Stock Code:3033

# WEIKENG INDUSTRIAL CO., LTD. AND SUBSIDIARIES

**Consolidated Financial Statements**

**With Independent Auditors' Review Report**
**For the Six Months Ended June 30, 2023 and 2022**

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# Independent Auditors' Review Report

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

## Introduction

We have reviewed the accompanying consolidated balance sheets of Weikeng Industrial Co., Ltd. and its subsidiaries as of June 30, 2023 and 2022, and the related consolidated statements of comprehensive income for the three months and six months ended June 30, 2023 and 2022, as well as the changes in equity and cash flows for the six months ended June 30, 2023 and 2022, and notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

## Scope of Review

We conducted our reviews in accordance with the Standard on Review Engagements 2410, " Review of Financial Information Performed by the Independent Auditor of the Entity" of the Republic of China. A review of the consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with the Standards on Auditing of the Republic of China and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## Conclusion

Based on our reviews, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of Weikeng Industrial Co., Ltd. and its subsidiaries as of June 30, 2023 and 2022, and of its consolidated financial performance for the three months and six months ended June 30, 2023 and 2022, as well as its consolidated cash flows for the six months ended June 30, 2023 and 2022 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, " Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

The engagement partners on the review resulting in this independent auditors' review report are Yiu-Kwan Au and Kuan-Ying Kuo.

KPMG

Taipei, Taiwan (Republic of China)
August 11, 2023

**Notes to Readers**

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

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

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

# WEIKENG INDUSTRIAL CO., LTD. AND SUBSIDIARIES

## Consolidated Balance Sheets

## June 30, 2023, December 31, and June 30, 2022

## (Expressed in Thousands of New Taiwan Dollars)

| | | June 30, 2023 | | December 31, 2022 | | June 30, 2022 | |
|---|---|---|---|---|---|---|---|
| | **Assets** | **Amount** | **%** | **Amount** | **%** | **Amount** | **%** |
| | **Current assets:** | | | | | | |
| 1100 | Cash and cash equivalents (note (6)(a)) | $ 2,430,359 | 7 | 2,839,507 | 9 | 1,861,994 | 6 |
| 1110 | Current financial assets at fair value through profit or loss (note (6)(b)) | 802 | - | 644 | - | 809 | - |
| 1170 | Notes and accounts receivable, net (notes (6)(d) and (7)) | 13,287,852 | 40 | 12,844,427 | 39 | 13,517,700 | 44 |
| 1200 | Other receivables (note (6)(d)) | 309,664 | 1 | 366,331 | 1 | 348,868 | 1 |
| 1300 | Inventories, net (note (6)(e)) | 15,721,451 | 47 | 16,266,457 | 49 | 14,399,395 | 46 |
| 1470 | Prepaid expenses and other current assets | 925,352 | 3 | 142,755 | - | 203,213 | 1 |
| | | 32,675,480 | 98 | 32,460,121 | 98 | 30,331,979 | 98 |
| | **Non-current assets:** | | | | | | |
| 1510 | Non-current financial assets at fair value through profit or loss (note (6)(b)) | - | - | - | - | 25 | - |
| 1517 | Non-current financial assets at fair value through other comprehensive income (note (6)(c)) | 75,015 | - | 81,089 | - | 39,921 | - |
| 1600 | Property, plant and equipment (note (6)(f)) | 129,825 | - | 129,766 | - | 132,043 | - |
| 1755 | Right-of-use assets (note (6)(g)) | 348,783 | 1 | 284,249 | 1 | 256,748 | 1 |
| 1780 | Intangible assets | 9,834 | - | 10,602 | - | 22,739 | - |
| 1840 | Deferred tax assets | 178,716 | 1 | 196,650 | 1 | 185,640 | 1 |
| 1900 | Other non-current assets | 78,907 | - | 78,376 | - | 78,066 | - |
| | | 821,080 | 2 | 780,732 | 2 | 715,182 | 2 |
| | **Total assets** | $ 33,496,560 | 100 | 33,240,853 | 100 | 31,047,161 | 100 |

| | | June 30, 2023 | | December 31, 2022 | | June 30, 2022 | |
|---|---|---|---|---|---|---|---|
| | **Liabilities and Equity** | **Amount** | **%** | **Amount** | **%** | **Amount** | **%** |
| | **Current liabilities:** | | | | | | |
| 2100 | Short-term borrowings (note (6)(h)) | $ 14,647,837 | 44 | 14,647,898 | 44 | 10,359,597 | 34 |
| 2120 | Current financial liabilities at fair value through profit or loss (note (6)(b)) | - | - | 784 | - | - | - |
| 2130 | Current contract liabilities (note (6)(q)) | 1,142,123 | 3 | 898,765 | 3 | 236,537 | 1 |
| 2170 | Accounts payable | 3,505,112 | 11 | 3,560,734 | 11 | 5,983,503 | 19 |
| 2200 | Other payables (notes (6)(i) and (7)) | 861,548 | 3 | 1,046,936 | 3 | 856,180 | 3 |
| 2216 | Dividends payable | 1,312,988 | 4 | - | - | 1,270,232 | 4 |
| 2230 | Current tax liabilities | 149,376 | - | 333,254 | 1 | 630,824 | 2 |
| 2280 | Current lease liabilities (note (6)(k)) | 143,412 | - | 121,746 | - | 111,949 | - |
| 2300 | Other current liabilities | 440,901 | 1 | 423,496 | 1 | 392,277 | 1 |
| | | 22,203,297 | 66 | 21,033,613 | 63 | 19,841,099 | 64 |
| | **Non-current liabilities:** | | | | | | |
| 2500 | Non-current financial liabilities at fair value through profit or loss (note (6)(b)) | 11,256 | - | 31,173 | - | 32,200 | - |
| 2530 | Bonds payable (note (6)(j)) | 1,799,009 | 5 | 1,870,309 | 5 | 1,875,283 | 6 |
| 2570 | Deferred tax liabilities | 874,338 | 3 | 874,328 | 3 | 697,540 | 2 |
| 2580 | Non-current lease liabilities (note (6)(k)) | 213,645 | 1 | 171,675 | 1 | 154,387 | 1 |
| 2640 | Non-current net defined benefit liabilities | 76,493 | - | 79,956 | - | 114,636 | - |
| 2670 | Other non-current liabilities | 181 | - | 181 | - | 181 | - |
| | | 2,974,922 | 9 | 3,027,622 | 9 | 2,874,227 | 9 |
| | **Total liabilities** | 25,178,219 | 75 | 24,061,235 | 72 | 22,715,326 | 73 |
| | **Equity (note (6)(o)):** | | | | | | |
| 3100 | Common shares | 4,265,280 | 13 | 4,235,432 | 13 | 4,223,886 | 13 |
| 3200 | Capital surplus | 1,497,097 | 5 | 1,440,646 | 4 | 1,434,828 | 5 |
| | Retained earnings: | | | | | | |
| 3310 | Legal reserve | 1,304,638 | 4 | 1,132,248 | 4 | 1,132,248 | 4 |
| 3320 | Special reserve | - | - | 454,583 | 1 | 454,583 | 1 |
| 3350 | Unappropriated earnings | 1,183,421 | 3 | 1,908,636 | 6 | 1,233,485 | 4 |
| | | 2,488,059 | 7 | 3,495,467 | 11 | 2,820,316 | 9 |
| | Other equity interest: | | | | | | |
| 3410 | Exchange differences on translation of foreign financial statements | 164,382 | - | 89,420 | - | (65,873) | - |
| 3420 | Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income | (96,477) | - | (81,347) | - | (81,322) | - |
| | | 67,905 | - | 8,073 | - | (147,195) | - |
| | **Total equity** | 8,318,341 | 25 | 9,179,618 | 28 | 8,331,835 | 27 |
| | **Total liabilities and equity** | $ 33,496,560 | 100 | 33,240,853 | 100 | 31,047,161 | 100 |

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 Comprehensive Income

## For the three months and six months ended June 30, 2023 and 2022

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

| | | For the three months ended June 30 | | | | For the six months ended June 30 | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | 2023 | | 2022 | | 2023 | | 2022 | |
| | | Amount | % | Amount | % | Amount | % | Amount | % |
| 4100 | **Net sales revenue (notes (6)(q) and (7))** | $ 17,510,754 | 100 | 17,421,017 | 100 | 34,035,246 | 100 | 34,345,562 | 100 |
| 5000 | **Cost of sales (note (6)(e))** | 16,459,126 | 94 | 15,906,005 | 91 | 31,930,503 | 94 | 31,527,418 | 92 |
| | **Gross profit** | 1,051,628 | 6 | 1,515,012 | 9 | 2,104,743 | 6 | 2,818,144 | 8 |
| | **Operating expenses (notes (6)(k), (6)(l), (7) and (12)):** | | | | | | | | |
| 6100 | Selling expenses | 504,326 | 3 | 515,526 | 3 | 1,018,505 | 3 | 1,006,556 | 3 |
| 6200 | Administrative expenses | 125,928 | 1 | 152,200 | 1 | 245,432 | 1 | 297,847 | 1 |
| 6450 | Expected credit (reversal gains) losses (note (6)(d)) | (18,539) | - | 7,465 | - | (9,623) | - | 2,526 | - |
| | | 611,715 | 4 | 675,191 | 4 | 1,254,314 | 4 | 1,306,929 | 4 |
| | **Net operating income** | 439,913 | 2 | 839,821 | 5 | 850,429 | 2 | 1,511,215 | 4 |
| | **Non-operating income and expenses:** | | | | | | | | |
| 7100 | Interest income | 10,020 | - | 1,672 | - | 12,164 | - | 2,282 | - |
| 7010 | Other income (note (7)) | 7,032 | - | 2,949 | - | 9,195 | - | 5,386 | - |
| 7230 | Foreign currency exchange (losses) gains, net (note (6)(s)) | (35,583) | - | (27,390) | - | (18,692) | - | 45,871 | - |
| 7235 | Gains (losses) on financial assets (liabilities) at fair value through profit or loss, net (note (6)(j)) | 8,983 | - | (6,780) | - | 18,984 | - | (6,831) | - |
| 7050 | Finance costs (notes (6)(j) and (6)(k)) | (211,135) | (1) | (66,457) | (1) | (426,704) | (1) | (112,385) | - |
| 7590 | Miscellaneous disbursements | (203) | - | (165) | - | (531) | - | (315) | - |
| | | (220,886) | (1) | (96,171) | (1) | (405,584) | (1) | (65,992) | - |
| 7900 | **Profit before tax** | 219,027 | 1 | 743,650 | 4 | 444,845 | 1 | 1,445,223 | 4 |
| 7950 | Income tax expenses (note (6)(n)) | 83,425 | - | 200,797 | 1 | 139,265 | - | 396,477 | 1 |
| 8200 | **Profit** | 135,602 | 1 | 542,853 | 3 | 305,580 | 1 | 1,048,746 | 3 |
| | **Other comprehensive income:** | | | | | | | | |
| 8310 | **Items that will not be reclassified to profit or loss** | | | | | | | | |
| 8316 | Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income | (15,154) | - | (109) | - | (15,130) | - | (144) | - |
| 8349 | Less: Income tax related to items that will not be reclassified to profit or loss | - | - | - | - | - | - | - | - |
| | | (15,154) | - | (109) | - | (15,130) | - | (144) | - |
| 8360 | **Items that may be reclassified to profit or loss** | | | | | | | | |
| 8361 | Exchange differences on translation of foreign financial statements | 132,927 | - | 194,270 | 1 | 93,702 | - | 384,415 | 1 |
| 8399 | Less: Income tax related to items that will be reclassified to profit or loss (note (6)(n)) | 26,585 | - | 38,854 | - | 18,740 | - | 76,883 | - |
| | | 106,342 | - | 155,416 | 1 | 74,962 | - | 307,532 | 1 |
| | **Other comprehensive income, net** | 91,188 | - | 155,307 | 1 | 59,832 | - | 307,388 | 1 |
| 8500 | **Comprehensive income** | **$ 226,790** | **1** | **698,160** | **4** | **365,412** | **1** | **1,356,134** | **4** |
| | **Earnings per ordinary share (expressed in New Taiwan dollars) (note (6)(p))** | | | | | | | | |
| 9750 | **Basic earnings per share** | **$** | **0.32** | | **1.29** | | **0.72** | | **2.50** |
| 9850 | **Diluted earnings per share** | **$** | **0.27** | | **1.24** | | **0.61** | | **2.41** |

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 six months ended June 30, 2023 and 2022

## (Expressed in Thousands of New Taiwan Dollars)

| | | | Retained earnings | | | Other equity interest | | |
|---|---|---|---|---|---|---|---|---|
| | Common stock | Capital surplus | Legal reserve | Special reserve | Unappropriated earnings | Exchange differences on translation of foreign financial statements | Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income | Total equity |
| **Balance at January 1, 2022** | $ 4,159,342 | 1,275,927 | 960,709 | 365,705 | 1,715,388 | (373,405) | (81,178) | 8,022,488 |
| Appropriation and distribution of retained earnings: | | | | | | | | |
| Legal reserve appropriated | - | - | 171,539 | - | (171,539) | - | - | - |
| Special reserve appropriated | - | - | - | 88,878 | (88,878) | - | - | - |
| Cash dividends | - | - | - | - | (1,270,232) | - | - | (1,270,232) |
| | - | - | 171,539 | 88,878 | (1,530,649) | - | - | (1,270,232) |
| Profit for the six months ended June 30, 2022 | - | - | - | - | 1,048,746 | - | - | 1,048,746 |
| Other comprehensive income for the six months ended June 30, 2022 | - | - | - | - | - | 307,532 | (144) | 307,388 |
| Total comprehensive income for the six months ended June 30, 2022 | - | - | - | - | 1,048,746 | 307,532 | (144) | 1,356,134 |
| Issuance of convertible bonds | - | 114,313 | - | - | - | - | - | 114,313 |
| Conversion of convertible bonds | 64,544 | 44,588 | - | - | - | - | - | 109,132 |
| **Balance at June 30, 2022** | **$ 4,223,886** | **1,434,828** | **1,132,248** | **454,583** | **1,233,485** | **(65,873)** | **(81,322)** | **8,331,835** |
| **Balance at January 1,2023** | $ 4,235,432 | 1,440,646 | 1,132,248 | 454,583 | 1,908,636 | 89,420 | (81,347) | 9,179,618 |
| Appropriation and distribution of retained earnings: | | | | | | | | |
| Legal reserve appropriated | - | - | 172,390 | - | (172,390) | - | - | - |
| Cash dividends | - | - | - | - | (1,312,988) | - | - | (1,312,988) |
| Reversal of special reserve | - | - | - | (454,583) | 454,583 | - | - | - |
| | - | - | 172,390 | (454,583) | (1,030,795) | - | - | (1,312,988) |
| Profit for the six months ended June 30, 2023 | - | - | - | - | 305,580 | - | - | 305,580 |
| Other comprehensive income for the six months ended June 30, 2023 | - | - | - | - | - | 74,962 | (15,130) | 59,832 |
| Total comprehensive income for the six months ended June 30, 2023 | - | - | - | - | 305,580 | 74,962 | (15,130) | 365,412 |
| Conversion of convertible bonds | 29,848 | 56,451 | - | - | - | - | - | 86,299 |
| **Balance at June 30, 2023** | **$ 4,265,280** | **1,497,097** | **1,304,638** | **-** | **1,183,421** | **164,382** | **(96,477)** | **8,318,341** |

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 six months ended June 30, 2023 and 2022

## (Expressed in Thousands of New Taiwan Dollars)

| | For the six months ended June 30, 2023 | 2022 |
|---|---|---|
| **Cash flows from (used in) operating activities:** | | |
| **Profit before tax** | $ 444,845 | 1,445,223 |
| **Adjustments:** | | |
| Adjustments to reconcile profit (loss): | | |
| Depreciation expenses | 84,790 | 81,356 |
| Amortization expenses | 6,308 | 13,723 |
| Expected credit (reversal gains) losses | (9,623) | 2,526 |
| Net (gains) losses on financial assets and liabilities at fair value through profit or loss | (18,984) | 6,831 |
| Interest expenses | 426,704 | 112,385 |
| Interest income | (12,164) | (2,282) |
| Others | 76 | - |
| | 477,107 | 214,539 |
| Changes in operating assets and liabilities: | | |
| (Increase) decrease in notes and accounts receivable | (433,802) | 28,755 |
| Decrease in other receivables | 56,667 | 27,479 |
| Decrease (increase) in inventories | 545,006 | (4,112,527) |
| Increase in prepaid expenses and other current assets | (662,101) | (6,068) |
| | (494,230) | (4,062,361) |
| Decrease in financial liabilities at fair value profit or loss | (915) | - |
| (Decrease) increase in accounts payable | (55,622) | 675,355 |
| Decrease in other payable | (171,120) | (115,042) |
| Increase in contract liabilities and other current liabilities | 260,763 | 4,266 |
| Decrease in net defined benefit liabilities | (3,463) | (7,586) |
| | 29,643 | 556,993 |
| Total changes in operating assets and liabilities | (464,587) | (3,505,368) |
| Total adjustments | 12,520 | (3,290,829) |
| Cash flows from (used in) operations | 457,365 | (1,845,606) |
| Interest received | 11,988 | 2,282 |
| Interest paid | (426,874) | (96,163) |
| Income taxes paid | (323,044) | (147,581) |
| **Net cash flows used in operating activities** | (280,565) | (2,087,068) |
| **Cash flows from (used in) investing activities:** | | |
| Acquisition of financial assets at fair value through other comprehensive income | (9,056) | - |
| Acquisition of property, plant and equipment | (5,852) | (3,995) |
| Increase in refundable deposits | (120,798) | (3,206) |
| Acquisition of intangible assets | (5,407) | (4,995) |
| Decrease in other prepayments | 2 | 17 |
| **Net cash flows used in investing activities** | (141,111) | (12,179) |
| **Cash flows from (used in) financing activities:** | | |
| Decrease in short-term borrowings | (61) | (636,451) |
| Proceeds from issuing bonds | - | 2,000,000 |
| Payments of lease liabilities | (79,439) | (74,491) |
| **Net cash flows (used in) from financing activities** | (79,500) | 1,289,058 |
| **Effect of exchange rate changes on cash and cash equivalents** | 92,028 | 405,576 |
| **Net decrease in cash and cash equivalents** | (409,148) | (404,613) |
| **Cash and cash equivalents at the beginning of period** | 2,839,507 | 2,266,607 |
| **Cash and cash equivalents at the end of period** | **$ 2,430,359** | **1,861,994** |

See accompanying notes to consolidated financial statements.

**(1) Company history**

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

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

These consolidated financial statements were authorized for issue by the Board of Directors on August 11, 2023.

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

(a) The impact of the International Financial Reporting Standards ("IFRSs") endorsed by the Financial Supervisory Commission, R.O.C. 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, 2023:

- 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"

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

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

The following new and amended standards, which may be relevant to the Group, have been issued by the International Accounting Standards Board (IASB), but have yet to be endorsed by the FSC:

| Standards or Interpretations | Content of amendment | Effective date per IASB |
|---|---|---|
| Amendments to IAS 1 "Classification of Liabilities as Current or Non-current" | Under existing IAS 1 requirements, companies classify a liability as current when they do not have an unconditional right to defer settlement for at least 12 months after the reporting date. The amendments has removed the requirement for a right to be unconditional and instead now requires that a right to defer settlement must exist at the reporting date and have substance.<br><br>The amendments clarify how a company classifies a liability that can be settled in its own shares – e.g. convertible debt. | January 1, 2024 |
| Amendments to IAS 1 "Non-current Liabilities with Covenants" | After reconsidering certain aspects of the 2020 amendments1, new IAS 1 amendments clarify that only covenants with which a company must comply on or before the reporting date affect the classification of a liability as current or non-current.<br><br>Covenants with which the company must comply after the reporting date (i.e. future covenants) do not affect a liability' s classification at that date. However, when non-current liabilities are subject to future covenants, companies will now need to disclose information to help users understand the risk that those liabilities could become repayable within 12 months after the reporting date. | January 1, 2024 |

The Group is evaluating the impact of its initial adoption of the abovementioned standards or interpretations on its consolidated financial position and consolidated financial performance. The results thereof will be disclosed when the Group completes its evaluation.

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

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

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”
- IFRS 17 “ Insurance Contracts” and amendments to IFRS 17 “ Insurance Contracts”
- Amendments to IFRS 17 “Initial Application of IFRS 17 and IFRS 9 – Comparative Information”
- IFRS16 “Requirements for Sale and Leaseback Transactions”
- Amendments to IAS 7 and IFRS 7 “Supplier Finance Arrangements”
- Amendments to IAS12 “International Tax Reform – Pillar Two Model Rules”

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

(a) Statement of compliance

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

Except the following accounting policies mentioned below, the significant accounting policies adopted in the consolidated financial statements are the same as those in the consolidated financial statement for the year ended December 31, 2022. For the related information, please refer to note (4) of the consolidated financial statements for the year ended December 31, 2022.

(b) Basis of Consolidation

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

| | | | Shareholding | | |
|---|---|---|---|---|---|
| **Name of Investor** | **Name of Subsidiary** | **Nature of operation** | **June 30, 2023** | **December 31, 2022** | **June 30, 2022** |
| The Company | Weikeng International Co., Ltd. (WKI) | Electronic components computer peripherals products distribution and technical support | 100 % | 100 % | 100 % |
| 〃 | Weikeng Technology Co., Ltd. (WKZ) | Electronic components and technical support | 100 % | 100 % | 100 % |
| 〃 | Weikeng Technology Pte. Ltd. (WTP) | 〃 | 100 % | 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 June 30, 2023 | Shareholding December 31, 2022 | Shareholding June 30, 2022 |
|---|---|---|---|---|---|
| WKI | Weikeng International (Shanghai) Co., Ltd. (WKS) | Electronic components computer peripherals products distribution and technical support | 100 % | 100 % | 100 % |
| 〃 | Weitech International Co., Ltd. (Weitech) | Import and export trade of electronic components | 100 % | 100 % | 100 % |
| WKS | Weikeng Electronic Technology (Shanghai) Co., Ltd. (WKE) | Electronic technology development and technical advisory | 100 % | 100 % | 100 % |

(c) Income taxes

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

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

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

(d) Employee benefits

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

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

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

The preparation of the consolidated financial statements, estimates and underlying assumptions are reviewed on an ongoing basis which are in conformity with the consolidated financial statements for the year ended December 31, 2022. For related information, please refer to note (5) of the consolidated financial statements for the year ended December 31, 2022.

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

**(6) Explanation of significant accounts**

Except for the following disclosures, there were no material differences in the disclosures of significant accounts between the interim consolidated financial statements for the current period and the 2022 consolidated financial statements. Please refer to note (6) of the 2022 annual consolidated financial statements.

(a) Cash and cash equivalents

| | June 30, 2023 | December 31, 2022 | June 30, 2022 |
|---|---|---|---|
| Cash on hand | $ 456 | 460 | 475 |
| Checking accounts and demand deposits | 2,429,903 | 2,839,047 | 1,861,519 |
| | **$ 2,430,359** | **2,839,507** | **1,861,994** |

Please refer to note (6)(s) 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

(i) The details of the financial assets and liabilities at fair value through profit or loss were as follows:

| | June 30, 2023 | December 31, 2022 | June 30, 2022 |
|---|---|---|---|
| Current financial assets at fair value through profit or loss: | | | |
| Non-derivative financial assets | | | |
| Stock listed on domestic markets | **$ 802** | **644** | **809** |
| Non-current financial assets at fair value through profit or loss: | | | |
| Convertible bonds – embedded derivatives | **$ -** | **-** | **25** |
| Current financial liabilities at fair value through profit or loss: | | | |
| Derivative instruments not used for hedging | | | |
| Forward exchange contracts | **$ -** | **784** | **-** |
| Non-current financial liabilities at fair value through profit or loss: | | | |
| Convertible bonds – embedded derivatives | **$ 11,256** | **31,173** | **32,200** |

As of June 30, 2023, December 31 and June 30, 2022, the Group did not provide any financial assets at fair value through profit or loss as collateral for its loans.

Please refer to note (6)(s) for credit risk and currency risk of financial assets of the Group.

**WEIKENG INDUSTRIAL CO., LTD. AND SUBSIDIARIES**
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(ii) Non-hedging derivative financial instruments

The Group holds derivative financial instruments to hedge certain foreign exchange risk exposures arising from its operating and financing activities. The following derivative instruments, without the application of hedge accounting, were classified as mandatorily measured at fair value through profit or loss financial assets:

Forward exchange contracts：

| | December 31, 2022 | | | |
|---|---|---|---|---|
| | Amount (in thousands) | | Currency | Maturity dates |
| Forward exchange purchased | USD | 1,000 | USD to TWD | 2023.03.27 |

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

| | June 30, 2023 | December 31, 2022 | June 30, 2022 |
|---|---|---|---|
| Debt investments at fair value through other comprehensive income: | | | |
| Overseas unlisted convertible promissory note | $ 9,056 | - | - |
| Equity investments at fair value through other comprehensive income: | | | |
| Domestic emerging market stocks | 367 | 347 | 372 |
| Domestic unlisted stocks | 58,134 | 58,134 | 16,941 |
| Overseas unlisted stocks | 7,458 | 22,608 | 22,608 |
| | **$ 75,015** | **81,089** | **39,921** |

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

The Group has made an assessment that the debt invesment were held within a business model whose objective was achieved by both collecting contractual cash flows and selling financial assets. Therefore, they have been classified as financial assets at fair value through other comprehensive income.

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

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

There were no disposals of strategic investments, nor were there any transfers of any cumulative gain or loss within equity relating to these investments in the six months ended June 30, 2023 and 2022.

(iii) For credit risk and market risk, please refer to note (6)(s).

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

(iv) As of June 30, 2023, December 31 and June 30, 2022, 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

| | June 30, 2023 | December 31, 2022 | June 30, 2022 |
|---|---|---|---|
| Notes receivable | $ 195,136 | 181,378 | 161,942 |
| Accounts receivable-measured as amortized cost | 10,823,697 | 10,590,071 | 11,049,653 |
| Accounts receivable-fair value through other comprehensive income | 2,355,350 | 2,167,677 | 2,402,409 |
| | 13,374,183 | 12,939,126 | 13,614,004 |
| Less: Loss allowance | (86,331) | (94,699) | (96,304) |
| | **$ 13,287,852** | **12,844,427** | **13,517,700** |

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:

(i) The Company

| | June 30, 2023 | | | |
|---|---|---|---|---|
| **Credit rating** | **Carrying amount** | **Expected credit loss rate** | **Loss allowance provision** | **Credit impaired** |
| Listed company (assessed by group) | | | | |
| Level A | $ 3,695,371 | 0.52% | 19,218 | No |
| Level B | 1,720,114 | 1.33% | 22,807 | No |
| Unlisted company | 1,343,835 | 1.02% | 13,702 | No |
| | **$ 6,759,320** | | **55,727** | |

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

| Credit rating | December 31, 2022<br>Carrying amount | Expected credit loss rate | Loss allowance provision | Credit impaired |
|---|---|---|---|---|
| Listed company (assessed by group) | | | | |
| Level A | $ 3,308,146 | 0.53% | 17,592 | No |
| Level B | 1,890,769 | 1.30% | 24,658 | No |
| Unlisted company | 1,330,528 | 0.96% | 12,770 | No |
| | **$ 6,529,443** | | **55,020** | |

| Credit rating | June 30, 2022<br>Carrying amount | Expected credit loss rate | loss allowance provision | Credit impaired |
|---|---|---|---|---|
| Listed company (assessed by group) | | | | |
| Level A | $ 3,341,659 | 0.50% | 16,541 | No |
| Level B | 1,502,686 | 1.20% | 18,021 | No |
| Unlisted company | 1,295,370 | 1.33% | 17,237 | No |
| | **$ 6,139,715** | | **51,799** | |

The aging analysis of the Company's notes and accounts receivable was determined as follows:

| | June 30, 2023 | December 31, 2022 | June 30, 2022 |
|---|---|---|---|
| Not past due | $ 6,615,195 | 6,477,584 | 5,985,321 |
| Overdue 90 days or less | 144,125 | 51,859 | 110,424 |
| Overdue 91 to 180 days | - | - | 43,970 |
| | **$ 6,759,320** | **6,529,443** | **6,139,715** |

(ii) Subsidiaries

| | June 30, 2023<br>Carrying amount | Expected credit loss rate | Loss allowance provision |
|---|---|---|---|
| Not past due | $ 6,229,339 | 0.04% | 2,617 |
| Overdue 90 days or less | 383,299 | 6.89% | 26,402 |
| Overdue 91 to 180 days | 1,630 | 60.74% | 990 |
| Overdue 181 days or more | 595 | 100% | 595 |
| | **$ 6,614,863** | | **30,604** |

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

| | December 31, 2022 | | |
|---|---|---|---|
| | Carrying amount | Expected credit loss rate | Loss allowance provision |
| Not past due | $ 5,785,783 | 0.03% | 1,742 |
| Overdue 90 days or less | 609,535 | 4.82% | 29,388 |
| Overdue 91 to 180 days | 14,008 | 58.48% | 8,192 |
| Overdue 181 days or more | 357 | 100% | 357 |
| | $ 6,409,683 | | 39,679 |

| | June 30, 2022 | | |
|---|---|---|---|
| | Carrying amount | Expected credit loss rate | Loss allowance provision |
| Not past due | $ 6,835,921 | 0.02% | 1,703 |
| Overdue 90 days or less | 636,711 | 6.46% | 41,145 |
| Overdue 91 to 180 days | 1,360 | 100% | 1,360 |
| Overdue 181 days or more | 297 | 100% | 297 |
| | $ 7,474,289 | | 44,505 |

For the six months ended June 30, 2023 and 2022, the movements in the allowance for notes and accounts receivable of the Group were as follows:

| | For the six months ended June 30, | |
|---|---|---|
| | 2023 | 2022 |
| Balance at January 1 | $ 94,699 | 91,751 |
| Impairment losses (reversed) recognized | (9,623) | 2,526 |
| Reclassifications | - | (21) |
| Effect of changes in foreign exchange rates | 1,255 | 2,048 |
| Balance at June 30 | $ 86,331 | 96,304 |

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.

(Continued)

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

The Group derecognized the above accounts receivable because it has transferred substantially all of the risks and rewards of their ownership, and it does not have any continuing involvement by them. The amounts receivable from the financial institutions were recognized as “other receivables” upon the derecognition of those accounts receivable.

As of June 30, 2023, December 31 and June 30, 2022, the information of accounts receivable sold without recourse was as follows:

**June 30, 2023**

| Purchaser | Amount Derecognized | Amount Paid | Advanced Unpaid | Amount Recognized in Other Receivables | Range of Interest Rate | Significant Transferring Terms |
|---|---|---|---|---|---|---|
| Financial institutions | $ 2,668,466 | 2,401,167 | - | 267,299 | 5.48%~6.51% | None |

**December 31, 2022**

| Purchaser | Amount Derecognized | Amount Paid | Advanced Unpaid | Amount Recognized in Other Receivables | Range of Interest Rate | Significant Transferring Terms |
|---|---|---|---|---|---|---|
| Financial institutions | $ 3,202,845 | 2,884,268 | - | 318,577 | 3.34%~6.35% | None |

**June 30, 2022**

| Purchaser | Amount Derecognized | Amount Paid | Advanced Unpaid | Amount Recognized in Other Receivables | Range of Interest Rate | Significant Transferring Terms |
|---|---|---|---|---|---|---|
| Financial institutions | $ 2,823,650 | 2,546,165 | - | 277,485 | 0.85%~3.04% | None |

As of June 30, 2023, December 31 and June 30, 2022, the Group did not provide any receivables as collaterals for its loans.

Please refer to note (6)(s) for further credit risk information.

(e) Inventories

| | June 30, 2023 | December 31, 2022 | June 30, 2022 |
|---|---|---|---|
| Merchandise inventories | $ 14,887,990 | 14,859,181 | 13,320,216 |
| Goods in transit | 833,461 | 1,407,276 | 1,079,179 |
| | **$ 15,721,451** | **16,266,457** | **14,399,395** |

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

The details of the cost of sales were as follows:

| | For the three months ended June 30, | | For the six months ended June 30, | |
|---|---|---|---|---|
| | **2023** | **2022** | **2023** | **2022** |
| Inventory that has been sold | $ 16,368,331 | 15,885,689 | 31,725,710 | 31,490,756 |
| Write-down of inventories | 88,826 | 19,469 | 202,450 | 35,700 |
| Loss on disposal of inventory | 1,969 | 847 | 2,343 | 962 |
| | **$ 16,459,126** | **15,906,005** | **31,930,503** | **31,527,418** |

As of June 30, 2023, December 31 and June 30, 2022, the Group did not provide any inventories as collaterals for its loans.

(f) Property, plant and equipment

| | Land | Buildings and construction | Transportation equipment | Machinery equipment | Office and other facilities equipment | Total |
|---|---|---|---|---|---|---|
| **Carrying amounts:** | | | | | | |
| Balance on January 1, 2023 | $ 77,377 | 28,339 | 3,613 | 8,288 | 12,149 | 129,766 |
| Balance on June 30, 2023 | $ 77,377 | 27,907 | 4,572 | 8,026 | 11,943 | 129,825 |
| Balance on January 1, 2022 | $ 77,377 | 29,202 | 4,316 | 8,581 | 13,983 | 133,459 |
| Balance on June 30, 2022 | $ 77,377 | 28,771 | 3,949 | 8,321 | 13,625 | 132,043 |

The Group's property, plant and equipment have no significant additions, disposals, impairments or reversals during for the six months ended June 30, 2023 and 2022. Information on depreciation for the period is disclosed in note (12)(a). For other related information, please refer to note (6)(g) of the 2022 annual consolidated financial statements.

(g) Right-of-use assets

| | Buildings | Transportation equipment | Total |
|---|---|---|---|
| Carrying amount: | | | |
| Balance on January 1, 2023 | $ 277,665 | 6,584 | 284,249 |
| Balance on June 30, 2023 | $ 343,520 | 5,263 | 348,783 |
| Balance on January 1, 2022 | $ 314,404 | 2,971 | 317,375 |
| Balance on June 30, 2022 | $ 248,768 | 7,980 | 256,748 |

There were no significant additions, disposal, or recognition and reversal of impairment losses of buildings and transportation equipments that are held as right-of-use assets for the six months ended June 30, 2023 and 2022. Please refer to note (6)(h) of the 2022 annual consolidated financial statements for other related information.

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**Notes to the Consolidated Financial Statements**

(h) Short-term borrowings

| | June 30, 2023 | December 31, 2022 | June 30, 2022 |
|---|---|---|---|
| Unsecured loans | $ 14,178,740 | 13,889,812 | 10,209,659 |
| Short-term notes and bills payable, net | 469,097 | 758,086 | 149,938 |
| | $ 14,647,837 | 14,647,898 | 10,359,597 |
| Unused short-term credit lines | $ 5,227,857 | 4,752,709 | 7,629,963 |
| Range of interest rates | 1.70%~6.53% | 1.53%~6.09% | 0.52%~3.75% |

(i) Issuance and repayment of borrowings

The Group’s incremental amounts in loans for the six months ended June 30, 2023 and 2022 were $22,954,319 and $19,083,039, respectively, with maturities from July to December, 2023 and from July to December, 2022, respectively; and the repayments were $22,954,380 and $19,719,490, respectively.

(ii) For information on the Group’s interest risk, foreign currency risk and liquidity risk, please refer to note (6)(s).

(i) Other payables

| | June 30, 2023 | December 31, 2022 | June 30, 2022 |
|---|---|---|---|
| Accrued expenses | $ 313,179 | 269,476 | 295,810 |
| Bonus payable | 194,909 | 378,218 | 170,235 |
| Remuneration to employees and directors | 241,713 | 273,223 | 362,611 |
| Interest payable | 111,747 | 126,019 | 27,524 |
| | $ 861,548 | 1,046,936 | 856,180 |

The accrued expenses include import and export fees, processing expense, professional services fees, pension, insurance, and payable for unused vacation time, etc.

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(j) Convertible bonds payable

(i) Non-guaranteed convertible bonds:

| | June 30, 2023 | December 31, 2022 | June 30, 2022 |
|---|---|---|---|
| Aggregate principal amount | $ 2,000,000 | 2,000,000 | 3,000,000 |
| Bond discount | (108,791) | (127,991) | (143,017) |
| Cumulative repurchased amount | (1,700) | (1,700) | - |
| Cumulative converted amount | (90,500) | - | (981,700) |
| Bonds payable at end of period | **$ 1,799,009** | **1,870,309** | **1,875,283** |
| Embedded derivative – put and call options | | | |
| Included in non-current financial liabilities at fair value through profit or loss | **$ 11,256** | **31,173** | **32,200** |
| Included in non-current financial assets at fair value through profit or loss | **$ -** | **-** | **25** |
| Equity component – conversion options (included in capital surplus – conversion options) | **$ 109,044** | **114,216** | **115,357** |

(ii) The effective interest rate of the fifth convertible bonds was 1.53%. The interest expenses on convertible bonds for the three months and six months ended June 30, 2022, were $144 and $510, respectively. All of the above fifth convertible bonds had been converted into the ordinary shares in September 2022.

(iii) The effective interest rate of the sixth convertible bonds was 1.51%. The interest expenses on convertible bonds for the three months and six months ended June 30, 2023 and 2022, were $7,037, $2,336, $14,039 and $2,336, respectively.

(iv) The net gain or loss on the recognition of financial assets and liabilities for the three months and six months ended June 30, 2023 and 2022, amounted to a gain of $8,967, a loss of $7,020, a gain of $18,958 and a loss of $7,033, respectively.

(v) There were no issuances, repurchases and repayments of bonds payable for the six months ended June 30, 2023. Please refer to note (6)(k) to the 2022 annual consolidated financial statements for the related information.

**WEIKENG INDUSTRIAL CO., LTD. AND SUBSIDIARIES**
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(vi) The Company issued the sixth domestic unsecured convertible bonds, with a face value of $2,000,000 on June 1, 2022. The Company separated the convertible option from the liability and recognized it as equity and liability, respectively. The relevant information was as follows:

| | The Sixth |
|---|---|
| The compound interest present values of the convertible bonds' face value at issuance | $ 1,860,200 |
| The embedded derivative financial liabilities at issuance – put options | 25,200 |
| The equity components at issuance | 114,600 |
| The total amounts of the convertible bonds at issuance | **$ 2,000,000** |

The equity components were recorded in capital surplus-conversion options. In accordance with IFRSs, the issue cost of the sixth domestic unsecured convertible bonds were allocated at $287 to the capital surplus-conversion options.

(vii) The main terms of issuance of the sixth convertible bonds were as follows:

1) Duration: five years (June 1, 2022 to June 1, 2027).

2) Interest rate: 0%.

3) Redemption clause: 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 end of duration, the Company may redeem the bonds at their principal amount if the closing prices 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 end of duration.

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 rates for the redemption are 0.5% both three and four years after the issuance date.

**WEIKENG INDUSTRIAL CO., LTD. AND SUBSIDIARIES**
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5) Conversion clause:

a) Bondholders may request to have the bonds converted into the common stock of the Company in accordance with conversion clause from September 2, 2022 to June 1, 2027.

b) Conversion price: NT$34.27 per share. Starting from July 31, 2022 and August 8, 2023, the adjusted conversion prices due to the distribution of 2021 and 2022 retained earnings of $30.32 and $27.80, respectively.

(k) Lease liabilities

The details of Group's lease liabilities were as follows:

| | June 30, 2023 | December 31, 2022 | June 30, 2022 |
|---|---|---|---|
| Current | $ 143,412 | 121,746 | 111,949 |
| Non-current | $ 213,645 | 171,675 | 154,387 |

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

The amounts recognized in profit or loss were as follows:

| | For the three months ended June 30, | | For the six months ended June 30, | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| Interest expenses on lease liabilities | $ 2,263 | 1,709 | 4,635 | 3,558 |
| Expenses relating to short-term leases | $ 1,489 | 1,539 | 2,967 | 3,047 |

The amounts recognized in the consolidated statements of cash flows were as follows:

| | For the six months ended June 30, | |
|---|---|---|
| | 2023 | 2022 |
| Total cash outflow for leases | $ 87,041 | 81,096 |

(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 6 years, of warehouses for 1 to 4 years, and of dormitories for 3 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.

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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 typically run for a period of 3 to 5 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.

The Group leases office space, dormitories, transportation equipment and parking space with lease terms of one year. Since these leases are short term, the Group elected not to recognize its right-of-use assets and lease liabilities for these leases.

(l) Operating lease — as lessor

There were no significant leases contracts for the six months ended June 30, 2023 and 2022. Please refer to note (6)(m) of the 2022 annual consolidated financial statements for other related information.

(m) Employee benefits

(i) Defined benefit plans

Management believes that there was no material volatility of the market, no material reimbursement and settlement or other material onetime events since prior fiscal year. As a result, the pension cost in the accompanying interim period was measured and disclosed according to the actuarial report as of December 31, 2022 and 2021.

The Company makes defined benefit plan contributions to the pension fund account at the Bank of Taiwan that provides pensions for employees upon retirement. The plans entitle a retired employee to receive a payment based on years of service and average salary for the six months prior to retirement.

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

| | For the three months ended June 30, | | For the six months ended June 30, | |
|---|---|---|---|---|
| | **2023** | **2022** | **2023** | **2022** |
| Operating expenses | **$ 425** | **278** | **850** | **557** |

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(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.

The Company and WKZ recognized the pension costs under the defined contribution method amounting to $6,258, $6,022, $12,517 and $11,989 for the three months and six months ended June 30, 2023 and 2022, 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 $20,540, $19,758, $41,515 and $38,634 for the three months and six months ended June 30, 2023 and 2022, respectively.

(n) Income taxes

(i) Income tax expenses

The amounts of income tax for the three months and six months ended June 30, 2023 and 2022 were as follows:

| | For the three months ended June 30, | | For the six months ended June 30, | |
|---|---|---|---|---|
| | **2023** | **2022** | **2023** | **2022** |
| Current tax expenses | **$ 83,425** | **200,797** | **139,265** | **396,477** |

The amounts of income tax recognized in other comprehensive income for the three months and six months ended June 30, 2023 and 2022 were as follows:

| | For the three months ended June 30, | | For the six months ended June 30, | |
|---|---|---|---|---|
| | **2023** | **2022** | **2023** | **2022** |
| Items that may be reclassified subsequently to profit or loss: | | | | |
| Exchange differences on translation of foreign financial statements | **$ 26,585** | **38,854** | **18,740** | **76,883** |

(ii) Income tax assessment

The Company's and WKZ's income tax returns have been examined and approved by the R.O.C.'s tax authorities until year 2021, respectively.

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**WEIKENG INDUSTRIAL CO., LTD. AND SUBSIDIARIES**
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(iii) The Group is closely monitoring developments related to the implementation of the international tax reforms introducing a global minimum top-up tax. The International Accounting Standards Board issued amendments to IAS 12 that provide a temporary mandatory exception from deferred tax accounting for the top-up tax and require new disclosures in the annual financial statements. However, since none of the jurisdictions in which the Group operates had enacted or substantively enacted the tax legislation related to the top-up tax at the date when the consolidated financial statements for the six months ended June 30, 2023 were authorized for issue, there is no impact on the consolidated financial statements in the said period.

In light of the exception from deferred tax accounting, the Group is focusing its assessment on the potential current tax impacts of the top-up tax. Once changes to the tax laws in any jurisdiction in which the Group operates are enacted or substantively enacted, the Group may be potentially subject to the top-up tax due to the operations of its subsidiary in Hong Kong which are taxed only based on income from domestic sources. As of June 30, 2023, the Group did not have sufficient information to determine the potential quantitative impact of the top-up tax on its financial report.

(o) Capital and other equities

A resolution was passed at the shareholders' meeting held on June 16, 2022, to increase the Company's registered capital to $6,000,000. The registration procedure has been completed.

As of June 30, 2023, December 31 and June 30, 2022, the total number of authorized ordinary shares were 600,000 thousand shares, with par value of TWD 10 per share. The total value of authorized ordinary shares amounted to $6,000,000. As of that date, 426,528 thousand shares, 423,543 thousand shares and 422,389 thousand shares of ordinary shares were issued, respectively. All issued shares were paid up upon issuance.

(i) Common stock

The Company issued 2,985 thousand and 6,454 thousand new ordinary shares, with a par value of $10 per share, amounting to $29,848 and $64,544, due to the conversion of convertible bonds for the six months ended June 30, 2023 and 2022, respectively. The relevant statutory registration procedures have been completed.

(Continued)

**WEIKENG INDUSTRIAL CO., LTD. AND SUBSIDIARIES**
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(ii) Capital surplus

Balances on capital surplus of the Company were as follows:

| | June 30, 2023 | December 31, 2022 | June 30, 2022 |
|---|---|---|---|
| Additional paid in capital | $ 1,349,426 | 1,287,803 | 1,280,889 |
| Treasury share transactions | 37,662 | 37,662 | 37,617 |
| Donation from shareholders | 712 | 712 | 712 |
| Convertible bonds – conversion options | 109,044 | 114,216 | 115,357 |
| Others | 253 | 253 | 253 |
| | **$ 1,497,097** | **1,440,646** | **1,434,828** |

For the three months and six months ended June 30, 2023 and 2022, the capital surplus deriving from those convertible bonds, which were converted to common stock, amounted to $56,451 and $44,588, respectively (including the capital surplus-conversion options transferred to the capital surplus additional paid-in capital of $5,172 and $6,590, respectively).

In accordance with the Company Act, realized capital surplus can be utilized for issuing new shares or be distributed as cash dividends only after offsetting losses. The aforementioned capital surplus includes share premiums and donation gains. In accordance with the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, the amount of capital surplus to be utilized for issuing new shares shall not exceed 10 percent of paid-in capital every year. Capital surplus increased by transferring from paid-in capital in excess of par value shall not be capitalized until the next 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 estimate and retain to pay for taxes, then offset the prior years' deficits; thereafter, the remaining balance shall be set aside as legal reserve, and then set aside or reverse special reserve. The remainder, if any, together with any undistributed retained earnings at the beginning, shall be distributed according to the distribution plan proposed by the board to be submitted by the Board of Directors. 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 to determine 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.

**WEIKENG INDUSTRIAL CO., LTD. AND SUBSIDIARIES**
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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) Earnings distribution

The amounts for cash dividends of the Company's earnings distribution for 2022 and 2021 were decided by the Board meetings held on April 28, 2023 and March 25, 2022.

| | 2022 | | 2021 | |
|---|---|---|---|---|
| | **Amount per share (in dollars)** | **Total amount** | **Amount per share (in dollars)** | **Total amount** |
| Dividends distributed to ordinary shareholders: | | | | |
| Cash dividends | $ 3.06721661 | 1,312,988 | 3.00725918 | 1,270,232 |

(p) Earnings per share

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

(i) Basic earnings per share

1) Profit attributable to ordinary shareholders of the Company

| | For the three months ended June 30, | | For the six months ended June 30, | |
|---|---|---|---|---|
| | **2023** | **2022** | **2023** | **2022** |
| Profit attributable to ordinary shareholders of the Company | $ 135,602 | 542,853 | 305,580 | 1,048,746 |

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

| | For the three months ended June 30, | | For the six months ended June 30, | |
|---|---|---|---|---|
| | **2023** | **2022** | **2023** | **2022** |
| Weighted-average number of ordinary shares | 423,543 | 421,178 | 423,543 | 419,458 |

| | For the three months ended June 30, | | For the six months ended June 30, | |
|---|---|---|---|---|
| | **2023** | **2022** | **2023** | **2022** |
| 3) Basic earnings per share (TWD) | $ 0.32 | 1.29 | 0.72 | 2.50 |

(Continued)

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

(ii) Diluted earnings per share

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

| | For the three months ended June 30, | | For the six months ended June 30, | |
|---|---|---|---|---|
| | **2023** | **2022** | **2023** | **2022** |
| Profit attributable shareholders of the Company (basic) | $ 135,602 | 542,853 | 305,580 | 1,048,746 |
| Convertible bonds payable | (1,975) | 9,483 | (5,010) | 9,858 |
| Profit attributable to ordinary shareholders of the Company (diluted) | **$ 133,627** | **552,336** | **300,570** | **1,058,604** |

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

| | For the three months ended June 30, | | For the six months ended June 30, | |
|---|---|---|---|---|
| | **2023** | **2022** | **2023** | **2022** |
| Weighted-average number of ordinary shares (basic) | 423,543 | 421,178 | 423,543 | 419,458 |
| Effect of convertible bonds | 65,907 | 21,472 | 65,907 | 13,626 |
| Effect of employee stock remuneration | 1,133 | 4,193 | 3,774 | 6,761 |
| Weighted-average number of ordinary shares (diluted) on June 30 | **490,583** | **446,843** | **493,224** | **439,845** |

| | For the three months ended June 30, | | For the six months ended June 30, | |
|---|---|---|---|---|
| | **2023** | **2022** | **2023** | **2022** |
| 3) Diluted earnings per share (TWD) | **$ 0.27** | **1.24** | **0.61** | **2.41** |

(Continued)

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

(q) Revenue from contracts with customers

(i) Disaggregation of revenue

| | For the three months ended June 30, | | For the six months ended June 30, | |
|---|---|---|---|---|
| | **2023** | **2022** | **2023** | **2022** |
| Primary geographical markets: | | | | |
| Taiwan | $ 2,249,880 | 1,848,829 | 4,111,172 | 3,712,948 |
| China | 14,186,360 | 14,483,531 | 27,691,084 | 28,259,686 |
| Others | 1,074,514 | 1,088,657 | 2,232,990 | 2,372,928 |
| | **$ 17,510,754** | **17,421,017** | **34,035,246** | **34,345,562** |
| Major products/services lines | | | | |
| Chipset/memory components | $ 8,364,904 | 6,872,498 | 15,754,632 | 12,895,981 |
| Mixed and other components | 9,145,493 | 10,547,728 | 18,280,102 | 21,446,243 |
| Others | 357 | 791 | 512 | 3,338 |
| | **$ 17,510,754** | **17,421,017** | **34,035,246** | **34,345,562** |

(ii) Contract balance

| | **June 30, 2023** | **December 31, 2022** | **June 30, 2022** |
|---|---|---|---|
| Notes and accounts receivable (included related parties) | $ 13,374,183 | 12,939,126 | 13,614,004 |
| Less: allowance for impairment | (86,331) | (94,699) | (96,304) |
| | **$ 13,287,852** | **12,844,427** | **13,517,700** |
| Contract liabilities | **$ 1,142,123** | **898,765** | **236,537** |

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

The amounts of revenue recognized for the six months ended June 30, 2023 and 2022 that were included in the contract liability balance at the beginning of the periods were $390,696 and $262,032, respectively.

The major change in the balance of contract liabilities is the difference between the time frame in the performance obligation to be satisfied and the payment to be received.

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

(r) Remuneration to employees and directors

The Company's Articles of Incorporation require that earning shall first be offset against any deficit, then, 6% to 10% of profit before tax (before deducting remuneration to employees and directors) will be distributed as employee remuneration and a maximum of 2.5% will be allocated as directors' remuneration. Employees who are entitled to receive the above-mentioned employee remuneration, in share or cash, include the employees of the subsidiaries of the Company who meet certain specific requirements. Actual distribution should be determined in the Board of Directors' meeting, with no less than two-thirds of directors present, and approved by more than half of the directors attending the meeting, then shall be report to the meeting of shareholders.

For the three months and six months ended June 30, 2023 and 2022, the accrued remuneration of the Company's employees were $18,931, $59,833, $37,850 and $116,155, as well as directors were $4,732, $14,958, $9,462 and $29,039, respectively. These amounts were calculated by using the Company's profit before tax for the period before deducting the amount of the remuneration to employees and directors, multiplied by the distribution ratio of remuneration to employees and directors under the Company's Articles of Incorporation, and expensed under operating expenses. If the Board of Directors resolved to distribute employees' remuneration in the form of shares, the numbers of shares to be distributed were calculated based on the closing price of the Company's ordinary shares one day before the date of the meeting of the Board of Directors.

The accrued remuneration of the Company's employees was $189,923 and $191,512, as well as remuneration of directors was $47,481 and $47,878 for the years ended December 31, 2022 and 2021, respectively. There were no differences between the distributed amounts and the accrued amounts in the consolidated financial statements. Related information would be available at the Market Observation Post System website.

(s) Financial Instruments

Except for those mentioned below, there were no significant changes in the fair value of the Group's financial instruments and degree of exposure to credit risk. Please refer to the note (6)(t) of the consolidated financial statements for the year ended December 31, 2022.

(i) Credit risk

For credit risk exposure of notes and accounts receivable, please refer to note (6)(d).

The amount of other financial assets at amortized cost includes other receivables which had been impaired.

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

(ii) Liquidity risk

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

| | Carrying Amount | Contractual cash flows | Within a year | Over 1 year |
|---|---|---|---|---|
| **June 30, 2023** | | | | |
| Non-derivative financial liabilities | | | | |
| Unsecured loans | $ 14,178,740 | (14,347,115) | (14,347,115) | - |
| Short-term bills payable | 469,097 | (470,000) | (470,000) | - |
| Lease liabilities | 357,057 | (369,348) | (149,619) | (219,729) |
| Accounts payable | 3,505,112 | (3,505,112) | (3,505,112) | - |
| Other payables and dividends payable | 2,174,536 | (2,174,536) | (2,174,536) | - |
| Bonds payable | 1,799,009 | (1,907,800) | - | (1,907,800) |
| Derivative financial liabilities | | | | |
| Convertible bonds payable – embedded derivatives | 11,256 | - | - | - |
| | **$ 22,494,807** | **(22,773,911)** | **(20,646,382)** | **(2,127,529)** |
| **December 31, 2022** | | | | |
| Non-derivative financial liabilities | | | | |
| Unsecured loans | $ 13,889,812 | (14,012,044) | (14,012,044) | - |
| Short-term bills payable | 758,086 | (760,000) | (760,000) | - |
| Lease liabilities | 293,421 | (306,607) | (128,063) | (178,544) |
| Accounts payable | 3,560,734 | (3,560,734) | (3,560,734) | - |
| Other payables | 1,046,936 | (1,046,936) | (1,046,936) | - |
| Bonds payable | 1,870,309 | (1,998,300) | - | (1,998,300) |
| Derivative financial liabilities | | | | |
| Convertible bonds payable – embedded derivatives | 31,173 | - | - | - |
| Forward exchange contracts: | 784 | | | |
| Outflow | - | (31,251) | (31,251) | - |
| Inflow | - | 30,467 | 30,467 | - |
| | **$ 21,451,255** | **(21,685,405)** | **(19,508,561)** | **(2,176,844)** |
| **June 30, 2022** | | | | |
| Non-derivative financial liabilities | | | | |
| Unsecured loans | $ 10,209,659 | (10,243,502) | (10,243,502) | - |
| Short-term bills payable | 149,938 | (150,000) | (150,000) | - |
| Lease liabilities | 266,336 | (276,374) | (115,848) | (160,526) |
| Accounts payable | 5,983,503 | (5,983,503) | (5,983,503) | - |
| Other payables and dividends payable | 2,126,412 | (2,126,412) | (2,126,412) | - |
| Bonds payable | 1,875,283 | (2,018,300) | - | (2,018,300) |
| Derivative financial liabilities | | | | |
| Convertible bonds – embedded derivatives | 32,200 | - | - | - |
| | **$ 20,643,331** | **(20,798,091)** | **(18,619,265)** | **(2,178,826)** |

The Group does not expect the cash flows included in the maturity analysis to occur significantly earlier or at significantly different amount.

(Continued)

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

(iii) Market risk

1) Currency risk

The Group's significant financial assets and liabilities exposure to foreign currency risk was as follows:

| | June 30, 2023 | | | December 31, 2022 | | | June 30, 2022 | | |
|---|---|---|---|---|---|---|---|---|---|
| | Foreign currency | Exchange rate | TWD | Foreign currency | Exchange rate | TWD | Foreign currency | Exchange rate | TWD |
| Financial assets | | | | | | | | | |
| Monetary items | | | | | | | | | |
| USD | $ 275,965 | USD/TWD 31.07 | 8,574,233 | 254,627 | USD/TWD 30.71 | 7,891,595 | 259,089 | USD/TWD 29.67 | 7,687,193 |
| USD | 2,122 | USD/CNY 6.9748 | 65,931 | 6,286 | USD/CNY 7.0363 | 193,043 | 734 | USD/CNY 6.7421 | 21,763 |
| Financial liabilities | | | | | | | | | |
| Monetary items | | | | | | | | | |
| USD | 154,970 | USD/TWD 31.07 | 4,814,918 | 176,601 | USD/TWD 30.71 | 5,423,417 | 183,721 | USD/TWD 29.67 | 5,450,999 |
| USD | 18,192 | USD/CNY 6.9748 | 565,225 | 16,494 | USD/CNY 7.0363 | 506,531 | 24,102 | USD/CNY 6.7421 | 715,102 |

2) Currency risk sensitivity analysis

The Group's monetary items exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, accounts receivable, other receivables, loans and borrowings, accounts payable 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 six months ended June 30, 2023 and 2022 would have increased (decreased) the net profit before tax as follows. The analysis is performed on the same basis for both periods.

| | For the six months ended June 30, | |
|---|---|---|
| | 2023 | 2022 |
| USD (against the TWD) | | |
| Appreciating 5% | $ 187,966 | 111,810 |
| Depreciating 5% | (187,966) | (111,810) |
| USD (against the CNY) | | |
| Appreciating 5% | (24,965) | (34,667) |
| Depreciating 5% | 24,965 | 34,667 |

(Continued)

**WEIKENG INDUSTRIAL CO., LTD. AND SUBSIDIARIES**
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3) Exchange gains and losses of monetary items

As the Group deals in diverse foreign currencies, gains or losses on foreign exchange were summarized as a single amount. For the three months and six months ended June 30, 2023 and 2022, the foreign exchange gain (loss), including both realized and unrealized, amounted to a loss of $35,583, a loss of $27,390, a loss of $18,692 and a gain of $45,871, respectively.

4) Interest rate analysis

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

| | Carrying amount | |
|---|---|---|
| | **June 30, 2023** | **June 30, 2022** |
| Variable rate instruments: | | |
| Financial assets | $ 1,852,527 | 1,357,959 |
| Financial liabilities | (14,178,740) | (10,209,659) |

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 $15,408 and $11,065 for the six months ended June 30, 2023 and 2022, respectively, which would be mainly resulting from demand deposits, and unsecured loans with variable interest rates.

(iv) Fair value

1) Categories and the fair value of financial instruments

The fair value of financial assets and liabilities at fair value through profit or loss, and financial assets at fair value through other comprehensive income are measured on a recurring basis. The carrying amount and fair value of the Group’s financial assets and liabilities, including the information on fair value hierarchy were as follows; however, except as described in the following paragraphs, for financial instruments not measured at fair value whose carrying amount is reasonably close to the fair value, and lease liabilities, disclosure of fair value information is not required:

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

| | June 30, 2023 | | | | |
|---|---|---|---|---|---|
| | | Fair Value | | | |
| | Carrying amount | Level 1 | Level 2 | Level 3 | Total |
| **Financial assets mandatorily measured at fair value through profit or loss** | | | | | |
| Stocks listed on domestic markets | $ 802 | 802 | - | - | 802 |
| **Financial assets at fair value through other comprehensive income** | | | | | |
| Notes and accounts receivable, net | 2,355,350 | - | - | - | - |
| Emerging market stocks | 367 | 367 | - | - | 367 |
| Domestic and overseas unlisted stocks | 65,592 | - | - | 65,592 | 65,592 |
| Overseas unlisted convertible promissory note | 9,056 | - | - | 9,056 | 9,056 |
| Subtotal | 2,430,365 | | | | |
| **Financial assets measured at amortized cost** | | | | | |
| Cash and cash equivalents | 2,430,359 | - | - | - | - |
| Notes and accounts receivable, net | 10,932,502 | - | - | - | - |
| Other receivables | 276,375 | - | - | - | - |
| Guarantee deposits | 198,683 | - | - | - | - |
| Subtotal | 13,837,919 | | | | |
| | **$ 16,269,086** | | | | |
| **Financial liabilities at fair value through profit or loss** | | | | | |
| Convertible bonds – embedded derivatives | $ 11,256 | - | 11,256 | - | 11,256 |
| **Financial liabilities measured at amortized cost** | | | | | |
| Short term borrowings | 14,647,837 | - | - | - | - |
| Lease liabilities | 357,057 | - | - | - | - |
| Accounts payable | 3,505,112 | - | - | - | - |
| Other payables and dividends payable | 2,174,536 | - | - | - | - |
| Bonds payable | 1,799,009 | - | - | - | - |
| Subtotal | 22,483,551 | | | | |
| | **$ 22,494,807** | | | | |

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

| | December 31, 2022 | | | | |
|---|---|---|---|---|---|
| | | Fair Value | | | |
| | Carrying amount | Level 1 | Level 2 | Level 3 | Total |
| **Financial assets mandatorily measured at fair value through profit or loss** | | | | | |
| Stocks listed on domestic markets | $ 644 | 644 | - | - | 644 |
| **Financial assets at fair value through other comprehensive income** | | | | | |
| Notes and accounts receivable, net | 2,167,677 | - | - | - | - |
| Emerging market stocks | 347 | 347 | - | - | 347 |
| Domestic and overseas unlisted stocks | 80,742 | - | - | 80,742 | 80,742 |
| Subtotal | 2,248,766 | | | | |
| **Financial assets measured at amortized cost** | | | | | |
| Cash and cash equivalents | 2,839,507 | - | - | - | - |
| Notes and accounts receivable, net | 10,676,750 | - | - | - | - |
| Other receivables | 326,377 | - | - | - | - |
| Guarantee deposits | 77,885 | - | - | - | - |
| Subtotal | 13,920,519 | | | | |
| | $ 16,169,929 | | | | |
| **Financial liabilities at fair value through profit or loss** | | | | | |
| Derivative financial liabilities | $ 784 | - | 784 | - | 784 |
| Convertible bonds – embedded derivatives | 31,173 | - | 31,173 | - | 31,173 |
| Subtotal | 31,957 | | | | |
| **Financial liabilities measured at amortized cost** | | | | | |
| Short term borrowings | 14,647,898 | - | - | - | - |
| Lease liabilities | 293,421 | - | - | - | - |
| Accounts payable | 3,560,734 | - | - | - | - |
| Other payables | 1,046,936 | - | - | - | - |
| Bonds payable | 1,870,309 | - | - | - | - |
| Subtotal | 21,419,298 | | | | |
| | $ 21,451,255 | | | | |

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

| | June 30, 2022 | | | | |
|---|---|---|---|---|---|
| | | Fair Value | | | |
| | Carrying amount | Level 1 | Level 2 | Level 3 | Total |
| **Financial assets mandatorily measured at fair value through profit or loss** | | | | | |
| Stocks listed on domestic markets | $ 809 | 809 | - | - | 809 |
| Convertible bonds – embedded derivatives | 25 | - | 25 | - | 25 |
| Subtotal | 834 | | | | |
| **Financial assets at fair value through other comprehensive income** | | | | | |
| Notes and accounts receivable, net | 2,402,409 | - | - | - | - |
| Emerging market stocks | 372 | 372 | - | - | 372 |
| Domestic and overseas unlisted stocks | 39,549 | - | - | 39,549 | 39,549 |
| Subtotal | 2,442,330 | | | | |
| **Financial assets measured at amortized cost** | | | | | |
| Cash and cash equivalents | 1,861,994 | - | - | - | - |
| Notes and accounts receivable, net | 11,115,291 | - | - | - | - |
| Other receivables | 303,066 | - | - | - | - |
| Guarantee deposits | 77,426 | - | - | - | - |
| Subtotal | 13,357,777 | | | | |
| | **$ 15,800,941** | | | | |
| **Financial liabilities at fair value through profit or loss** | | | | | |
| Convertible bonds – embedded derivatives | $ 32,200 | - | 32,200 | - | 32,200 |
| **Financial liabilities measured at amortized cost** | | | | | |
| Short-term borrowings | 10,359,597 | - | - | - | - |
| Lease liabilities | 266,336 | - | - | - | - |
| Accounts payable | 5,983,503 | - | - | - | - |
| Other payables and dividends payable | 2,126,412 | - | - | - | - |
| Bonds payable | 1,875,283 | - | - | - | - |
| Subtotal | 20,611,131 | | | | |
| | **$ 20,643,331** | | | | |

(Continued)

**WEIKENG INDUSTRIAL CO., LTD. AND SUBSIDIARIES**
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There were no transfers of financial instruments between any levels for the six months ended June 30, 2023 and 2022.

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.

The Group holds the unquoted equity investments and bond investments of its financial instruments without an active market. The measurement of fair value of the equity instruments is based on the Guideline Public Company method, which mainly assumes the evaluation by the price to sales 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. In addition, the fair values of bond investments are based on prior transaction prices.

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.

(Continued)

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

4) Reconciliation of Level 3 fair values

| | | Fair value through other comprehensive income | | |
|---|---|---|---|---|
| | | **Unquoted equity instruments** | **Unquoted bond investments** | **Total** |
| Opening balance, January 1, 2023 | $ | 80,742 | - | 80,742 |
| Total gains and losses recognized: | | | | |
| In other comprehensive income | | (15,150) | - | (15,150) |
| Purchased | | - | 9,056 | 9,056 |
| Ending balance, June 30, 2023 | $ | **65,592** | **9,056** | **74,648** |
| Ending balance, June 30, 2022 (the same as the opening balance at January 1, 2022) | $ | **39,549** | **-** | **39,549** |

5) Quantified information of 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".

Quantified information of significant unobservable inputs was as follows:

| Item | Valuation technique | Significant unobservable inputs | Inter-relationships between significant unobservable inputs and fair value measurement |
|---|---|---|---|
| Financial assets at fair value through other comprehensive income | Guideline Public Company method | · Enterprise value to sale ratio as of June 30, 2022 was 1.39 | · The higher the price-book ratio, and the enterprise value to sale ratio, the higher the fair value |
| | | · Price-book ratio as of June 30, 2023, December 31 and June 30, 2022 were 1~2.92, 0.82~2.22 and 0.79, respectively. | 〃 |
| | | · Market liquidity discount rate as of June 30, 2023, December 31 and June 30, 2022 were 15.80%, 15.80% and 17.45%, respectively. | · The higher the market liquidity discount rate, the lower the fair value |

(Continued)

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

| Item | Valuation technique | Significant unobservable inputs | Inter-relationships between significant unobservable inputs and fair value measurement |
|---|---|---|---|
| Financial assets at fair value through other comprehensive income | Net Asset Value Method | · Net asset value | · Not applicable |

(t) Financial risk management

There was no significant changes in the Group's financial risk management and policies as disclosed in the note (6)(u) of the consolidated financial statements for the year ended December 31, 2022.

(u) Capital management

The Group's objectives, policies and processes of capital management are consistent with those disclosed in the consolidated financial statements for the year ended December 31, 2022. In addition, there were no significant differences between the summary quantitative data of the items of capital management in the consolidated financial statements and those disclosed in the consolidated financial statements for the year ended December 31, 2022. Please refer to note (6)(v) of the consolidated financial statements for the year ended December 31, 2022 for further details.

(v) 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 six months ended June 30, 2023 and 2022, were as follows:

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

The reconciliations of liabilities arising from financing activities were as follows:

| | | | Non-cash changes | | | |
|---|---|---|---|---|---|---|
| | January 1, 2023 | Cash flows | Acquisition | Reduction | Foreign exchange movement | June 30, 2023 |
| Short-term borrowings | $ 14,647,898 | (61) | - | - | - | 14,647,837 |
| Lease liabilities | 293,421 | (79,439) | 139,815 | - | 3,260 | 357,057 |
| Bonds payable | 1,870,309 | - | - | (71,300) | - | 1,799,009 |
| Total liabilities from financing activities | $ 16,811,628 | (79,500) | 139,815 | (71,300) | 3,260 | 16,803,903 |

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

| | January 1, 2022 | Cash flows | Non-cash changes: Acquisition | Non-cash changes: Reduction | Non-cash changes: Foreign exchange movement | June 30, 2022 |
|---|---|---|---|---|---|---|
| Short-term borrowings | $ 10,996,048 | (636,451) | - | - | - | 10,359,597 |
| Lease liabilities | 323,726 | (74,491) | 7,559 | (427) | 9,969 | 266,336 |
| Bonds payable | 126,336 | 2,000,000 | - | (251,053) | - | 1,875,283 |
| Total liabilities from financing activities | **$ 11,446,110** | **1,289,058** | **7,559** | **(251,480)** | **9,969** | **12,501,216** |

**(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:

| Related-party | Relationship |
|---|---|
| Weiji Investment Co., Ltd. | The same chairman |
| Genlog Industrial Co., Ltd. | Substantive related-party |

(b) Significant transactions with related party

(i) 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:

| | For the three months ended June 30, 2023 | For the three months ended June 30, 2022 | For the six months ended June 30, 2023 | For the six months ended June 30, 2022 |
|---|---|---|---|---|
| Other related parties | **$ 50** | **1,331** | **1,064** | **3,023** |

(ii) Lease

The Group leased a portion of its building to its subsidiaries and related parties for office use purpose. The rentals collected monthly. The details were as follows:

| | For the three months ended June 30, 2023 | For the three months ended June 30, 2022 | For the six months ended June 30, 2023 | For the six months ended June 30, 2022 |
|---|---|---|---|---|
| Other related parties | **$ 106** | **228** | **335** | **457** |

(iii) Payable to related parties

| Account | Related party categories | June 30, 2023 | December 31, 2022 | June 30, 2022 |
|---|---|---|---|---|
| Other payables | Other related parties | **$ -** | **245** | **326** |

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

(c) Key management personnel compensation

Key management personnel compensation comprised:

| | For the three months ended June 30, | | For the six months ended June 30, | |
|---|---|---|---|---|
| | **2023** | **2022** | **2023** | **2022** |
| Short-term employee benefits | $ 49,176 | 81,675 | 98,229 | 154,292 |
| Post-employment benefits | 212 | 209 | 424 | 419 |
| | **$ 49,388** | **81,884** | **98,653** | **154,711** |

**(8) Assets pledged as security: 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:

| June 30, 2023 | December 31, 2022 | June 30, 2022 |
|---|---|---|
| **$ 371,770** | **367,810** | **337,634** |

**(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 function | For the three months ended June 30, | |
|---|---|---|
| | **2023** | **2022** |
| **By item** | **Operating expenses** | **Operating expenses** |
| Employee benefits | | |
| Salary | 343,792 | 374,583 |
| Labor and health insurance | 28,606 | 27,077 |
| Pension | 27,223 | 26,058 |
| Remuneration of directors | 4,894 | 26,984 |
| Others | 18,542 | 12,307 |
| Depreciation | 42,481 | 41,143 |
| Amortization | 3,135 | 6,989 |

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

| | For the six months ended June 30, | |
|---|---|---|
| By function | 2023 | 2022 |
| By item | Operating expenses | Operating expenses |
| Employee benefits | | |
| Salary | 691,370 | 751,338 |
| Labor and health insurance | 60,579 | 56,452 |
| Pension | 54,882 | 51,180 |
| Remuneration of directors | 9,899 | 52,602 |
| Others | 37,373 | 24,705 |
| Depreciation | 84,790 | 81,356 |
| Amortization | 6,308 | 13,723 |

(b) Seasonality of operations:

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

**(13) Other disclosures:**

(a) Information on significant transactions:

The following is the information on significant transactions required by the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" for the Group for the six months ended June 30, 2023:

(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 | 12,477,512 | 8,776,464 | 8,658,751 | 7,277,553 | - | 104.09 % | 24,955,023 | Y | N | N |
| 〃 | 〃 | WTP | 100% owned subsidiary | 12,477,512 | 1,134,055 | 1,134,055 | 728,745 | - | 13.63 % | 24,955,023 | Y | N | N |
| 〃 | 〃 | WKS | 100% owned subsidiary | 12,477,512 | 2,119,252 | 2,119,252 | 885,958 | - | 25.48 % | 24,955,023 | 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".

(Continued)

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

(iii) Securities held as of June 30, 2023 (excluding investment in subsidiaries, associates and joint ventures):

(Shares/units (thousands))

| Name of holder | Category and name of security | Relationship with company | Account title | Ending balance | | | | Note |
|---|---|---|---|---|---|---|---|---|
| | | | | Shares/Units (thousands) | Carrying amount | Percentage of ownership (%) | Fair value | |
| The Company | EBM Technologies Inc. | - | Financial assets mandatorily measured at fair value through profit or loss-current | 34 | 802 | - % | 802 | |
| 〃 | Clientron Corp. | - | Financial assets at fair value through other comprehensive income-non-current | 15 | 367 | 0.02 % | 367 | |
| 〃 | Paradigm I Venture Capital Company (Paradigm I) | - | 〃 | 750 | 7,458 | 6.79 % | 7,458 | |
| 〃 | Paradigm Venture Capital Corporation (PVC Corp.) | - | 〃 | 230 | 2,301 | 10.49 % | 2,301 | |
| 〃 | InnoBridge Venture Fund ILP. (InnoBridge) | - | 〃 | - | - | 9.90 % | - | |
| 〃 | Shin Kong Global Venture Capital Corp. (SKGVC) | - | 〃 | 960 | 4,800 | 12.00 % | 4,800 | |
| 〃 | Vision Wide Technology Co., Ltd. (VTEC) | - | 〃 | 800 | 9,033 | 1.61 % | 9,033 | |
| 〃 | Winsheng Material Technology Co., Ltd. (Winsheng Material) | - | 〃 | 1,400 | 42,000 | 4.37 % | 42,000 | |
| 〃 | SiTune Corporation Convertible Promissory Note (SiTune) | - | 〃 | - | 9,056 | - % | 9,056 | |

(iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of TWD300 million or 20% of the capital stock: None.

(v) Acquisition of individual real estate with amount exceeding the lower of TWD300 million or 20% of the capital stock: None.

(vi) Disposal of individual real estate with amount exceeding the lower of TWD300 million or 20% of the capital stock: None.

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

(vii) Related-party transactions for purchases and sales with amounts exceeding the lower of TWD100 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 | Purchases | 148,070 (USD4,837) | 1.05 % | OA30 | No significant difference with other suppliers | No significant difference with other suppliers | (164) (USD(5)) | (0.01) % | |
| WKI | The Company | Parent company | (Sales) | (148,070) (USD(4,837)) | (0.92)% | 〃 | No significant difference with other customers | No significant difference with other customers | 164 (USD5) | - % | |
| 〃 | WKS | Subsidiary | (Sales) | (2,536,253) (USD(83,016)) | (15.78)% | OA60 | 〃 | 〃 | 557,752 (USD17,951) | 11.44 % | |
| WKS | WKI | Parent company | Purchases | 2,536,253 (USD83,016) | 71.51 % | 〃 | No significant difference with other suppliers | No significant difference with other suppliers | (557,752) (USD(17,951)) | (71.05) % | |

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 TWD100 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 | | | |
| The Company | WKI | 100% owned subsidiary | Other receivable 191,186 (USD6,153) | - | - | - | USD3,329 | - | The amounts of the transaction and the ending balance had been offset in the consolidated financial statements. |
| WKI | WKS | Subsidiary | Accounts receivable 557,752 (USD17,951) | 10.00 | - | - | USD12,224 | - | 〃 |

Note: Information as of August 7, 2023.

(ix) Trading in derivative instruments: Please refer to note (6)(b).

# 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 | Management and Credit Service Revenue | 166,063 | The price is set by percentage of the contract and the receivable is received quarterly. | 0.49% |
| 〃 | 〃 | 〃 | 〃 | Other Receivables | 191,186 | 〃 | 0.57% |
| 1 | WKI | The Company | 2 | Sales Revenue | 148,070 | The price is marked up based on operating cost, and the receivables depend on OA30 after offsetting the accounts payable. | 0.44% |
| 〃 | 〃 | WKS | 3 | Sales Revenue | 2,536,253 | The price is marked up based on operating cost, and the receivables depend on funding demand and OA60. | 7.45% |
| 〃 | 〃 | 〃 | 〃 | Accounts Receivable | 557,752 | 〃 | 1.67% |

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 six months ended June 30, 2023 (excluding information on investees in Mainland China):

(In thousands)

| Name of investor | Name of investee | Location | Main businesses and products | Original investment amount | | Highest | | | Net income (losses) of investee | Investment income (losses) of investor | Note |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | June 30, 2023 | December 31, 2022 | Shares (In Thousands) | Percentage of Ownership | Carrying amount | | | |
| The Company | WKI | Hong Kong | Electronic components computer peripherals products distribution and technical support | $ 1,620,445 | 1,620,445 | 552,450 | 100% | $ 6,895,201 | (89,298) | $ (89,298) | Subsidiary |
| 〃 | WKZ | Taiwan | Electronic components and technical support | 12,983 | 12,983 | 1,589 | 100% | 25,993 | 143 | 143 | 〃 |
| 〃 | WTP | Singapore | 〃 | 293,327 | 293,327 | 12,413 | 100% | 523,171 | 18,101 | 18,101 | 〃 |
| | Total | | | **$ 1,926,755** | **1,926,755** | | | **$ 7,444,365** | | **$ (71,054)** | |
| WKI | Weitech | Hong Kong | Import and export trade of electronic components | 0.41 (HKD0.1) | 0.41 (HKD0.1) | - | 100% | 2,705 (USD87) | 146 (USD5) | 146 (USD5) | 〃 |

**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, 2023 | Investment flows | | Accumulated outflow of investment from Taiwan as of June 30, 2023 | Net income (losses) of the investee (Note 2) | Percentage of ownership | Investment income (losses) of investor (Note 2) | Book value (Note 3) | Accumulated remittance of earnings in current period |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Outflow (Note 3) | Inflow | | | | | | |
| WKS | Electronic components computer peripherals products distribution and technical support | 786,647 (USD25,000) | Note 1, 4 | 304,594 (USD9,800) | - | - | 304,594 (USD9,800) | (136,385) (USD(4,464)) | 100% | (136,385) (USD(4,464)) | 583,671 (USD18,786) | - |
| WKE | Electronic technology development and technical advisory | 5,067 (CNY1,000) | Note 1, 5 | - | - | - | - | (1,034) (USD(34)) | 100% | (1,034) (USD(34)) | 5,504 (USD177) | - |

(ii) Limitation on investment in Mainland China:

| Accumulated Investment in Mainland China as of June 30, 2023 | Investment Amounts Authorized by Investment Commission, MOEA (note 3) | Upper Limit on Investment |
|---|---|---|
| 304,594 (USD9,800) | 776,750 (USD25,000) | 4,991,005 |

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 rate of USD 1 to TWD 31.07 at the end of reporting period.
Note 4: The difference was due to Weikeng International Co. Ltd.'s investment of USD15,200 thousand 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 CNY1,000 thousand 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 2023.

(d) Major shareholders:

| Shareholding<br>Shareholder's Name | Shares | Percentage |
|---|---|---|
| Weiji Investment Co., Ltd. | 30,426,876 | 7.13 % |

Note (i): The information of major shareholders is based on the last business day of the end of each quarter set by Taiwan Depository & Clearing Corporation, wherein the shareholders hold more than 5% of the Company's ordinary shares, which have been completely registered non-physically (including treasury shares). There may be differences between the share capital recorded in the Company's financial statements and the actual number of the delivered shares, which have been completely registered non-physically due to the different methods used in their calculation.

Note (ii): In the case of the above information, if the shareholder delivers the shares to the trust, the shares will be disclosed as a personal account under the trust account of the principal opened by the trustee. As for the shareholders' declaration of more than 10% of the insider's shareholdings under the Securities and Exchange Act, the shareholders' stocks should be include in their own shareholdings, plus, the shares delivered to the trust, wherein the shareholders have the right of decision on using the trust property. For information on insider's equity declaration, please refer to market observation post system.

**(14) Segment information:**

The Group has only one operating segment, which is the electronic components segment, of which, the major activities are the purchase and sales of electronic components and computer peripherals, technical service, as well as the import/export trade business. The Group's details and reconciliations of operating segment are consistent with the consolidated financial statements. Please refer to the consolidated statements of comprehensive income and the consolidated balance sheets for the segment profit and assets, respectively.