technology Pte. Ltd. (WTP)	Subsidiary
Weikeng International (Shanghai) Co., Ltd. (WKS)	Sub-Subsidiary
Weitech International Co., Ltd. (Weitech)	Sub-Subsidiary
Weikeng Electronic Technology (Shanghai) Co., Ltd. (WKE)	Sub-Subsidiary
Weiji Investment Co., Ltd.	The same chairman
Genlog Industrial Co., Ltd.	Substantive related-party

(b) Other related party transactions

(i) Sale of goods to related parties

The amounts of significant sales transactions between the Company and related parties were as follows:

	2021	2020
Subsidiaries	\$ 177,120	378,925
Sub-subsidiaries	2,111	1,546
Other related parties	13	14
	<u>\$ 179,244</u>	<u>380,485</u>

(Continued)

WEIKENG INDUSTRIAL CO., LTD.
Notes to the Financial Statements

There was no significant difference in the pricing on sales to related parties and general customers, except for the sales to the subsidiaries and sub-subsidiaries, whose prices are based on the price, plus, cost. The collection period for certain subsidiaries is based on their accounts receivable which depend on OA30 days after offsetting the accounts payable generated from their purchase and sales; and the collection period for other related parties ranges from 30 to 60 days after delivery.

(ii) Purchase of goods from related parties

The amounts of significant purchase transactions between the Company and related parties were as follows:

	<u>2021</u>	<u>2020</u>
Subsidiaries	\$ <u>569,551</u>	<u>641,718</u>

There was no significant difference in pricing on purchase from related parties and general suppliers, except for the purchase from subsidiaries and sub-subsidiaries, whose prices are based on the purchase, plus, cost. The payment period for certain subsidiaries is based on their accounts payable which depend on OA30 days after offsetting the accounts receivable generated from their purchase and sales; and the payment period for other related parties ranges from 30 to 60 days after the arrival date.

(iii) Processing fee and consultancy fees from related Parties

Other related parties were commissioned to provide processing services and consulting services to the Company, as well as the payment for the commission to subsidiaries. For the years ended December 31, 2021 and 2020, the amounts were as follows:

	<u>2021</u>	<u>2020</u>
Other related parties	\$ <u>6,594</u>	<u>9,554</u>

(iv) Lease

The Company leased a portion of its building to its subsidiaries and related parties for office use purpose. The rentals is collected monthly, were as follows:

	<u>2021</u>	<u>2020</u>
Subsidiaries	\$ 23	23
Other related parties	1,145	1,191
	<u>\$ 1,168</u>	<u>1,214</u>

The Company signed a 2-3year lease contract with its subsidiaries to lease the office and warehouse, at a total value of the \$48,744 and \$47,117, respectively, for the years ended December 31, 2021 and 2020, and the interest expenditure of \$250 and \$703 in 2021 and 2020, respectively. As of December 31, 2021 and 2020, the balance of lease liability amounted to \$40,497 and \$17,513, respectively.

(Continued)

WEIKENG INDUSTRIAL CO., LTD.
Notes to the Financial Statements

(v) Management and credit service income

As of December 31, 2021 and 2020, the Company incurred the management and credit service income of \$369,247 and \$278,748, respectively, from its subsidiaries and sub-subsidiaries, recognized in non-operating income – other.

(vi) Receivables from relate parties

<u>Account</u>	<u>Related party categories</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Notes and accounts receivables	Subsidiaries	\$ 41,560	13,389
Notes and accounts receivables	Sub-subsidiaries	353	383
Notes and accounts receivables	Other related parties	-	12
Other receivables	Subsidiaries	<u>84,941</u>	<u>73,204</u>
		<u>\$ 126,854</u>	<u>86,988</u>

(vii) Payable to related parties

<u>Account</u>	<u>Related party categories</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Other payables	Subsidiaries	\$ 80	83
Other payables	Other related parties	<u>355</u>	<u>460</u>
		<u>\$ 435</u>	<u>543</u>

(viii) Guarantee

As of December 31, 2021 and 2020, the Company's endorsement guarantees for subsidiaries were \$7,505,908 and \$8,080,608, respectively.

(c) Key management personnel compensation

Key management personnel compensation comprised:

	<u>2021</u>	<u>2020</u>
Short-term employee benefits	\$ 194,296	118,030
Post-employment benefits	<u>839</u>	<u>830</u>
	<u>\$ 195,135</u>	<u>118,860</u>

(Continued)

WEIKENG INDUSTRIAL CO., LTD.
Notes to the Financial Statements

(8) Pledged assets: None.

(9) Commitments and contingencies:

As of December 31, 2021 and 2020 the balance of L/Cs for deferred payment of import value added tax and the purchase of merchandise were as follows:

	December 31, 2021	December 31, 2020
	\$ 188,312	167,400

(10) Losses Due to Major Disasters: None

(11) Subsequent Events: None

(12) Other:

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

By item	By function	2021	2020
		Operating expense	Operating expense
Employee benefits			
Salary		763,133	583,272
Labor and health insurance		44,602	38,590
Pension		23,938	23,797
Remuneration of directors		47,878	19,611
Others		31,637	29,353
Depreciation		64,432	58,474
Amortization		8,573	5,291

For the years ended December 31, 2021 and 2020, the information on the number of employees and employee benefit expense of the Company is as follows:

	2021	2020
Number of employees	495	465
Number of directors who were not employees	5	5
The average employee benefit	\$ 1,762	1,467
The average salaries and wages	\$ 1,557	1,268
The adjustment of the average salaries and wages adjustment	22.79 %	
Remuneration for supervisors	\$ -	-

(Continued)

WEIKENG INDUSTRIAL CO., LTD.
Notes to the Financial Statements

The Company's salary and remuneration policy (including directors, managers and employees) are as follows:

- (i) The remunerations to employees and managers is divided into two parts: fixed salary and variable salary. Fixed salary (including principal salary, job allowance and food expenses) is based on the education, experience, skills, and the degree of responsibility for decision-making of business risks. Factors such as the degree, contribution to the Company, and payment levels in the same industry, etc., are subject to verification. Variable salaries include performance bonuses, year-end bonuses and employee compensation. Among them, performance bonuses are mainly paid to business and technical application personnel, and bonuses are issued based on product operating performance and personal performance; The year-end bonus is based on the achievement of the budget profit target, and considers the annual bonus, and the performance, education, skills of employees and managers, the degree of responsibility for decision making of business risks, the contribution to the company, and the level of payment in the same industry. Employee remuneration is the total amount of remuneration expenses in the employee's remuneration set in accordance with the Company's articles of association. After the approval of shareholders' meeting, factors such the performance, education, experience, skills of employees and managers, the degree of responsibility for decision-making of business risks, the contribution to the Company, and the level of payment in the same industry shall be considered. Then the payment will be paid in cash or stocks.
- (ii) The remuneration paid by the company to the directors shall be the remuneration and business execution expenses provided in accordance with Article 22 of the Company's Article of Incorporation (only the fees for attending the meeting).
- (iii) The Company's cautiously evaluates the payments of salary and remuneration. The remuneration and salary of managers and directors shall be approved by the Salary and Remuneration Committee and the Board of Directors.

(13) Other disclosures:

- (a) Information on significant transactions:

The following is the information on significant transactions required by the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" for the Company for the year ended December 31, 2021:

- (i) Loans to other parties: None

(Continued)

WEIKENG INDUSTRIAL CO., LTD.
Notes to the Financial Statements

(ii) Guarantees and endorsements for other parties:

(in thousands of new Taiwan dollars)

No.	Name of guarantor	Counter-party of guarantee and endorsement		Limitation on amount of guarantees and endorsements for a specific enterprise	Highest balance for guarantees and endorsements during the period	Balance of guarantees and endorsements as of reporting date	Actual usage amount during the period	Property pledged for guarantees and endorsements (Amount)	Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements	Maximum amount for guarantees and endorsements	Parent company endorsements/ guarantees to third parties on behalf of subsidiary (note 2)	Subsidiary endorsements/ guarantees to third parties on behalf of parent company (note 2)	Endorsements/ guarantees to third parties on behalf of companies in Mainland China (note 2)
		Name	Relationship with the Company										
0	The Company	WKI	100% owned subsidiary	12,033,732	6,137,694	6,071,848	5,446,030	-	75.68 %	24,067,464	Y	N	N
"	"	WTP	100% owned subsidiary	12,033,732	611,490	525,920	464,755	-	6.55 %	24,067,464	Y	N	N
"	"	WKS	100% owned subsidiary	12,033,732	1,052,550	908,140	174,503	-	11.31 %	24,067,464	Y	N	Y

Note 1 : The total amount of the guarantee provided by the Company shall not exceed three hundred percent (300%) of the higher amount between the Company's capital amount and net worth. However, for any individual entity whose voting shares are 50% owned or more, directly or indirectly, by the Company shall not exceed fifty percent (50%) of the maximum amount for guarantee on recent audited or reviewed financial statements.

Note 2 : For those entities as the guarantor to the subsidiary, subsidiary as the guarantor to the company, or the guarantor that located in China, please fill in "Y".

(iii) Securities held as of December 31, 2021 (excluding investment in subsidiaries, associates and joint ventures):

(Shares/units (thousands))

Name of holder	Category and name of security	Relationship with company	Account title	Ending balance				Note
				Shares/Units (thousands)	Carrying amount	Percentage of ownership (%)	Fair value	
The Company	Securities of listed companies EBM Technologies Inc.	-	Financial assets mandatorily measured at fair value through profit or loss-current	34	\$ 607	-	\$ 607	
"	Clientron Corp.	-	Financial assets at fair value through other comprehensive income-noncurrent	15	516	0.02	516	
"	Paradigm I Venture Capital Company (Paradigm I)	-	"	750	\$ 7,458	6.79	\$ 7,458	
"	Paradigm Venture Capital Corporation (PVC Corp.)	-	"	230	2,301	10.49	2,301	
"	InnoBridge Venture Fund ILP. (InnoBridge)	-	"	-	15,150	9.90	15,150	
"	Shin Kong Global Venture Capital Corp.	-	"	960	4,800	12.00	4,800	
"	Vision Wide Technology Co., Ltd. (VTEC)	-	"	800	9,840	1.67	9,840	
					\$ 39,549		\$ 39,549	

- (iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NTD300 million or 20% of the capital stock: None
- (v) Acquisition of individual real estate with amount exceeding the lower of NTD300 million or 20% of the capital stock: None
- (vi) Disposal of individual real estate with amount exceeding the lower of NTD300 million or 20% of the capital stock: None

(Continued)

WEIKENG INDUSTRIAL CO., LTD.
Notes to the Financial Statements

- (vii) Related-party transactions for purchases and sales with amounts exceeding the lower of NTD100 million or 20% of the capital stock:

Name of company	Related party	Nature of relationship	Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		Note
			Purchases/ (Sales)	Amount	Percentage of total purchases/ (sales)	Payment terms	Unit price	Payment terms	Ending balance	Percentage of total notes/accounts receivable (payable)	
The Company	WKI	100% owned subsidiary	(Sales)	(111,687) (USD(4,010))	(0.37) %	OA30	No significant difference with other customer	-	Accounts Receivable 12,744 (USD460)	0.19 %	
"	"	"	Purchases	569,546 (USD20,347)	2.00 %	"	"	-	-	- %	
WKI	The Company	Parent company	Purchases	111,687 (USD4,010)	0.30 %	"	"	-	Accounts Payable (12,744) (USD(460))	(0.65) %	
"	"	"	(Sales)	(596,546) (USD(20,347))	(1.53) %	"	"	-	-	- %	
"	WKS	Subsidiary	(Sales)	(4,930,339) (USD(175,966))	(13.25) %	OA60	"	-	Accounts Receivable 686,938 (USD24,817)	12.11 %	
WKS	WKI	Parent company	Purchases	4,930,339 (USD175,966)	64.83 %	"	"	-	Accounts Payable (686,938) (USD(24,817))	(66.95) %	

Note: The transactions have been eliminated in the consolidated financial statement.

- (viii) Receivables from related parties with amounts exceeding the lower of NTD100 million or 20% of the capital stock:

(in thousands of foreign currency)

Name of company	Counter-party	Nature of relationship	Ending balance	Turnover rate	Overdue		Amounts received in subsequent period (Note)	Allowance for bad debts	Note
					Amount	Action taken			
WKI	WKS	Subsidiary	686,938 (USD24,817)	7.94	-	-	USD 22,607	-	

Note: Information as of Mar. 15, 2022.

- (ix) Trading in derivative instruments: Please refer to note (6)(b)

(Continued)

WEIKENG INDUSTRIAL CO., LTD.
Notes to the Financial Statements

(b) Information on investees:

The following is the information on investees for the year ended December 31, 2021 (excluding information on investees in Mainland China):

(in thousands of foreign currency)

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Shares (In Thousands)	Highest Percentage of Ownership	Carrying amount	Net income (losses) of investee	Investment income (losses) of investor	Note
				December 31, 2021	December 31, 2020						
The Company	WKI	Hong Kong	Electronic components computer peripherals products distribution and technical support	\$ 1,322,295	1,044,995	473,950	100%	\$ 5,232,263	1,309,121	\$ 1,309,121	Subsidiary
"	WKZ	Taipei	Electronic components and technical support	12,983	12,983	1,589	100%	25,931	(134)	(134)	"
"	WTP	Singapore	"	293,327	293,327	12,413	100%	366,743	45,677	45,677	"
				<u>\$ 1,628,605</u>	<u>1,351,305</u>			<u>\$ 5,624,937</u>		<u>\$ 1,354,664</u>	
WKI	Weitech	Hong Kong	Import and export trade of electronic components	0.41 (HKD0.1)	0.41 (HKD0.1)	-	100%	2,076 (USD75)	172 (USD6)	172 (USD6)	Subsidiary's subsidiary

(c) Information on investment in mainland China:

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

(in thousands of foreign currency)

Name of investee	Main businesses and products	Total amount of paid-in capital	Method of investment	Accumulated outflow of investment from Taiwan as of January 1, 2021	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2021	Net income (losses) of the investee	Percentage of ownership	Investment income (losses) of investor (Note 2)	Book value	Accumulated remittance of earnings in current period
					Outflow (Note 3)	Inflow						
WKS	Electronic components computer peripherals products distribution and technical support	786,647 (USD25,000)	Note 1 - 4	304,594 (USD9,800)	-	-	304,594 (USD9,800)	66,503 (USD2,374) (Note 2)	100%	66,503 (USD2,374) (Note 2)	716,500 (USD25,885)	-
WKE	Electronic technology development and technical advisory	5,067 (RMB1,000)	Note 1 - 5	-	-	-	-	147 (USD5)	100%	147 (USD5)	5,635 (USD204)	-

(ii) Limitation on investment in Mainland China:

Accumulated Investment in Mainland China as of December 31, 2021	Investment Amounts Authorized by Investment Commission, MOEA (note 3)	Upper Limit on Investment
304,594 (USD9,800)	692,000 (USD25,000)	4,813,493

Note 1: Investment in Mainland China was through a company in the third area.

Note 2: The investment gains and losses of the current period are recognized according to the financial statements, which have been reviewed by the Company's independent auditors, and were translated into New Taiwan Dollars at the average exchange rates.

Note 3: The currency was translated into New Taiwan Dollars at the exchange rates at the end of reporting period.

Note 4: The difference was due to Weikeng International Co. Ltd.'s investment of US15,200 thousand dollars on Weikeng International (Shanghai) Co. Ltd. using its own funds.

Note 5: The difference was due to Weikeng International (Shanghai) Co. Ltd.'s investment of RMB1,000 thousand dollars on Weikeng Electronic Technology (Shanghai) Co. Ltd. using its own funds.

(Continued)

WEIKENG INDUSTRIAL CO., LTD.
Notes to the Financial Statements

(iii) Significant transactions:

Please refer to Information on significant transactions of the consolidated financial statements for the information on significant direct or indirect transactions, which were eliminated in the preparation of consolidated financial statements, between the Company and the investee companies in Mainland China in 2021.

(d) Major shareholders:

Shareholder's Name	Shareholding	Shares	Percentage
Weiji Investment Co., Ltd.		30,426,876	7.32 %

Note (i): The information of major shareholders is based on the last business day of the end of each quarter set by Taiwan Depository & Clearing Corporation, wherein the shareholders hold more than 5% of the Company's ordinary shares, which have been completely registered non-physically (including treasury shares). There may be differences between the share capital recorded in the Company's financial statements and the actual number of the delivered shares, which have been completely registered non-physically due to the different methods used in their calculation.

Note (ii): In the case of the above information, if the shareholder delivers the shares to the trust, the shares will be disclosed as a personal account under the trust account of the principal opened by the trustee. As for the shareholders' declaration of more than 10% of the insider's shareholdings under the Securities and Exchange Act, the shareholders' stocks should be include in their own shareholdings, plus, the shares delivered to the trust, wherein the shareholders have the right of decision on using the trust property. For information on insider's equity declaration, please refer to market observation post system.

(14) Segment information:

Please refer the consolidated financial statements.

WEIKENG INDUSTRIAL CO., LTD.**Statement of cash and cash equivalents****December 31, 2021****(Expressed in thousands of New Taiwan Dollars)**

<u>Item</u>	<u>Description</u>	<u>Amount</u>
Cash on hand		\$ 134
Checking accounts and demand deposits		217,295
Foreign currency in banks	Foreign currency(USD47,694、HKD735 and CNY3,029)	<u>1,335,949</u>
		<u>\$ 1,553,378</u>

Note : Exchange rate: USD/TWD 27.68; HKD/TWD3.549; CNY/TWD4.344.

Statement of trade receivables

<u>Customer names</u>	<u>Description</u>	<u>Amount</u>
Notes receivable	Revenue from non-related parties	\$ <u>22,710</u>
Accounts receivable		
Related Parties :		
Other (Note)	Revenue from related parties	41,913
Non-related parties :		
TC131	Revenue from non-related parties	1,019,794
Other (Note)		<u>5,554,448</u>
		6,616,155
Less: Loss allowance		<u>53,680</u>
		<u>6,562,475</u>
Notes and accounts receivable, net.		<u>\$ 6,585,185</u>

Note: The amount of individual client included in others does not exceed 5% of the account balance.

WEIKENG INDUSTRIAL CO., LTD.**Statement of inventories****December 31, 2021****(Expressed in thousands of New Taiwan Dollars)**

<u>Item</u>	<u>Amount</u>	
	<u>Cost</u>	<u>Net realizable value</u>
Merchandise inventories	\$ 2,813,896	3,656,806
Goods in transit	220,206	232,654
	<u>\$ 3,034,102</u>	<u>3,889,460</u>

Note : The market price of inventories was determined by the net realizable value.

Statement of prepayments

<u>Item</u>	<u>Description</u>	<u>Amount</u>
Net Input VAT	Business tax	\$ 96,208
Other (Note)	Includes prepaid expenses, prepayments to suppliers and temporary payments, etc.	11,514
		<u>\$ 107,722</u>

Note: The amount of individual client included in others does not exceed 5% of the account balance.

WEIKENG INDUSTRIAL CO., LTD.

Statement of changes in investments accounted for using the equity method

December 31, 2021

(Expressed in thousands of New Taiwan Dollars)

Company name	Opening balance		Increase		Decrease		Recognized revenue	Ending balance		Market price or net value	Provided guarantee or pledge	
	Shares	Amount	Shares	Amount	Shares	Amount	Amount	Shares	Amount			
WKI	396,250	\$ 4,061,770	77,700	277,300	-	-	1,309,121	473,950	100 %	5,648,191	5,232,263	None
WKZ	1,589	26,065	-	-	-	-	(134)	1,589	100 %	25,931	25,931	"
WTP	12,413	371,894	-	-	-	-	45,677	12,413	100 %	417,571	366,743	"
Exchange differences on translation of foreign financial statements		(352,739)		-		(114,017)	-			(466,756)	-	
		<u>\$ 4,106,990</u>		<u>277,300</u>		<u>(114,017)</u>	<u>1,354,664</u>			<u>5,624,937</u>	<u>5,624,937</u>	

WEIKENG INDUSTRIAL CO., LTD.

Statement of financial assets measured at fair value through other
comprehensive income - non-current

December 31, 2021

(Expressed in thousands of New Taiwan Dollars)

Name of investee	Beginning balance		Increase		Decrease		Value of financial assets after value adjustment	Ending balance		Collateral
	Shares	Amount	Shares	Amount	Shares	Amount		Shares	Amount	
Share:										
Feature Integration Technology Inc.	158	\$ 4,085	-	-	158	(6,687) (Note 1)	2,602	-	-	None
Pavadigam I	750	7,458	-	-	-	-	-	750	7,458	"
PVC Corp.	271	3,226	-	-	41	(405) (Note 2)	(520)	230	2,301	"
InnoBridge	-	15,150	-	-	-	-	-	-	15,150	"
Clientron Corp.	15	263	-	-	-	-	253	15	516	"
Shin Kong Global Venture Capital Corp.	3,000	4,800	-	-	2,040	- (Note 3)	-	960	4,800	"
VTEC	800	9,840	-	-	-	-	-	800	9,840	"
		<u>\$ 44,822</u>		<u>-</u>		<u>(7,092)</u>	<u>2,335</u>		<u>40,065</u>	

Note 1: The disposal of the non-current financial assets at fair value through other comprehensive income.

Note 2: The investee companies refunded the capital.

Note 3: The investee companies reduced its capital to offset accumulated deficits in 2021.

WEIKENG INDUSTRIAL CO., LTD.

Statement of short-term borrowings

December 31, 2021

(Expressed in thousands of New Taiwan Dollars)

<u>Type</u>	<u>Description</u>	<u>Contract period</u>	<u>Interest rate</u>	<u>Financing amount</u>	<u>Ending balance</u>	<u>Collateral</u>
Financial	unsecured	2021.08.13~2022.03.25	0.76%~0.95%	550,000	\$ 483,394	None
institution Loans	loans					
"	"	2021.08.18~2022.08.18	0.80%~1%	700,000	336,294	"
"	"	2021.10.08~2022.04.14	0.84%~0.85%	415,200	310,624	"
"	"	2021.08.17~2022.11.03	0.52%~0.53%	300,000	300,000	"
"	"	2021.12.22~2022.03.23	0.95%	300,000	300,000	"
"	"	2021.09.10~2022.06.07	0.78%~0.91%	450,000	281,068	"
"	"	2021.10.25~2022.03.23	0.95%	300,000	270,000	"
"	"	2021.10.08~2022.05.28	0.91%	415,200	252,459	"
Others (Note)					<u>2,377,507</u>	"
					<u>\$ 4,911,346</u>	

Note: The amount of each institution included in others does not exceed 5% of the account balance.

WEIKENG INDUSTRIAL CO., LTD.**Statement of trade payables****December 31, 2021****(Expressed in thousands of New Taiwan Dollars)**

<u>Account</u>	<u>Description</u>	<u>Amount</u>
Accounts payable:		
TV008	Operating expense for non related party	\$ 650,449
TV002	"	561,623
TV052	"	296,878
TV004	"	206,164
TV018	"	178,486
TV007	"	153,995
Others (Note)	"	<u>852,660</u>
		<u>\$ 2,900,255</u>

Note: The amount of individual supplier included in others does not exceed 5% of the account balance.

Statement of other non-current liabilities

<u>Item</u>	<u>Description</u>	<u>Amount</u>
Refund liabilities	Allowance for sales refund	\$ 291,335
Other (Note)	Collect labor insurance and advance rent etc.	<u>3,760</u>
		<u>\$ 295,095</u>

Note: The amount of each item included in others does not exceed 5% of the account balance.

WEIKENG INDUSTRIAL CO., LTD.

Statement of lease liabilities

December 31, 2021

(Expressed in thousands of New Taiwan Dollars)

<u>Item</u>	<u>Rental period</u>	<u>Discount rate</u>	<u>Current</u>	<u>Non-current</u>
Buildings	1.7~5.2 years	0.84%~1.2%	\$ 58,476	36,795
Transportation equipment	3~3.6 years	1.20%	349	-
			<u>\$ 58,825</u>	<u>36,795</u>

Note: For right-of-use-asset, please refer note 6(i).

Statement of operating revenue

For the year ended December 31, 2021

<u>Item</u>	<u>Amount (thousand)</u>	<u>Amount</u>
Sale revenue:		
Chipset/memory components	294,884	\$ 11,162,086
Mixed and other components	4,569,282	18,795,684
Others		7,145
Net operating revenue		<u>\$ 29,964,915</u>

WEIKENG INDUSTRIAL CO., LTD.**Statement of operating costs****For the year ended December 31, 2021****(Expressed in thousands of New Taiwan Dollars)**

<u>Item</u>	<u>Amount</u>
Inventory, January, 1	\$ 3,161,738
Add: Purchase	28,417,387
Outsourcing processing expense	39,184
Less: Inventory, December, 31	(3,158,314)
Inventory scrapping	<u>(2,997)</u>
Cost of goods sold	28,456,998
Add: Allowance for inventory valuation and obsolescence losses	(98,339)
Allowance for inventory scrapping	<u>2,997</u>
Operating costs	<u><u>\$ 28,361,656</u></u>

Statement of sales and administration expenses

<u>Item</u>	<u>Sales expense</u>	<u>Administration expense</u>
Salary and expense	\$ 542,765	220,368
Depreciation expense	55,255	9,177
Export expense	49,456	-
Insurance expense	44,006	13,348
Remuneration of directors	-	47,878
Other (Note)	<u>131,020</u>	<u>52,230</u>
Total	<u><u>\$ 822,502</u></u>	<u><u>343,001</u></u>

Note: The amount of each item in others does not exceed 5% of the account balance.