

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

**Consolidated Financial Statements**

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

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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

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## 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 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))	<u>67,242,044</u>	<u>93</u>	<u>55,345,619</u>	<u>95</u>
	<b>Gross profit</b>	<u>5,162,842</u>	<u>7</u>	<u>3,067,783</u>	<u>5</u>
	<b>Operating expenses (notes (6)(l), (6)(m), (6)(n), (7) and (12)):</b>				
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))	<u>(9,577)</u>	<u>-</u>	<u>3,014</u>	<u>-</u>
		<u>2,637,223</u>	<u>4</u>	<u>2,091,580</u>	<u>3</u>
	<b>Net operating income</b>	<u>2,525,619</u>	<u>3</u>	<u>976,203</u>	<u>2</u>
	<b>Non-operating income and expenses:</b>				
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	<u>(774)</u>	<u>-</u>	<u>(1,307)</u>	<u>-</u>
		<u>(74,299)</u>	<u>-</u>	<u>(43,115)</u>	<u>-</u>
7900	<b>Profit before tax</b>	2,451,320	3	933,088	2
7950	Income tax expenses (note (6)(o))	<u>730,180</u>	<u>1</u>	<u>233,779</u>	<u>-</u>
8200	<b>Profit</b>	<u>1,721,140</u>	<u>2</u>	<u>699,309</u>	<u>2</u>
	<b>Other comprehensive income:</b>				
8310	<b>Components of other comprehensive income that will not be reclassified to profit or loss</b>				
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	<u>(1,629)</u>	<u>-</u>	<u>382</u>	<u>-</u>
		<u>(3,417)</u>	<u>-</u>	<u>3,167</u>	<u>-</u>
8360	<b>Components of other comprehensive income that may be reclassified to profit or loss</b>				
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))	<u>(22,805)</u>	<u>-</u>	<u>(34,471)</u>	<u>-</u>
		<u>(91,212)</u>	<u>-</u>	<u>(137,885)</u>	<u>-</u>
	<b>Other comprehensive income, net</b>	<u>(94,629)</u>	<u>-</u>	<u>(134,718)</u>	<u>-</u>
8500	<b>Comprehensive income</b>	<u>\$ 1,626,511</u>	<u>2</u>	<u>564,591</u>	<u>2</u>
	<b>Earnings per common share (expressed in dollars) (note (6)(q))</b>				
9750	<b>Basic earnings per share</b>	<u>\$ 4.54</u>		<u>1.90</u>	
9850	<b>Diluted earnings per share</b>	<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
<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:								
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
<b>Balance at December 31, 2020</b>	<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)	-
<b>Balance at December 31, 2021</b>	<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
<b>Cash flows from (used in) operating activities:</b>		
<b>Profit before tax</b>	\$ 2,451,320	933,088
<b>Adjustments:</b>		
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)
<b>Net cash flows used in operating activities</b>	(708,664)	(193,820)
<b>Cash flows from (used in) investing activities:</b>		
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)	-
<b>Net cash flows used in investing activities</b>	(11,824)	(38,263)
<b>Cash flows from (used in) financing activities:</b>		
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)
<b>Net cash flows from financing activities</b>	616,739	553,056
<b>Effect of exchange rate changes on cash and cash equivalents</b>	(115,984)	(170,994)
<b>Net (decrease) increase in cash and cash equivalents</b>	(219,733)	149,979
<b>Cash and cash equivalents at the beginning of period</b>	2,486,340	2,336,361
<b>Cash and cash equivalents at the end of period</b>	\$ 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

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

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

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
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

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
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>
	<b><u>\$ 40,065</u></b>	<b><u>44,822</u></b>

(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

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
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>
	<b><u>\$ 13,548,981</u></b>	<b><u>10,679,023</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 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

<b>December 31, 2021</b>				
<b>Credit rating</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	\$ 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><b>\$ 6,596,952</b></u>		<u><b>53,680</b></u>	
<b>December 31, 2020</b>				
<b>Credit rating</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
	<u><b>\$ 4,860,600</b></u>		<u><b>60,050</b></u>	

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

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
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><b>\$ 6,596,952</b></u>	<u><b>4,860,600</b></u>

## (ii) Subsidiaries

<b>December 31, 2021</b>			
	<b>Carrying amount</b>	<b>Expected credit loss rate</b>	<b>Loss allowance provision</b>
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><b>\$ 7,043,780</b></u>		<u><b>38,071</b></u>

(Continued)

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

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

For the years ended December 31, 2021 and 2020, the movement in the allowance for notes and accounts receivable was as follows:

	<b>For the years ended December 31,</b>	
	<b>2021</b>	<b>2020</b>
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	<b>\$ 91,751</b>	<b>112,529</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 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)
	<b>\$ 376,347</b>	<b>912,877</b>

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	<b>\$ 22,121</b>	<b>22,124</b>

(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><b>\$ 10,286,868</b></u>	<u><b>7,855,756</b></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><b>(83,725)</b></u>	<u><b>(163,919)</b></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>
<b>Cost or deemed cost:</b>						
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><b>\$ 77,377</b></u>	<u><b>51,836</b></u>	<u><b>17,180</b></u>	<u><b>24,920</b></u>	<u><b>168,055</b></u>	<u><b>339,368</b></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><b>\$ 77,377</b></u>	<u><b>51,836</b></u>	<u><b>16,410</b></u>	<u><b>19,315</b></u>	<u><b>167,144</b></u>	<u><b>332,082</b></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
<b>Depreciation and impairment loss:</b>						
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>
<b>Book value:</b>						
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
<b>Cost:</b>			
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

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
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	<u>14,011</u>	<u>14,267</u>
	<b><u>\$ 952,772</u></b>	<b><u>1,246,481</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>December 31, 2021</b>	<b>December 31, 2020</b>
Aggregate principal amount	\$ 1,000,000	1,000,000
Bond discount	(7,564)	(70,678)
Cumulative converted amount	<u>(866,100)</u>	<u>-</u>
Bonds payable at end of period	<b><u>\$ 126,336</u></b>	<b><u>929,322</u></b>
Embedded derivative – call and put options		
Included in non-current financial liabilities at fair value through profit or loss	<b><u>\$ -</u></b>	<b><u>9,600</u></b>
Included in non-current financial assets at fair value through profit or loss	<b><u>\$ 375</u></b>	<b><u>-</u></b>
Equity component – conversion options (included in capital surplus – conversion options)	<b><u>\$ 7,634</u></b>	<b><u>57,014</u></b>

(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:

	<b><u>The Fifth</u></b>
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	<b><u>\$ 1,000,000</u></b>

(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:

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Less than one year	\$ 5,026	1,451
Between one and five years	11,897	1,531
	<b><u>\$ 16,923</u></b>	<b><u>2,982</u></b>

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:

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Present value of defined benefit obligations	\$ 242,018	230,850
Fair value of plan assets	(119,796)	(109,876)
Net defined benefit liabilities	<b><u>\$ 122,222</u></b>	<b><u>120,974</u></b>

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:

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
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:

	<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	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>-</u>	<u>-</u>	<u>-</u>	<u>-</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>-</u>	<u>-</u>	<u>-</u>	<u>-</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>

	<u>Temporary difference from subsidiary investment</u>	<u>Others</u>	<u>Total</u>
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.

**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)

	<b>2021</b>	<b>2020</b>
Weighted-average number of ordinary share	<b>378,742</b>	<b>367,751</b>

	<b>2021</b>	<b>2020</b>
3) Basic earnings per share (TWD)	<b>\$ 4.54</b>	<b>1.90</b>

(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)

	<b>2021</b>	<b>2020</b>
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)	<b>\$ 1,724,587</b>	<b>700,189</b>

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

	<b>2021</b>	<b>2020</b>
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	<b>428,599</b>	<b>380,741</b>

	<b>2021</b>	<b>2020</b>
3) Diluted earnings per share (TWD)	<b>\$ 4.02</b>	<b>1.84</b>

(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><b>\$ 72,404,886</b></u>	<u><b>58,413,402</b></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><b>\$ 72,404,886</b></u>	<u><b>58,413,402</b></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><b>\$ 13,548,981</b></u>	<u><b>10,679,023</b></u>	<u><b>8,223,453</b></u>
Contract liabilities	<u><b>\$ 305,931</b></u>	<u><b>195,013</b></u>	<u><b>91,026</b></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>
<b>December 31, 2021</b>				
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>
<b>December 31, 2020</b>				
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>	
	<b>Other comprehensive income before tax</b>	<b>Net income before tax</b>	<b>Other comprehensive income before tax</b>	<b>Net income before tax</b>
<b>Securities prices at reporting date</b>				
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
<b>Financial assets mandatorily measured at fair value through profit or loss</b>					
Stocks listed on domestic markets	\$ 607	607	-	-	607
Convertible bonds payable embedded derivative	<u>375</u>	-	375	-	375
Subtotal	<u>982</u>				
<b>Financial assets at fair value through other comprehensive income</b>					
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>				
<b>Financial assets measured at amortized cost</b>					
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>				
	<b><u>\$ 16,274,579</u></b>				

(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
<b>Financial liabilities measured at amortized cost</b>					
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>				
	<b><u>\$ 17,707,030</u></b>				
	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>				

(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 liabilities at fair value through profit or loss</b>					
Convertible bonds payable embedded derivative	\$ 9,600	-	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>				

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

	<b>Fair value through other comprehensive income</b>
	<b>Unquoted equity instruments</b>
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	<b>\$ 39,549</b>
Opening balance, January 1, 2020	\$ 42,453
Capital refunded	(1,979)
Ending Balance, December 31, 2020	<b>\$ 40,474</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".

(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"> <li>· Enterprise value to sale ratio as of December 31, 2021 was 1.61</li> <li>· Price-to-sale ratio as of December 31, 2020 was 1.44</li> <li>· Price-book ratio (as of December 31, 2021 and 2020 was 0.9 and 0.88, respectively)</li> <li>· Market liquidity discount rate (as of December 31, 2021 and 2020 were 17.45% and 17.25%, respectively)</li> </ul>	<ul style="list-style-type: none"> <li>· The higher the price-to-sales ratio, price-book ratio, and the enterprise value to sale ratio, the higher the fair value</li> <li>· The higher the market liquidity discount rate, the lower the fair value</li> </ul>
Financial assets at fair value through profit or loss	Net Asset Value Method	<ul style="list-style-type: none"> <li>· Net asset value</li> </ul>	<ul style="list-style-type: none"> <li>· Not applicable</li> </ul>

(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>	<u>-</u>	<u>-</u>	<u>(802,986)</u>	<u>-</u>	<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>-</u>	<u>1,000,000</u>	<u>-</u>	<u>(70,678)</u>	<u>-</u>	<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><b>268,974</b></u>	<u><b>163,390</b></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:

<b>Area</b>	<b>2021</b>	<b>2020</b>
Taiwan	\$ 239,610	240,510
China	293,258	169,356
Singapore	23,224	42,216
	<b><u>\$ 556,092</u></b>	<b><u>452,082</u></b>

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.