Weikeng Industrial Co., Ltd.

2025 Corporate Value Enhancement Plan

Approved by the Board of Directors on 2025/11/14

I. Preface

In accordance with the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies, the Company has proposed a plan to enhance corporate value, continuously strengthen corporate governance, and promote communication with investors, thereby improving international competitiveness and creating long-term value.

Current Situation Analysis

1. Cost Analysis

As of the end of June 2025, the Company's Market Value-based Financing Structure consists of 36% equity and 64% debt. The cost of equity is approximately 10.48%, and the cost of debt is about 3.71%. Factors affecting the cost of debt and equity financing include corporate credit, operational risk, etc. The Company's weighted average cost of capital (WACC) is 5.66%, slightly lower than the industry average of 6.07% (industry range: 3.93%–8.3%), ranking at the industry median. This is mainly due to the Company's relatively balanced capital structure compared to peers. In the face of volatile international conditions, the Company adopts a policy of maintaining a stable capital allocation, which helps withstand market fluctuations and seize growth opportunities.

Macroeconomic Impact Analysis

Fluctuations in interest rates and exchange rates affect the Company's WACC. The Company has established effective risk management strategies, including managing foreign currency positions and adjusting the ratio of TWD and foreign currency borrowings to reduce the potential risk of WACC volatility. In addition, the Company regularly conducts macroeconomic analyses to maintain relative stability of WACC within controllable risk, enhancing the Company's ability to respond to market dynamics and ensuring reasonable funding costs to maintain financial stability.

2. Profitability Assessment

In the past four quarters (2H 2024 to 1H 2025), the Company's ROIC reached 5.83%, slightly lower than the industry average of 6.43% (industry range: 1.72%–9.76%), indicating room for improvement in capital utilization efficiency. However, the Company's ROIC is higher than its WACC, meaning current capital use still creates positive value. The Company's ROE over the past four quarters was 7.48%, also higher than the industry average of 6.93%, demonstrating effective use of shareholders' equity for better returns.

These results show that the Company is in a stage of gradual growth within the competitive environment of the electronics distribution sector.

The Company continues to gain deeper insights into business challenges and opportunities to identify areas for improvement. By understanding the latest industry trends and leveraging advanced technologies from vendors, we provide solutions that enhance customers' operational efficiency. We also reassess the allocation of business resources to strengthen profitable segments and further improve overall operational performance.

3. Market Valuation Analysis

(1) Valuation Level Analysis

The Company's price-to-book ratio (PBR) is 1.48 times, lower than the industry average of 1.97 times [1]. As part of the semiconductor supply chain, the Company provides electronic component logistics services across the Asia-Pacific region. The applications of its distributed products cover a wide range of high- and low-end electronic products, including consumer, industrial, automotive, networking, and data computing sectors, with end customers spanning global markets. (**Note 1: The data is based on the closing price as of November 3, 2025, and the most recent per-share net asset value announced on the Market Observation Post System.)**

In the first half of 2025, new tariff policies and the ongoing Russia-Ukraine war affected the market. Although global inflation is declining, US core inflation remains sticky, leading to conservative consumer spending and slower end-market growth. Except for strong demand for AI-related high-end products, demand for mature process product lines is weak, causing electronic distributors to face price competition and inventory clearance pressure, limiting profit growth.

(2) Potential Growth Assessment

Despite international volatility, the Company's consolidated revenue in Q3 2025 still achieved a year-on-year growth rate of 24.16%, with a four-quarter annual growth rate of 32.28%, demonstrating business expansion capability. If inventory pressure gradually eases and the US Federal Reserve begins a rate-cutting cycle, financial costs are expected to decrease further, boosting profits. The Company will continue to strengthen channel integration, improve operational efficiency, and actively seek growth opportunities in emerging application fields to respond to global market changes and industry restructuring.

4. Corporate Governance Analysis

(1) Board Structure and Independence

On June 20, 2024, the Company's shareholders' meeting completed a full re-election of the board of directors, which now consists of four non-independent directors (57.1%) and three independent directors (42.9%), totaling seven seats, all of whom are nationals of the Republic of China. Among them, one is a female director (14.3%), and two are directors who are also employees and executive officers (28.6%, not exceeding one-third of the total board seats). The current term is from June 20, 2024, to June 19, 2027. All directors possess the necessary knowledge, skills, and experience required for their duties, with expertise in law, accounting, finance, marketing, technology industry, or business. None of the directors are related by marriage or within the second degree of kinship, in compliance with Article 26-3 of the Securities and Exchange Act. Among the independent directors, Mr. Lin Hung has served more than three terms, Ms. Yu Hsueh-Ping is serving her third term, and Mr. Wang Chien-Chih is serving his first term, meeting the requirement that more than half of independent directors do not serve more than three consecutive terms, and also fulfilling the requirement of at least one director of a different gender.

Through the diversification and independence of its board structure, the Company seeks to leverage directors' cross-industry management experience and perspectives to provide timely and diverse insights into business operations and sustainable governance. This approach enables more comprehensive thinking in the Company's operational and sustainability strategies, thereby enhancing the supervisory and governance quality of the Board and its functional committees, and ensuring objective opinions and recommendations are provided.

(2) Effectiveness of Board Operations

The Company conducts annual performance evaluations of the board and functional committees to enhance operational effectiveness. The evaluation covers participation in company operations, decision-making quality, member structure and selection, ongoing education, and internal controls, thereby strengthening the corporate governance structure.

(3) Information Transparency

The Company holds regular board meetings and promptly discloses important board resolutions after each meeting. The information transparency policy includes disclosure and explanation of major resolutions to ensure that shareholders fully understand the Company's operations and strategic direction.

(4) Corporate Governance and Evaluation

In the 2024 Corporate Governance Evaluation, the Company scored 88.94 points, ranking in the 21%–35% tier among listed companies. The Board of Directors has established four functional committees: Audit, Remuneration, Nominating, and Sustainable Development, with members from diverse backgrounds, including female directors.

(5) Board and Functional Committee Performance Evaluation

The Company conducts annual self-assessments and commissions external evaluations every three years. The next external evaluation is scheduled for November 21, 2025, to be conducted by the Taiwan Corporate Governance Association expert team.
In the 2024 self-assessment:

- Board performance achievement rate: 95.30%
- Individual director performance achievement rate: 97.89%
- Functional committee average achievement rate: 94%–97%
  For details, please refer to the Company's website:
  https://www.weikeng.com.tw/content.php?no=22

(6) ESG Evaluation and Sustainability Governance

The Taiwan Index Plus (TIP) evaluates the Company's performance across four dimensions: Social (S), Economic (E), Environmental (E), and Disclosure (D). The 2023 Sustainability Report / 2025 Evaluation resulted in a BBB rating. The 2024 Sustainability Report / 2025 Evaluation is currently in progress. The Sustainability Report has been verified by BSI Taiwan, an independent third-party certification body, using the AA1000AS v3 Type 1 Moderate Assurance Level. For details, please refer to the Company's website: https://www.weikeng.com.tw/content.php?no=97

The report is prepared in accordance with GRI, TCFD, and SASB standards, and discloses performance in the following areas:

- Stakeholder identification and communication
- Sustainability governance (including ethical business practices, customer privacy, information security, and risk management)
- Sustainable supply chain and environmental management (including climate change response and carbon inventory)
- Sustainable workplace (including human rights protection, employee rights and benefits, occupational safety and health)
- Social engagement and public welfare

In terms of sustainability governance, the Company has implemented internal systems linking compensation policies to ESG performance. To reinforce the commitment of senior management (Vice President level and equivalent) to ESG responsibilities, starting end of 2025, ESG performance indicators will be incorporated into the calculation of variable compensation. Additionally, ESG-related performance indicators will be included in semi-annual performance evaluations for senior management, based on their respective roles and responsibilities.

(7) Risk Management

In accordance with the "Risk Management Best Practice Principles for TWSE/TPEx Listed Companies" promulgated by the Taiwan Stock Exchange, the Company has established a four-tier governance structure comprising the Board of Directors, Sustainable Development Committee, Operational and Management Units, and Audit Unit.

Each year, the Risk Management Task Force under the Risk Management Group of Sustainable Development Executive Office, along with business units (including overseas operations) and senior managers of functional departments, conduct risk identification and assessment using process analysis, scenario analysis, and the PESTLE method (Political, Economic, Sociological, Technological, Legal, and Environmental).

The results are reported to the Sustainable Development Committee and the Board of Directors. In 2024, a total of 22 risk items were identified:

- Operational risks: 8 items
- Financial risks: 5 items
- Operational process risks: 5 items
- Environmental risks: 4 items

Response strategies were proposed for medium to high-risk items. For details, please refer to the Company's website: https://www.weikeng.com.tw/content.php?no=88. Risk identification and assessment for 2025 is currently in progress.

(8) Stakeholder Communication

The Company has established dedicated communication channels to regularly respond to issues raised by stakeholders, including:

- Employees
- Shareholders / Investors / Financial institutions
- Vendrs / Upstream suppliers
- Customers
- Non-Vendor suppliers / Contractors
- Government and society (communities, academic institutions, NGOs/NPOs, media)

These concerns are incorporated into the Company's sustainability strategy and disclosed in the Sustainability Report. For details, please refer to the Company's website: https://www.weikeng.com.tw/content.php?no=69

(9) Community Engagement and Social Welfare

The Company actively promotes various social initiatives, including:

- Blood donation drives
- Charity baseball games
- Employee health and fitness events
- Joint beach clean-up activities

It also provides donations to social welfare organizations and educational institutions, supporting disadvantaged groups and post-disaster reconstruction efforts.For details, please refer to the Company's website: https://www.weikeng.com.tw/content.php?no=74

(10) Third-Party Verification Information

Certification Standard	Certification Content	Scope of Application	Certification Body	Certificate Validity
ISO 9001:2015	Quality Management	Taipei Headquarters,	ARES International	2023/11/23 to 2026/11/22

Certification Standard	Certification Content	Scope of Application	Certification Body	Certificate Validity
	System (Warehouse Services)	Tammie Warehouse Center, Taoyuan Housheng Warehouse Center		
ISO 14064-1:2018	Greenhouse Gas Inventory	Parent company and subsidiaries' operating sites	BSI Taiwan Branch of British Standards Institution	✓ Starting from 2024, the parent company conducts annual greenhouse gas (GHG) inventories in accordance with ISO 14064-1. ✓ In 2025, the Company will engage a third-party verification body to perform external verification, with full group-wide verification expected to be completed in the first half of 2026. ✓ Subsidiaries have also established inventory teams and will fully implement GHG inventory operations starting in 2025.
ISO 45001:2018	Occupational Health and Safety Management System	Taipei Headquarters, Tammie Warehouse Center, Taoyuan	ARES International	2024/2/6 to 2026/2/5; expanded verification in 2025

Certification Standard	Certification Content	Scope of Application	Certification Body	Certificate Validity
		Housheng Warehouse Center		
ISO/IEC 27001:2022	Information Security Management System	Company-wide information governance and personal data protection	BSI Taiwan Branch of British Standards Institution	2025/5/14 to 2028/5/13
Note: To enhance the Company's competitiveness in the international trade supply chain and to foster collaboration opportunities with customers and OEM partners, the Company has included the Security and Safety Authorized Economic Operator （AEOS） certification in its 2025 plan. The Company plans to submit the application to the Keelung Customs, Customs Administration, Ministry of Finance by the end of November 2025, and the on-site audit by the aforementioned authority is expected to take place during the first and second quarters of 2026.				

(11) Compliance Follow-up for Sustainability Governance

A. Remuneration and Benefits for Rank-and-File Employees

According to the Company's Articles of Incorporation, 6% to 10% of pre-tax net profit shall be allocated as employee compensation (including executive officers), which may be distributed in the form of stock or cash. Of the total amount allocated for employee remuneration, no less than 7% must be distributed to the Company's rank-and-file employees (including headquarters and branch offices), also in the form of stock or cash. Rank-and-File employees are defined as those not classified as executive officers and whose salary level meets or falls below the standard specified in Paragraph 2, Article 2 of the "Regulations Governing the Additional Deduction of Salary Expenses for Wage Increases of Employees in Small and Medium Enterprises" announced annually by the Ministry of Economic Affairs. The scope of frontline employees shall be periodically reviewed to determine if adjustments are needed and submitted to the Board of Directors for resolution. This provision has been incorporated into the Company's internal control system for payroll operations and included in the annual internal audit plan.

B. Early Planning for Compliance with IFRS Sustainability Disclosure Standards

As of the end of September 2025, the Company's paid-in capital has not yet reached NT$5 billion. However, to align with the "Taiwan Roadmap for IFRS Sustainability Disclosure Standards", the Company will proactively plan compliance with IFRS S1 (General Requirements for Disclosure of Sustainability-related Financial Information) and IFRS S2 (Climate-related Disclosures). After reporting to the Board of Directors, the Company will accelerate the planning of disclosure timelines. For sustainability and climate-related risks and opportunities, the Company will adopt the standard applicable to entities with paid-in capital exceeding NT$5 billion and engage KPMG as a consulting advisor. The advisory meetings will commence in late November 2025, focusing on early planning for the integration of ESG and financial information, including data collection platforms, processes, systems, indicators, and internal control mechanisms, to ensure timely regulatory compliance.

5. Risk and Competition Assessment

(1) Macroeconomic Analysis

In 2025, the global economy faces high uncertainty due to the “Trump 2.0” era of trade protectionism and tariff policies. Major economies such as the United States, Europe, and Japan are experiencing insufficient growth momentum, affecting the pace of global economic recovery. The further “decoupling” of US-China trade relations is expected to exacerbate global economic imbalances. The United States may face risks of high inflation, reduced consumption, and slowing growth, while China’s growth momentum is challenged by structural issues and a sluggish real estate sector.

Currently, the semiconductor industry has widely penetrated diverse fields such as healthcare, telecommunications, energy, finance, and agriculture, becoming a key technological foundation for global economic development, infrastructure construction, and national security. Amid intensifying geopolitical tensions and escalating US-China technological competition, the global supply chain is accelerating its restructuring and localization. Although mature process segments face intense competition and are constrained by weakening end-market demand and slower overall economic growth—resulting in some market weakness, the explosive growth of artificial intelligence (AI) applications continues to drive positive momentum in the overall semiconductor market.

During this industry transformation, the Company plays a key role as a ICs distributor. As the semiconductor industry chain undergoes geographic migration and strategic realignment, the Company continuously adjusts its service network configuration to meet customers’ glocalization needs, providing timely and flexible support to strengthen supply chain resilience and competitiveness.

(2) Industry Competition Analysis

Currently, most major international IDM and fabless semiconductor manufacturers grant distributors non-exclusive franchise rights, resulting in dozens of midstream semiconductor component distributors in Taiwan. In addition to the Company, major players include WPG Holdings, Synnex, WT Microelectronics, Edom Technology, Promate, Zenitron, and Supreme Electronics. The Company’s franchise sales of semiconductor components are mainly categorized by downstream customer application fields, including computers and peripherals, network communications, consumer electronics, industrial control, and automotive electronics, and it maintains long-term stable supply relationships with vendors.

With the continued growth in demand for AI chips in 2025, the industry chain is being stimulated toward AI integration and investment. The Company must continuously monitor market dynamics to ensure that inventory levels match market demand. Looking ahead, the Company remains optimistic about end-market demand driven by AI chips, such as AIPC, AI smartphones, automotive chips, servers, and high-performance computing applications. As the AI era arrives, chip demand is no longer limited to integration into infrastructure and IT systems but also enables content creation through AI technology.

In the medium to long term, AI technology, decarbonization, green computing, green energy, and energy storage-related semiconductors will be the main trends. Facing the global trend toward net-zero emissions by 2050, both upstream semiconductor manufacturers and downstream technology application companies are committed to aggressive carbon reduction and require the supply chain to achieve carbon neutrality. Under this trend, opportunities in green energy, consumer product demands, and the focus on energy saving and carbon reduction across industries are all driving the improvement of power efficiency and accelerating the adoption and demand for green energy and energy storage-related semiconductors.

In recent years, the Company's product portfolio strategy has evolved as the semiconductor and related electronics industries have expanded from traditional electronics into the automotive sector and the green energy supply chain, including the three major green energy segments: solar, wind, and energy storage. These related green business opportunities help realize sustainable development. Under the global circular economy mindset, semiconductors are rapidly penetrating the green supply chain, playing an important and proactive role in green technology and content creation, and leading global sustainable business opportunities. The Company continues to cultivate these applications and provides customers with green technology and emerging application solutions, seizing business opportunities for sustainable growth.

II. Policies and Plans

1. Short-term Enhancement Plans

(1) Prudently Address Inventory Clearance in the Industry Chain

Actively manage and assess inventory turnover rates, carefully guard against inventory write-down losses, and strengthen the effectiveness of working capital. Enhance controls to prevent obsolete inventory and implement improvement measures for handling stagnant stocks.

(2) Conduct Cost-Benefit Analysis

Strengthen cost structure management, actively manage finances, optimize capital structure, and use digital technology to support transformation and reduce expenditures. Implement the concept of "zero-based budgeting," requiring each department to review its operations and propose budgets starting from the highest-priority items based on cost-benefit analysis, to achieve cost and expense savings.

(3) Grasp Market Changes and New Technology Demand

In the face of a volatile and uncertain market, continuously monitor price and demand changes for various products, keep abreast of technological trends in end-use products, and invest appropriate R&D resources and collaborate with industry partners to continuously create added value and competitiveness.

(4) Closely Monitor Green Economy and Sustainable Development

Focus on the green economy and sustainable development, continue to provide customers with competitive components, and achieve technological linkage in the industry chain through technical support services and R&D projects. Support the industry chain in promoting low-carbon operations and seize green energy industry opportunities, building a green and sustainable industry chain with upstream and downstream partners.

(5) Implement Operational Risk Response Measures

Continue to comply with risk management systems and codes of ethical conduct, strengthen operational efficiency, pay attention to employee needs and feedback, and adhere to a prudent management model. Analyze the profitability of revenue growth and take appropriate measures to seize market opportunities.

2. Medium- and Long-term Enhancement Plans

(1) Emphasize Green Economy and Sustainable Development, Grasp Trends in “New Technology” and “Green Economy” Products

International semiconductor giants have successively committed to RE100 and green transformation. As the industry faces net-zero transformation and responds to green electricity or carbon reduction actions, the resulting “new technology” and “green economy” business opportunities will be actively pursued by the Company in long-term cooperation with upstream manufacturers. The Company will continue to invest in resources and provide customers with competitive components. In the green energy supply chain (solar, wind, energy storage), the Company will achieve green technology linkage in the industry chain through technical support services and R&D projects, creating win-win-win value and securing sustainable green business opportunities, contributing to sustainable development under the global circular economy mindset.

(2) Focus on Operational Performance and Efficiency, Emphasize Operational and Climate Change Risk Management

As the Company’s scale increases and the sales mix of franchised products expands, it is necessary to emphasize the cost-effectiveness and risk of working capital. Operational management strategies must balance operational and financial risk management to provide guidelines for business and financing activities. In response to exchange rate fluctuation risks, strictly control inventory procurement timing, inventory levels, and customer credit management to avoid exchange rate changes eroding gross profit and financial management. Strengthen the assessment of climate change risks, align with international standards, and regularly review climate change risks and response measures.

(3) **Appropriately Increase Equity Injection**

Based on operational needs, although financial institutions are currently the main source of working capital, the Company's use of financial leverage still requires a balance with equity to build a better financial structure. The Company will continuously assess the balance of financing activities and capital structure, and appropriately increase equity injection to balance direct and indirect financing.

(4) **Emphasize Compliance with Regulations on Strategic High-Tech Goods Import and Export**

For franchised IC high-tech goods that may be dual-use (military and civilian), the Company must screen customers, product classifications, and transactions for imports and exports to comply with relevant import and export laws of Taiwan and the countries of the vendors, and exclude transactions that may be used for the production or development of nuclear, biochemical, missile, or other military weapons.

(5) **Strengthening Cross-Regional Support and Technical Services**

In response to the new global localization landscape, establish new major market warehouses and strengthen talent development to address regulatory and tax differences, enhance localized marketing and customer service, and build rapid logistics support and technical services to reduce cross-border transportation risks and costs.

III. Communication and Tracking Mechanisms

1. **Active Communication with Investors**

   The Company complies with regulatory requirements to disclose financial, business, and material information, which investors can access through the Market Observation Post System (MOPS). In addition, the Company actively communicates with investors via its official website, shareholders' meetings, and investor conferences, including explanations of financial and corporate governance analysis results and specific enhancement measures, to ensure investors have a comprehensive understanding of the Company's strategies and plans.

2. **Annual Information Updates**

   In addition to participating in the annual shareholders' meeting, the Company holds two Earnings Conferences each year to enhance communication with investment institutions. Historical presentation materials and video files are made available on the Company's official website, enabling investors to promptly understand the Company's operational status and future outlook.

IV. Conclusion

The Company, as a distributor of various semiconductor electronic components and information channel products, also provides technical services. With a comprehensive marketing system and service locations across the Greater China and Southeast Asia regions, the Company offers timely, cross-regional logistics services for electronic components. As geopolitical factors drive the glocalization of supply chains, the Company will continue to monitor international developments and industry trends, adjust its business expansion strategies, and respond to the needs of both vendors and customers. By adhering to the business philosophy of “Connecting Technology, Creating Value,” the Company is committed to sustainable operations and creating greater value for all stakeholders.