

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

**Consolidated Financial Statements**

**With Independent Auditors' Review Report  
For the Three Months Ended March 31, 2021 and 2020**

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

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安侯建業聯合會計師事務所

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## Independent Auditors' Review Report

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

### Introduction

We have reviewed the accompanying consolidated balance sheets of Weikeng Industrial Co., Ltd. and its subsidiaries as of March 31, 2021 and 2020, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the three months ended March 31, 2021 and 2020, and notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

### Scope of Review

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

### Conclusion

Based on our reviews, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of Weikeng Industrial Co., Ltd. and its subsidiaries as of March 31, 2021 and 2020, and of its consolidated financial performance and its consolidated cash flows for the three months ended March 31, 2021 and 2020 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.



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

KPMG

Taipei, Taiwan (Republic of China)

May 13, 2021

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

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



(English Translation of Consolidated Financial Statements Originally Issued in Chinese)  
**Reviewed only, not audited in accordance with generally accepted auditing standards**

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

**Consolidated Statement of Comprehensive Income**

**For the three months ended March 31, 2021 and 2020**

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

		For the three months ended March 31			
		2021		2020	
		Amount	%	Amount	%
4100	Net sales revenue (note (6)(r) and note (7))	\$ 15,823,146	100	11,561,510	100
5000	Cost of sales (note (6)(f))	<u>14,870,236</u>	<u>94</u>	<u>10,880,484</u>	<u>94</u>
	<b>Gross profit</b>	<u>952,910</u>	<u>6</u>	<u>681,026</u>	<u>6</u>
	<b>Operating expenses (notes (6)(l), (6)(m), (6)(n), note (7) and (12)):</b>				
6100	Selling expenses	436,095	3	353,035	3
6200	Administrative expenses	130,868	1	103,402	1
6450	Expected credit losses (gains) (note (6)(d))	<u>(11,829)</u>	<u>-</u>	<u>11,171</u>	<u>-</u>
		<u>555,134</u>	<u>4</u>	<u>467,608</u>	<u>4</u>
	<b>Net operating income</b>	<u>397,776</u>	<u>2</u>	<u>213,418</u>	<u>2</u>
	<b>Non-operating income and expenses:</b>				
7100	Interest income	744	-	1,145	-
7010	Other income (note (7))	10,140	-	13,998	-
7235	Gains (losses) on financial assets (liabilities) at fair value through profit or loss	2,500	-	1,653	-
7230	Foreign currency exchange gains (losses), net (note (6)(i))	14,027	-	(22,684)	-
7050	Financial costs (note (6)(l))	(43,678)	-	(82,983)	(1)
7590	Miscellaneous disbursements	<u>(144)</u>	<u>-</u>	<u>(143)</u>	<u>-</u>
		<u>(16,411)</u>	<u>-</u>	<u>(89,014)</u>	<u>(1)</u>
7900	<b>Profit before tax</b>	381,365	2	124,404	1
7950	Income tax expenses (note (6)(o))	<u>107,311</u>	<u>1</u>	<u>33,527</u>	<u>-</u>
8200	<b>Profit</b>	<u>274,054</u>	<u>1</u>	<u>90,877</u>	<u>1</u>
	<b>Other comprehensive income:</b>				
8310	<b>Items that will not be reclassified to profit or loss</b>				
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	2,038	-	106	-
8349	Less: income tax relating to components of other comprehensive income that will not be reclassified to profit or loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
		<u>2,038</u>	<u>-</u>	<u>106</u>	<u>-</u>
8360	<b>Items that may be reclassified subsequently to profit or loss</b>				
8361	Exchange differences on translation of foreign financial statements	17,373	-	24,775	-
8399	Less: income tax relating to components of other comprehensive income that may be reclassified to profit or loss (note (6)(o))	<u>3,474</u>	<u>-</u>	<u>4,955</u>	<u>-</u>
		<u>13,899</u>	<u>-</u>	<u>19,820</u>	<u>-</u>
	<b>Other comprehensive income, net</b>	<u>15,937</u>	<u>-</u>	<u>19,926</u>	<u>-</u>
8500	<b>Comprehensive income</b>	<u>\$ 289,991</u>	<u>1</u>	<u>110,803</u>	<u>1</u>
	<b>Earnings per share: (note (6)(q))</b>				
9750	<b>Basic earnings per share</b>	<u>\$ 0.75</u>		<u>0.25</u>	
9850	<b>Diluted earnings per share</b>	<u>\$ 0.65</u>		<u>0.25</u>	

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)  
Reviewed only, not audited in accordance with generally accepted auditing standards

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

**Consolidated Statement of Changes in Equity**

**For the three months ended March 31, 2021 and 2020**

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

	Retained earnings				Unappropriated retained earnings	Other equity interest		Total equity
	Ordinary shares	Capital surplus	Legal reserve	Special reserve		Exchange differences on translation of foreign financial statements	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	
<b>Balance at January 1, 2020</b>	\$ 3,677,513	884,335	864,760	138,615	329,162	(144,308)	(85,152)	5,664,925
Appropriation and distribution of retained earnings:								
Cash dividends	-	-	-	-	(212,452)	-	-	(212,452)
Consolidated net income for the three months ended March 31, 2020	-	-	-	-	90,877	-	-	90,877
Other comprehensive income for the three months ended March 31, 2020	-	-	-	-	-	19,820	106	19,926
Total comprehensive income for the three months ended March 31, 2020	-	-	-	-	90,877	19,820	106	110,803
<b>Balance at March 31, 2020</b>	<u>\$ 3,677,513</u>	<u>884,335</u>	<u>864,760</u>	<u>138,615</u>	<u>207,587</u>	<u>(124,488)</u>	<u>(85,046)</u>	<u>5,563,276</u>
<b>Balance at January 1, 2021</b>	\$ 3,677,513	941,349	890,626	229,459	700,837	(282,193)	(83,513)	6,074,078
Appropriation and distribution of retained earnings:								
Cash dividends	-	-	-	-	(494,508)	-	-	(494,508)
Consolidated net income for the three months ended March 31, 2021	-	-	-	-	274,054	-	-	274,054
Other comprehensive income for the three months ended March 31, 2021	-	-	-	-	-	13,899	2,038	15,937
Total comprehensive income for the three months ended March 31, 2021	-	-	-	-	274,054	13,899	2,038	289,991
<b>Balance at March 31, 2021</b>	<u>\$ 3,677,513</u>	<u>941,349</u>	<u>890,626</u>	<u>229,459</u>	<u>480,383</u>	<u>(268,294)</u>	<u>(81,475)</u>	<u>5,869,561</u>

See accompanying notes to consolidated financial statements.

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

**Consolidated Statement of Cash Flows**

**For the three months ended March 31, 2021 and 2020**

(Expressed in Thousands of New Taiwan Dollars)

	For the three months ended March 31,	
	2021	2020
<b>Cash flows from (used in) operating activities:</b>		
<b>Profit before tax</b>	\$ 381,365	124,404
<b>Adjustments:</b>		
Adjustments to reconcile profit (loss):		
Depreciation expense	39,236	38,779
Amortization expense	6,790	5,568
Expected credit (gains) losses	(11,829)	11,171
Net (gains) losses on financial assets or liabilities at fair value through profit or loss	(2,500)	(1,653)
Interest expense	43,678	82,983
Interest income	(744)	(1,145)
Others	-	2
	<u>74,631</u>	<u>135,705</u>
Changes in operating assets and liabilities:		
Decrease (increase) in financial assets at fair value through profit or loss	-	(2,339)
Decrease (increase) in notes and accounts receivable	(1,119,056)	(333,896)
Decrease (increase) in other receivable	550,994	(1,623,401)
Decrease (increase) in inventories	356,354	730,781
Decrease (increase) in prepaid expenses and other current assets	(52,090)	(15,544)
	<u>(263,798)</u>	<u>(1,244,399)</u>
Increase (decrease) in notes and accounts payable	407,538	(1,712,829)
Increase (decrease) in other payable	(734,892)	1,254,363
Increase (decrease) in contract liabilities and other current liabilities	31,410	74,012
Others	(1,660)	(1,480)
	<u>(297,604)</u>	<u>(385,934)</u>
Total changes in operating assets and liabilities	<u>(561,402)</u>	<u>(1,630,333)</u>
Total adjustments	<u>(486,771)</u>	<u>(1,494,628)</u>
Cash flow from (used in) operations	(105,406)	(1,370,224)
Interest received	744	1,145
Interest paid	(40,582)	(86,642)
Income taxes paid	(10,452)	(25,865)
<b>Net cash flows from (used in) operating activities</b>	<u>(155,696)</u>	<u>(1,481,586)</u>
<b>Cash flows from (used in) investing activities:</b>		
Acquisition of property, plant and equipment	(1,767)	(88)
Decrease (increase) in refundable deposits	(1,340)	(276)
Acquisition of intangible assets	(5,570)	(9,302)
Increase in prepayments for business facilities	(150)	-
<b>Net cash flows from (used in) investing activities</b>	<u>(8,827)</u>	<u>(9,666)</u>
<b>Cash flows from (used in) financing activities:</b>		
Increase (decrease) in short-term loans	(180,844)	1,541,794
Increase (decrease) in guarantee deposits received	-	(30)
Payment of lease liabilities	(35,817)	(32,519)
<b>Net cash flows from (used in) financing activities</b>	<u>(216,661)</u>	<u>1,509,245</u>
Effect of exchange rate changes on cash and cash equivalents	17,319	24,368
Net increase (decrease) in cash and cash equivalents	(363,865)	42,361
Cash and cash equivalents at beginning of period	2,486,340	2,336,361
Cash and cash equivalents at end of period	<u>\$ 2,122,475</u>	<u>2,378,722</u>

See accompanying notes to consolidated financial statements.



(English Translation of Consolidated Financial Statements Originally Issued in Chinese)  
Reviewed only, not audited in accordance with generally accepted auditing standards as of March 31, 2021 and 2020

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

**Notes to the Consolidated Financial Statements**

**March 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)(b) 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 May 13, 2021.

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

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

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

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

- (b) 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 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

(Continued)

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

- Amendments to IFRS 3 “Reference to the Conceptual Framework”
- Amendments to IAS 1 “Disclosure of Accounting Policies”
- Amendments to IAS 8 “Definition of Accounting Estimates”

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

**(a) Statement of compliance**

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

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

**(b) Basis of Consolidation**

List of subsidiaries in the consolidated financial statements:

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

(Continued)

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

(c) Income taxes

The income tax expenses have been prepared and disclosed in accordance with paragraph B12 of IAS 34 "Interim Financial Reporting".

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

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

(d) Employee benefits

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

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

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

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

**(6) Explanation of significant accounts**

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

(a) Cash and cash equivalents

	<u>March 31, 2021</u>	<u>December 31, 2020</u>	<u>March 31, 2020</u>
Cash on hand	\$ 497	493	496
Checking accounts and demand deposits	2,121,978	2,485,847	2,378,226
	<u>\$ 2,122,475</u>	<u>2,486,340</u>	<u>2,378,722</u>

(Continued)

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

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>March 31, 2021</u>	<u>December 31, 2020</u>	<u>March 31, 2020</u>
Financial assets measured at fair value through profit or loss – current:			
Non-derivative financial assets			
Stock listed on domestic markets	\$ <u>624</u>	<u>624</u>	<u>474</u>
	<u>March 31, 2021</u>	<u>December 31, 2020</u>	<u>March 31, 2020</u>
Financial liabilities at fair value through profit or loss – non-current:			
Convertible bonds embedded options	\$ <u>7,100</u>	<u>9,600</u>	<u>-</u>

As of March 31, 2021, December 31 and March 31, 2020, the Group 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

	<u>March 31, 2021</u>	<u>December 31, 2020</u>	<u>March 31, 2020</u>
Equity investments at fair value through other comprehensive income:			
Domestic emerging market stock	\$ 6,386	4,348	2,815
Domestic unlisted stock	17,866	17,866	17,866
Foreign unlisted stock	<u>22,608</u>	<u>22,608</u>	<u>24,587</u>
	<u>\$ 46,860</u>	<u>44,822</u>	<u>45,268</u>

There were no disposals of strategic investments and transfers of any cumulative gain or loss within equity relating to these investments as of March 31, 2021 and 2020.

- (i) For credit risk and market risk, please refer to note (6)(t).
- (ii) As of March 31, 2021, December 31 and March 31, 2020, the Group did not provide any financial assets at fair value through other comprehensive income as collateral for its loans.

(Continued)

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

(d) Notes and accounts receivable

	<b>March 31, 2021</b>	<b>December 31, 2020</b>	<b>March 31, 2020</b>
Notes receivable	\$ 220,537	266,113	154,961
Accounts receivable-measured as amortized cost	9,932,843	8,994,783	6,857,958
Accounts receivable-fair value through other comprehensive income	<u>1,757,562</u>	<u>1,530,656</u>	<u>1,716,093</u>
	11,910,942	10,791,552	8,729,012
Less: Loss allowance	<u>(101,034)</u>	<u>(112,529)</u>	<u>(182,834)</u>
	<b><u>\$ 11,809,908</u></b>	<b><u>10,679,023</u></b>	<b><u>8,546,178</u></b>

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 were 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:

(i) The Company

<b>Credit rating</b>	<b>March 31, 2021</b>			
	<b>Carrying amount</b>	<b>Expected credit loss rate</b>	<b>Loss allowance provision</b>	<b>Credit impaired</b>
Listed company (assessed by group)				
Level A	\$ 3,458,869	0.76%	26,278	No
Level B	838,224	1.13%	9,489	No
Unlisted company	<u>1,157,775</u>	1.85%	<u>21,382</u>	No
	<b><u>\$ 5,454,868</u></b>		<b><u>57,149</u></b>	
<b>Credit rating</b>	<b>December 31, 2020</b>			
	<b>Carrying amount</b>	<b>Expected credit loss rate</b>	<b>Loss allowance provision</b>	<b>Credit impaired</b>
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
	<b><u>\$ 4,860,600</u></b>		<b><u>60,050</u></b>	

(Continued)

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

<u>Credit rating</u>	<u>March 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	\$ 2,087,101	0.65%	13,514	No
Level B	1,005,061	1.17%	11,770	No
Unlisted company	<u>710,684</u>	1.35%	<u>9,604</u>	No
	<u><b>\$ 3,802,846</b></u>		<u><b>34,888</b></u>	

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

	<u>March 31, 2021</u>	<u>December 31, 2020</u>	<u>March 31, 2020</u>
Current	\$ 5,304,035	4,675,460	3,605,677
Overdue less than 90 days	149,751	182,910	189,417
Overdue 91 to 180 days	604	1,836	4,287
Overdue more than 181 days	<u>478</u>	<u>394</u>	<u>3,465</u>
	<u><b>\$ 5,454,868</b></u>	<u><b>4,860,600</b></u>	<u><b>3,802,846</b></u>

(ii) Subsidiaries

	<u>March 31, 2021</u>		
	<u>Carrying amount</u>	<u>Expected credit loss rate</u>	<u>Loss allowance provision</u>
Current	\$ 5,882,281	0.15%	9,089
Overdue less than 90 days	568,940	5.41%	30,754
Overdue 91 to 180 days	34	41.18%	14
Overdue more than 181 days	<u>4,819</u>	100.00%	<u>4,819</u>
	<u><b>\$ 6,456,074</b></u>		<u><b>44,676</b></u>

  

	<u>December 31, 2020</u>		
	<u>Carrying amount</u>	<u>Expected credit loss rate</u>	<u>Loss allowance provision</u>
Current	\$ 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	<u>4,735</u>	100.00%	<u>4,735</u>
	<u><b>\$ 5,930,952</b></u>		<u><b>51,565</b></u>

(Continued)

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

	<b>March 31, 2020</b>		
	<b>Carrying amount</b>	<b>Expected credit loss rate</b>	<b>Loss allowance provision</b>
Current	\$ 4,265,432	0.01%	320
Overdue less than 90 days	545,936	7.89%	43,095
Overdue 91 to 180 days	24,976	37.92%	9,472
Overdue more than 181 days	89,822	100.00%	89,822
	<b>\$ 4,926,166</b>		<b>142,709</b>

For the three months ended March 31, 2021 and 2020, the movement in the allowance for notes and accounts receivable were as follows:

	<b>For the three months ended March 31,</b>	
	<b>2021</b>	<b>2020</b>
Balance at January 1	\$ 112,529	170,737
Impairment losses recognized (reversed)	(11,829)	11,171
Effect of changes in foreign exchange rates	334	926
Balance at March 31	<b>\$ 101,034</b>	<b>182,834</b>

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 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.

As of March 31, 2021, December 31 and March 31, 2020, the Group sold its accounts receivable without recourse as follows:

<b>March 31, 2021</b>						
<b>Purchaser</b>	<b>Amount Derecognized</b>	<b>Amount Paid</b>	<b>Advanced Unpaid</b>	<b>Amount Recognized in Other Receivables</b>	<b>Range of Interest Rate</b>	<b>Significant Transferring Terms</b>
Financial institutions	\$ 2,967,460	2,673,054	-	294,406	0.58%~1.17%	None

(Continued)

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

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

  

March 31, 2020						
Purchaser	Amount Derecognized	Amount Paid	Advanced Unpaid	Amount Recognized in Other Receivables	Range of Interest Rate	Significant Transferring Terms
Financial institutions	\$ 3,123,272	2,838,554	-	284,718	1.07%~3.2%	None

As of March 31, 2021, December 31 and March 31, 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

	March 31, 2021	December 31, 2020	March 31, 2020
Other receivables – the receivables of the Group as an agent (note (6)(r))	\$ 26,309	580,597	2,561,789
Other receivables – accounts receivable factored	294,406	303,739	284,718
Tax refund	28,917	28,037	20,371
Overdue receivable	22,124	22,124	23,320
Others	12,251	504	362
	384,007	935,001	2,890,560
Less: Loss allowance	(22,124)	(22,124)	(23,320)
	<u>\$ 361,883</u>	<u>912,877</u>	<u>2,867,240</u>

For the three months ended March 31, 2021 and 2020, the movement in the allowance for other receivables were as follows:

	For the three months ended March 31,	
	2021	2020
Balance at January 1	\$ 22,124	23,313
Effect of changes in foreign exchange rates	-	7
Balance at December 31	<u>\$ 22,124</u>	<u>23,320</u>

As of March 31, 2021, December 31 and March 31, 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).

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

## (f) Inventories

	<b>March 31, 2021</b>	<b>December 31, 2020</b>	<b>March 31, 2020</b>
Merchandise inventories	\$ 6,911,554	7,369,025	9,003,823
Goods in transit	587,848	486,731	744,396
	<b><u>\$ 7,499,402</u></b>	<b><u>7,855,756</u></b>	<b><u>9,748,219</u></b>

The details of inventory-related losses and expenses were as follows:

	<b>For the three months ended March 31,</b>	
	<b>2021</b>	<b>2020</b>
Inventory valuation loss and obsolescence (Gain from price recovery of inventory)	\$ 25,371	(49,771)
Loss on scrapping of inventory and others	56,818	-
	<b><u>\$ 82,189</u></b>	<b><u>(49,771)</u></b>

As of March 31, 2021, December 31 and March 31, 2020, the Group did not provide any inventories as collaterals for its loans.

## (g) Property, plant and equipment

	<b>Land</b>	<b>Buildings and construction</b>	<b>Transportation equipment</b>	<b>Machinery equipment</b>	<b>Office and other facilities equipment</b>	<b>Total</b>
<b>Carrying amounts:</b>						
Balance on January 1, 2021	\$ <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 March 31, 2021	\$ <u>77,377</u>	<u>29,850</u>	<u>3,515</u>	<u>5,797</u>	<u>16,675</u>	<u>133,214</u>
Balance on January 31, 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>
Balance on March 31, 2020	\$ <u>77,377</u>	<u>30,710</u>	<u>5,084</u>	<u>4,268</u>	<u>27,690</u>	<u>145,129</u>

The Group's property, plant and equipment have no significant additions, disposals, impairments or reversals during for the three months ended March 31, 2021 and 2020. Information on depreciation for the period is disclosed in note (12)(a). For other related information, please refer to note (6)(g) of the 2020 annual consolidated financial statements.

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

## (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:

	<u>Buildings</u>	<u>Transportation equipment</u>	<u>Total</u>
Cost:			
Balance on January 1, 2021	\$ 407,267	11,861	419,128
Additions	18,745	-	18,745
Effect of changes in exchange rates	2,703	86	2,789
Balance on March 31, 2021	<u>\$ 428,715</u>	<u>11,947</u>	<u>440,662</u>
Balance on January 1, 2020	\$ 389,090	7,548	396,638
Additions	1,131	-	1,131
Effect of changes in exchange rates	1,510	-	1,510
Balance on March 31, 2020	<u>\$ 391,731</u>	<u>7,548</u>	<u>399,279</u>
Accumulated depreciation:			
Balance on January 1, 2021	\$ 223,194	5,755	228,949
Depreciation	34,785	911	35,696
Effect of changes in exchange rates	1,758	9	1,767
Balance on March 31, 2021	<u>\$ 259,737</u>	<u>6,675</u>	<u>266,412</u>
Balance on January 1, 2020	\$ 114,037	2,988	117,025
Depreciation	33,572	747	34,319
Effect of changes in exchange rates	456	-	456
Balance on March 31, 2020	<u>\$ 148,065</u>	<u>3,735</u>	<u>151,800</u>
Carrying amount:			
Balance on January 1, 2021	<u>\$ 184,073</u>	<u>6,106</u>	<u>190,179</u>
Balance on March 31, 2021	<u>\$ 168,978</u>	<u>5,272</u>	<u>174,250</u>
Balance on January 1, 2020	<u>\$ 275,053</u>	<u>4,560</u>	<u>279,613</u>
Balance on March 31, 2020	<u>\$ 243,666</u>	<u>3,813</u>	<u>247,479</u>

## (i) Short-term borrowings

	<u>March 31, 2021</u>	<u>December 31, 2020</u>	<u>March 31, 2020</u>
Unsecured loans	\$ 8,895,542	9,076,469	10,717,345
Short-term notes and bills payable, net	668,929	668,846	669,302
	<u>\$ 9,564,471</u>	<u>9,745,315</u>	<u>11,386,647</u>
Unused short-term credit lines	<u>\$ 4,061,113</u>	<u>3,678,463</u>	<u>3,119,732</u>
Range of interest rates	<u>0.52%~3.90%</u>	<u>0.52%~4.57%</u>	<u>1.02%~4.57%</u>

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

(i) Issuance and repayment of borrowings

The Group's additional amounts in loans for the three months ended March 31, 2021 and 2020 were \$7,761,366 and \$9,564,806, respectively, with maturities from April to September, 2021 and from March, 2020, to March, 2021, respectively; and the repayments were \$7,942,210 and \$8,023,012, respectively.

(ii) For information on the Group's interest risk, foreign currency risk and liquidity risk, please refer to note (6)(t).

(j) Other payables

	<b>March 31, 2021</b>	<b>December 31, 2020</b>	<b>March 31, 2020</b>
Other payable — the payables of the Group's as an agent (note(6)(r))	\$ 2,809	632,478	2,312,263
Accrued expenses	295,287	257,310	213,583
Bonus payable	54,219	233,671	41,797
Remuneration to employees and directors	142,840	108,755	56,000
Interest payable	<u>13,904</u>	<u>14,267</u>	<u>32,656</u>
	<b><u>\$ 509,059</u></b>	<b><u>1,246,481</u></b>	<b><u>2,656,299</u></b>

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:

	<b>March 31, 2021</b>	<b>December 31, 2020</b>	<b>March 31, 2020</b>
Aggregate principal amount	\$ 1,000,000	1,000,000	-
Bond discount	<u>(67,140)</u>	<u>(70,678)</u>	<u>-</u>
Bonds payable at end of period	<b><u>\$ 932,860</u></b>	<b><u>929,322</u></b>	<b><u>-</u></b>
Embedded derivative – call and put options	<b><u>\$ 7,100</u></b>	<b><u>9,600</u></b>	<b><u>-</u></b>
Equity component – conversion options (included in capital surplus – conversion options)	<b><u>\$ 57,014</u></b>	<b><u>57,014</u></b>	<b><u>-</u></b>

There were no significant issues, repurchases and repayments of bonds payable for the three months ended March 31, 2021 and 2020. Please refer to note (6)(k) of the 2020 annual consolidated financial statements for the related information.

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

(l) Lease liabilities

	<b>March 31, 2021</b>	<b>December 31, 2020</b>	<b>March 31, 2020</b>
Current	<u>\$ 103,066</u>	<u>112,146</u>	<u>125,726</u>
Non-current	<u>\$ 71,760</u>	<u>78,793</u>	<u>123,569</u>

For the maturity analysis, please refer to note (6)(t) of financial instruments.

The amounts recognized in profit or loss were as follows:

	<b>For the three months ended March 31,</b>	
	<b>2021</b>	<b>2020</b>
Interests on lease liabilities	<u>\$ 1,109</u>	<u>1,873</u>
Expenses relating to short-term leases	<u>\$ 1,598</u>	<u>1,528</u>

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

	<b>For the three months ended March 31,</b>	
	<b>2021</b>	<b>2020</b>
Total cash outflow for leases	<u>\$ 38,524</u>	<u>35,920</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.

(m) Operating lease —as lessor

There were no significant leases contracts for the three months ended March 31, 2020. Please refer to note (6)(m) of the 2020 annual consolidated financial statements for other related information.

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**WEIKENG INDUSTRIAL CO., LTD. AND SUBSIDIARIES**  
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(n) Employee benefits

(i) Defined benefit plans

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

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 annual payment based on years of service and average salary for the six months prior to retirement.

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

	<b>For the three months ended</b>	
	<b>March 31,</b>	
	<b>2021</b>	<b>2020</b>
Operating expense	\$ <u>274</u>	<u>429</u>

(ii) Defined contribution plans

The Company and WTC 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 WTC allocates a fixed amount to the Bureau of the Labor Insurance without additional legal or constructive obligations.

The Company and WTC recognized the pension costs under the defined contribution method amounting to \$5,629 and \$5,527 for the three months ended March 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 \$15,412 and \$10,177 for the three months ended March 31, 2021 and 2020, respectively.

(o) Income taxes

(i) Income tax expenses

The amounts of income tax for the three months ended March 31, 2021 and 2020 were as follows:

	<b>For the three months ended</b>	
	<b>March 31,</b>	
	<b>2021</b>	<b>2020</b>
Current tax expense	\$ <u>107,311</u>	<u>33,527</u>

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**WEIKENG INDUSTRIAL CO., LTD. AND SUBSIDIARIES**  
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The amounts of income tax recognized in other comprehensive income for the three months ended March 31, 2021 and 2020 were as follows:

	<b>For the three months ended</b>	
	<b>March 31,</b>	
	<b>2021</b>	<b>2020</b>
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign financial statements	<b>\$ <u>3,474</u></b>	<b><u>4,955</u></b>

(ii) The tax authorities have authorized of the Company and WTC through 2018.

(p) Capital and other equities

As of March 31, 2021, December 31 and March 31, 2020, the total value of nominal ordinary shares amounted to \$4,500,000, each having a par value of \$10 per share, totaling 450,000 thousand ordinary shares, of which 367,751 thousand shares were issued. All issued shares were paid up upon issuance.

(i) Capital surplus

Balances on capital surplus of the Group were as follows:

	<b>March 31, 2021</b>	<b>December 31, 2020</b>	<b>March 31, 2020</b>
Additional paid in capital	\$ 845,753	845,753	845,753
Treasury share transactions	37,617	37,617	37,617
Donation from shareholders	712	712	712
Convertible bonds– conversion options	57,014	57,014	-
Others	253	253	253
	<b>\$ 941,349</b>	<b>941,349</b>	<b>884,335</b>

In accordance with the Company Act, realized capital reserves can only be utilized for issuing new shares or being distributed as cash dividends 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. 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.

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**WEIKENG INDUSTRIAL CO., LTD. AND SUBSIDIARIES**  
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(ii) 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 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 two-thirds directors present and approved by one-half of the present directors, then shall be reported to shareholders meeting.

1) Earnings distribution

The amounts for cash dividends of Company's earnings distribution for 2020 and 2019 were decided by the board meeting held on March 26, 2021 and March 27, 2020.

	<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	\$ 1.34468073	<u>494,508</u>	0.57770670	<u>212,452</u>

(q) Earnings per share

The basic earnings per share and diluted earnings per share are calculated as follows:

(i) Basic earnings per share

1) Profit attributable to ordinary shareholders of the Company

	<u>For the three months ended March 31,</u>	
	<u>2021</u>	<u>2020</u>
Profit attributable to ordinary shareholders of the Company	\$ <u>274,054</u>	<u>90,877</u>

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**WEIKENG INDUSTRIAL CO., LTD. AND SUBSIDIARIES**  
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2) Weighted-average number of ordinary shares (thousands)

<b>For the three months ended March 31,</b>	
<u>2021</u>	<u>2020</u>
Weighted-average number of ordinary shares	<u><u>367,751</u></u>
	<u><u>367,751</u></u>

(ii) Diluted earnings per share

1) Profit attributable to ordinary shareholders of the Company (diluted)

<b>For the three months ended March 31,</b>	
<u>2021</u>	<u>2020</u>
Profit attributable shareholders of the Company (basic)	\$ 274,054
Convertible bonds payable	1,038
Profit attributable to ordinary shareholders of the Company (diluted)	<u><u>\$ 275,092</u></u>
	<u><u>90,877</u></u>

2) Weighted-average number of ordinary shares (thousands, diluted)

<b>For the three months ended March 31,</b>	
<u>2021</u>	<u>2020</u>
Weighted-average number of ordinary shares (basic)	367,751
Effect of convertible bonds	52,854
Effect of employee stock remuneration	4,780
Weighted-average number of ordinary shares (diluted) on March 31	<u><u>425,385</u></u>
	<u><u>370,660</u></u>

(r) Revenue from contracts with customers

(i) Disaggregation of revenue

<b>For the three months ended March 31,</b>	
<u>2021</u>	<u>2020</u>
Primary geographical markets:	
Taiwan	\$ 1,627,267
China	13,157,920
Others	<u>1,037,959</u>
	<u><u>\$ 15,823,146</u></u>
	<u><u>11,561,510</u></u>

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**WEIKENG INDUSTRIAL CO., LTD. AND SUBSIDIARIES**  
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	<b>For the three months ended March 31,</b>	
	<b>2021</b>	<b>2020</b>
Major products/services lines		
Chipset/memory components	\$ 5,485,817	4,918,378
Assorted and other components	10,333,375	6,643,089
Others	3,954	43
	<b>\$ 15,823,146</b>	<b>11,561,510</b>

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 three months ended March 31, 2021 and 2020, the Group was determined as an agent in the aforementioned transactions, which revenue amounted to \$3,643 and \$0, respectively. Due to the above transactions, the other receivables amounted to \$26,309 and \$2,561,789 as of March 31, 2021 and 2020, respectively; and the other payables amounted to \$2,809 and \$2,312,263 as of the three months ended March 31, 2021 and 2020, respectively. Please refer to note (6)(e) and (6)(j).

(ii) Contract balance

	<b>March 31, 2021</b>	<b>December 31, 2020</b>	<b>March 31, 2020</b>
Notes and accounts receivable (included related parties)	\$ 11,910,942	10,791,552	8,729,012
Less: allowance for impairment	(101,034)	(112,529)	(182,834)
	<b>\$ 11,809,908</b>	<b>10,679,023</b>	<b>8,546,178</b>
Contract liabilities	<b>\$ 229,221</b>	<b>195,013</b>	<b>151,069</b>

For the details on accounts receivable and allowance for impairment, please refer to note (6)(d).

The amounts of revenue recognized for the three months ended March 31, 2021 and 2020 that were included in the contract liability balance at the beginning of the period were \$133,835 and \$46,731, 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.

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**WEIKENG INDUSTRIAL CO., LTD. AND SUBSIDIARIES**  
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(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 three months ended March 31, 2021 and 2020, the accrued remuneration of the Company's employees were \$30,254 and \$10,186; as well as directors were \$7,563 and \$2,546, respectively. These amounts were calculated by using the Company's profit before tax for the period before deducting the amount of the 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 accrued remuneration of the Company's employees was \$78,442 and \$29,690 as well as remuneration of directors was \$19,611 and \$7,422 for the years ended December 31, 2019 and 2018, respectively. There were no differences between the distributed amounts and the accrued amounts in the consolidated financial statements. Related information would be available at the Market Observation Post System website.

(t) Financial Instruments

Except for those mentioned below, there were no significant changes in the fair value of the Group's financial instruments and degree of exposure to credit risk. Please refer to the note (6)(t) of the consolidated financial statement for the year ended December 31, 2020.

(i) Credit risk

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 three months ended March 31, 2021 and 2020, loss allowance provision, please refer to the note (6)(e).

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

(ii) Liquidity risk

The following table shows the contractual maturities of financial liabilities, excluding estimated interest payments.

	<u>Carrying Amount</u>	<u>Contractual cash flows</u>	<u>Within a year</u>	<u>Over 1 year</u>
<b>March 31, 2021</b>				
Non-derivative financial liabilities				
Unsecured loans	\$ 8,895,542	(8,895,542)	(8,895,542)	-
Short-term notes and bill payable	668,929	(670,000)	(670,000)	-
Lease liabilities	174,826	(178,455)	(105,759)	(72,696)
Notes and accounts payables	3,983,398	(3,983,398)	(3,983,398)	-
Other payables and dividends payable	1,003,567	(1,003,567)	(1,003,567)	-
Bonds payable	932,860	(1,000,000)	-	(1,000,000)
Derivative financial liabilities				
Convertible bonds payable embedded derivatives	7,100	-	-	-
	<u>\$ 15,666,222</u>	<u>(15,730,962)</u>	<u>(14,658,266)</u>	<u>(1,072,696)</u>
<b>December 31, 2020</b>				
Non-derivative financial liabilities				
Unsecured loans	\$ 9,076,469	(9,076,469)	(9,076,469)	-
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 payables	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>(15,765,376)</u>	<u>(14,684,743)</u>	<u>(1,080,633)</u>
<b>March 31, 2020</b>				
Non-derivative financial liabilities				
Unsecured loans	\$ 10,717,345	(10,717,345)	(10,717,345)	-
Short-term notes and bill payable, net	669,302	(670,000)	(670,000)	-
Lease liabilities	249,295	(257,338)	(130,669)	(126,669)
Notes and accounts payable	3,603,389	(3,603,389)	(3,603,389)	-
Other payables and dividends payable	2,868,751	(2,868,751)	(2,868,751)	-
	<u>\$ 18,108,082</u>	<u>(18,116,823)</u>	<u>(17,990,154)</u>	<u>(126,669)</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:

	March 31, 2021			December 31, 2020			March 31, 2020		
	Foreign currency	Exchange rate	TWD	Foreign currency	Exchange rate	TWD	Foreign currency	Exchange rate	TWD
Financial assets									
Monetary items									
USD	\$ 250,050	USD/TWD 28.51	7,128,937	257,506	USD/TWD 28.480	7,333,779	288,557	USD/TWD 30.205	8,715,856
USD	934	USD/CNY 6.5782	26,637	540	USD/CNY 6.5142	15,383	1,474	USD/CNY 7.1037	44,516
Non-monetary items									
USD	745	USD/TWD 28.51	21,240	745	USD/TWD 28.480	21,218	745	USD/TWD 30.205	22,503
Financial liabilities									
Monetary items									
USD	149,196	USD/TWD 28.51	4,253,571	172,907	USD/TWD 28.480	4,924,379	242,237	USD/TWD 30.205	7,316,760
USD	27,059	USD/CNY 6.5782	771,463	19,077	USD/CNY 6.5142	543,302	43,424	USD/CNY 7.1037	1,311,636

## 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 three months ended March 31, 2021 and 2020 would have increase (decreased) the other comprehensive income (before tax) \$1,062 and \$1,125, respectively. For the three months ended March 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.

	<b>For the three months ended March 31,</b>	
	<b>2021</b>	<b>2020</b>
USD (against the TWD)		
Strengthening 5%	\$ 143,768	69,955
Weakening 5%	(143,768)	(69,955)
USD (against the CNY)		
Strengthening 5%	(37,241)	(63,356)
Weakening 5%	37,241	63,356

(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 three months ended March 31, 2021 and 2020, the foreign exchange gain (loss), including both realized and unrealized, amounted to a gain of \$14,027 and a loss of \$22,684, respectively.

4) Interest rate analysis

The details of financial assets and liabilities exposed to interest rate risk were as follows:

	Carrying amount	
	March 31, 2021	March 31, 2020
Variable rate instruments:		
Financial assets	\$ 1,391,760	1,761,481
Financial liabilities	(8,895,542)	(10,717,345)

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 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 \$4,690 and \$5,597 for the three months ended March 31, 2021 and 2020, respectively, which would be mainly resulting from demand deposits, and unsecured loans with variable interest rates.

(iv) 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:

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

	March 31, 2021				
	Carrying amount	Fair Value			
		Level 1	Level 2	Level 3	Total
<b>Financial assets mandatorily measured at fair value through profit or loss</b>					
Stocks listed on domestic markets	\$ <u>624</u>	624	-	-	624
<b>Financial assets at fair value through other comprehensive income</b>					
Notes and accounts receivable, net	1,757,562	-	-	-	-
Emerging market stock	6,386	6,386	-	-	6,386
Stocks unlisted on domestic markets and foreign market	<u>40,474</u>	-	-	40,474	40,474
Subtotal	<u>1,804,422</u>				
<b>Financial assets measured at amortized cost</b>					
Cash and cash equivalents	2,122,475	-	-	-	-
Notes and accounts receivable, net	10,052,346	-	-	-	-
Other receivables	332,966	-	-	-	-
Guarantee deposits paid	<u>74,807</u>	-	-	-	-
Subtotal	<u>12,582,594</u>				
	<b><u>\$ 14,387,640</u></b>				
<b>Financial liabilities at fair value through profit or loss</b>					
Convertible bonds payable embedded derivative	\$ <u>7,100</u>	-	7,100	-	7,100
<b>Financial liabilities measured at amortized cost</b>					
Bank loans	9,564,471	-	-	-	-
Lease liabilities	174,826	-	-	-	-
Notes and accounts payable	3,983,398	-	-	-	-
Other payables and dividends payable	1,003,567	-	-	-	-
Bonds payable	<u>932,860</u>	-	-	-	-
Subtotal	<u>15,659,122</u>				
	<b><u>\$ 15,666,222</u></b>				

(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
<b>Financial assets mandatorily measured at fair value through profit or loss</b>					
Stocks listed on domestic markets	\$ <u>624</u>	624	-	-	624
<b>Financial assets at fair value through other comprehensive income</b>					
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>				
<b>Financial assets measured at amortized cost</b>					
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>				
	<b><u>\$ 14,169,116</u></b>				
<b>Financial liabilities at fair value through profit or loss</b>					
Convertible bonds payable embedded derivative	\$ <u>9,600</u>	-	9,600	-	9,600
<b>Financial liabilities measured at amortized cost</b>					
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>				
	<b><u>\$ 15,697,517</u></b>				

(Continued)

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

	March 31, 2020				
	Carrying amount	Fair Value			Total
		Level 1	Level 2	Level 3	
<b>Financial assets mandatorily measured at fair value through profit or loss</b>					
Stocks listed on domestic markets	\$ 474	474	-	-	474
<b>Financial assets at fair value through other comprehensive income</b>					
Notes and accounts receivable, net	1,716,093	-	-	-	-
Emerging market stock	2,815	2,815	-	-	2,815
Stocks unlisted on domestic markets and foreign market	<u>42,453</u>	-	-	42,453	42,453
Subtotal	<u>1,761,361</u>				
<b>Financial assets measured at amortized cost</b>					
Cash and cash equivalents	2,378,722	-	-	-	-
Notes and accounts receivable, net	6,830,085	-	-	-	-
Other receivables	2,846,869	-	-	-	-
Guarantee deposits paid	<u>71,825</u>	-	-	-	-
Subtotal	<u>12,127,501</u>				
	<b><u>\$ 13,889,336</u></b>				
<b>Financial liabilities measured at amortized cost</b>					
Bank loans	\$ 11,386,647	-	-	-	-
Lease liabilities	249,295	-	-	-	-
Notes and accounts payable	3,603,389	-	-	-	-
Other payables and dividends payable	<u>2,868,751</u>	-	-	-	-
	<b><u>\$ 18,108,082</u></b>				

There were no transfers of financial instruments between any levels for the three months ended March 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.

(Continued)



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

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.

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

	<b>Fair value through other comprehensive income</b>
	<b>Unquoted equity instruments</b>
Opening balance, January 1, 2021 (the same as ending Balance, March 31, 2021)	<b>\$ 40,474</b>
Opening balance, January 1, 2020 (the same as ending Balance, March 31, 2020)	<b>\$ 42,453</b>

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".

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**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	·Price-Sales ratio (1.03, 1.44 and 0.88 at March 31, 2021, December 31 and March 31, 2020, respectively)  ·Price-Book ratio (0.84, 0.88 and 0.64 at March 31, 2021, December 31 and March 31, 2020, respectively)  ·Lack-of-Marketability discount rate (17.25%, 17.25% and 12.93% on March 31, 2021, December 31 and March 31, 2020, respectively)	The estimated fair value would increase (decrease) if:  ·The Price-Sales ratio were higher (lower);  ·The Price-Book ratio were higher (lower); or  ·The Lack-of-Marketability discount rate were lower (higher)
Financial assets at fair value through profit or loss	Net Asset Value Method	·Net asset value	·Not applicable

(u) Financial risk management

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

(v) Capital management

The Group's objectives, policies and processes of capital management are consistent with those disclosed in the consolidated financial statements for the year ended December 31, 2020. In addition, there were no significant differences between the summary quantitative data of the items of capital management in the consolidated financial statements and those disclosed in the consolidated financial statements for the year ended December 31, 2020. Please refer to note (6)(v) of the consolidated financial statements for the year ended December 31, 2020 for further details.

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

(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 three months ended March 31, 2021 and 2020, were as follows:

(i) For the acquisition of right-of-use assets from leases, please refer to note (6)(h).

The reconciliation of liabilities arising from financing activities was as follows:

	January 1, 2021	Cash flows	Non-cash changes			March 31, 2021
			Acquisition	Reduction	Foreign exchange movement	
Short-term loans	\$ 9,745,315	(180,844)	-	-	-	9,564,471
Lease liabilities	190,939	(35,817)	19,854	(1,188)	1,038	174,826
Bonds payable	929,322	-	3,538	-	-	932,860
Total liabilities from financing activities	<u>\$ 10,865,576</u>	<u>(216,661)</u>	<u>23,392</u>	<u>(1,188)</u>	<u>1,038</u>	<u>10,672,157</u>

	January 1, 2020	Cash flows	Non-cash changes			March 31, 2020
			Acquisition	Reduction	Foreign exchange movement	
Short-term loans	\$ 9,844,853	1,541,794	-	-	-	11,386,647
Lease liabilities	279,792	(32,519)	1,131	-	891	249,295
Total liabilities from financing activities	<u>\$ 10,124,645</u>	<u>1,509,275</u>	<u>1,131</u>	<u>-</u>	<u>891</u>	<u>11,635,942</u>

**(7) Related-party transactions**

(a) Name and relationship with related parties

The following are entities that have had transactions with the Group during the period covered in the consolidated financial report:

Related-party	Relationship
Weiji Investment Co., Ltd.	The same chairman
Yang Sheng Education Foundation	The same chairman
Genlog Industrial Co., Ltd.	Substantive related-party

(Continued)

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

(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:

	<b>For the three months ended March 31,</b>	
	<u>2021</u>	<u>2020</u>
	Other related parties	<u>\$ 13</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:

	<b>For the three months ended March 31,</b>	
	<u>2021</u>	<u>2020</u>
	Other related parties	<u>\$ 1,682</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:

	<b>For the three months ended March 31,</b>	
	<u>2021</u>	<u>2020</u>
	Other related parties	<u>\$ 298</u>

(iv) Receivables from related parties

The receivables from related parties were as follows:

<u>Account</u>	<u>Relationship</u>	<u>March 31, 2021</u>	<u>December 31, 2020</u>	<u>March 31, 2020</u>
Notes and accounts receivables	Other related parties	<u>\$ 13</u>	<u>12</u>	<u>-</u>

(v) Payable to related parties

<u>Account</u>	<u>Related party categories</u>	<u>March 31, 2021</u>	<u>December 31, 2020</u>	<u>March 31, 2020</u>
Other payables	Other related parties	<u>\$ 573</u>	<u>460</u>	<u>887</u>

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

(c) Key management personnel compensation

Key management personnel compensation comprised:

	<b>For the three months ended March 31,</b>	
	<b>2021</b>	<b>2020</b>
Short-term employee benefits	\$ 48,883	27,100
Post-employment benefits	207	200
	<b>\$ 49,090</b>	<b>27,300</b>

**(8) Pledged assets: None.**

**(9) Commitments and contingencies:**

As of March 31, 2021, December 31 and March 31, 2020 the balances of L/Cs for deferred payment of import value added tax and the purchase of merchandise were as follows:

	<b>March 31, 2021</b>	<b>December 31, 2020</b>	<b>March 31, 2020</b>
	<b>\$ 167,550</b>	<b>167,400</b>	<b>172,025</b>

**(10) Losses Due to Major Disasters: None**

**(11) Subsequent Events:**

On May 13, 2021, the Company's Board of Directors resolved to increase capital of WKI, the subsidiary of the Company, for cash, which amounted to HK\$77,770 thousand.

**(12) Other:**

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

<b>By item</b>	<b>By function</b>	<b>For the three months ended March 31,</b>	
		<b>2021</b>	<b>2020</b>
		<b>Operating expense</b>	<b>Operating expense</b>
Employee benefits			
Salary		297,083	257,680
Labor and health insurance		26,050	22,900
Pension		21,315	16,133
Remuneration of directors		14,226	3,347
Others		14,697	11,105
Depreciation		39,236	38,779
Amortization		6,790	5,568

(Continued)

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

(b) Seasonality of operations:

The Group's operation were not affected by seasonality or cyclically factors.

**(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 three months ended March 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	8,804,342	6,137,694	5,375,766	4,349,156	-	91.6 %	17,608,683	Y	-	-
"	"	WTP	100% owned subsidiary	8,804,342	598,710	598,710	410,389	-	10.2 %	17,608,683	Y	-	-
"	"	WKS	100% owned subsidiary	8,804,342	785,750	785,750	151,690	-	13.4 %	17,608,683	Y	-	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 March 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	\$ 624	-	\$ 624	
"	Feature Integration Technology Inc.	-	Financial assets at fair value through other comprehensive income-noncurrent	158	\$ 6,056	0.53	\$ 6,056	
"	Clientron Corp.	-	"	15	330	0.02	330	
					<u>\$ 6,386</u>		<u>\$ 6,386</u>	
"	Paradigm I Venture Capital Company (Paradigm I)	-	"	750	\$ 7,458	6.79	\$ 7,458	
"	Paradigm Venture Capital Corporation (PVC Corp.)	-	"	271	3,226	10.49	3,226	
"	InnoBridge Venture Fund ILP. (InnoBridge)	-	"	-	15,150	9.90	15,150	
"	Shin Kong Global Venture Capital Corp.	-	"	3,000	4,800	12.00	4,800	
"	Vision Wide Technology Co., Ltd. (VTEC)	-	"	800	9,840	1.70	9,840	
					<u>\$ 40,474</u>		<u>\$ 40,474</u>	

(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 of foreign currency)

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)	
WKI	WKS	Subsidiary	(Sales)	(1,220,806) (USD(43,028))	(15.45)%	OA60	"	-	Accounts Receivable 798,922 (USD28,023)	15.15 %	
WKS	WKI	Parent company	Purchases	1,220,806 (USD43,028)	78.77 %	"	"	-	Accounts Payable (798,922) (USD(28,023))	(81.99) %	

Note: The transactions have been eliminated in the consolidated financial statement.

- (viii) Receivables from related parties with amounts exceeding the lower of NT\$100 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	798,922 (USD28,023)	7.25	-	-	USD 23,227	-	The transactions have been eliminated in the consolidated financial statement

Note: Information as of May 7, 2021.

- (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	8,793	The price is marked up based on operating cost, and the receivables depend on OA30 after offsetting the accounts payable.	0.06%
"	"	"	"	Accounts Receivable	68,147	"	0.30%
"	"	"	"	Management and Credit Service Revenue	77,943	The price is set by percentage of the contract and is received quarterly.	0.49%
"	"	"	"	Other Receivables	91,818	"	0.40%
"	"	WKS	"	Sales Revenue	533	The price is marked up based on operating cost, OA60.	-%
"	"	"	"	Accounts Receivable	919	"	-%
"	"	"	"	Management and Credit Service Revenue	1,965	The price is set by percentage of the contract and is received quarterly.	0.01%
"	"	WTP	"	Sales Revenue	9,012	The price is marked up based on operating cost, and the receivables depend on OA30 after offsetting the accounts payable.	0.06%
"	"	"	"	Accounts Receivable	9,091	"	0.04%
"	"	"	"	Management and Credit Service Revenue	1,353	The price is set by percentage of the contract and is received quarterly.	0.01%
"	"	"	"	Other Receivables	1,801	"	0.01%
1	WKI	The Company	2	Sales Revenue	62,338	"	0.39%
"	"	WKS	3	Sales Revenue	1,220,806	The price is marked up based on operating cost, and the receivables depend on funding demand and OA60.	7.72%
"	"	"	"	Accounts Receivable	798,922	"	3.51%
2	WKS	WKI	"	Service Revenue	10,894	The price is set by percentage of the contract, OA30.	0.07%
"	"	"	"	Accounts Receivable	4,693	"	0.02%

Note 1: The numbers filled in as follows:

1. 0 represents the Company.

2. Subsidiaries are sorted in a numerical order starting from 1.

(Continued)



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

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 three months ended March 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		Highest Percentage of Ownership		Carrying amount	Net income (losses) of investee	Investment income (losses) of investor	Note
				March 31, 2021	December 31, 2020	Shares (In Thousands)					
The Company	WKI	Hong Kong	Electronic components computer peripherals products distribution and technical support	\$ 1,044,995	1,044,995	396,250	100%	\$ 3,934,926	167,947	\$ 167,947	Subsidiary
"	WTC	Taipei	Electronic components and technical support	12,983	12,983	1,589	100%	25,918	(147)	(147)	"
"	WTP	Singapore	"	293,327	293,327	12,413	100%	342,780	11,463	11,463	"
				<u>\$ 1,351,305</u>	<u>1,351,305</u>			<u>\$ 4,303,624</u>		<u>\$ 179,263</u>	
WKI	Weitech	Hong Kong	Import and export trade of electronic components	0.41 (HKD0.1)	0.41 (HKD0.1)	-	100%	2,020 (USD71)	44 (USD2)	44 (USD2)	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 March 31, 2021	Net income (losses) of the investee	Percentage of ownership	Investment income (losses) of investor	Book value (Note 3)	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)	(12,397) (USD(437)) (Note 2)	100%	(12,397) (USD(437)) (Note 2)	658,361 (USD23,092)	-
WKE	Electronic technology development and technical advisory	5,067 (RMB1,000)	Note 1 - 5	-	-	-	-	(1,117) (USD(39))	100%	(1,117) (USD(39))	4,483 (USD157)	-

(ii) Limitation on investment in Mainland China:

Accumulated Investment in Mainland China as of March 31, 2021	Investment Amounts Authorized by Investment Commission, MOEA (note 3)	Upper Limit on Investment
304,594 (USD9,800)	712,750 (USD25,000)	3,521,737

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.

(Continued)

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

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.

(d) Major shareholders:

Shareholder's Name	Shareholding	Shares	Percentage
Weiji Investment Co., Ltd.		30,426,876	8.27 %

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:**

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 details and reconciliations 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.