



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

## 2020 Annual Report

Notice to readers

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

2020 Annual Report is available at:

Taiwan Stock Exchange Market Observation Post System:

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

Corporate Website

[http://www.weikeng.com.tw/report\\_download.php?type=1](http://www.weikeng.com.tw/report_download.php?type=1)

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

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## I. Letter to Shareholders

Dear Shareholders,

The operating areas of Weikeng Group are mainly in Greater China (Taiwan, Hong Kong, China) and Southeast Asia (Singapore, Philippines, Malaysia, Thailand, and Vietnam). Weikeng Group's companies continue to play the role of connecting technology and creating value in the semiconductor industry chain with the spirit of actively meeting challenges and overcoming difficulties and insist on strengthening the portfolio of franchises product lines to meet market demand changes, even although the external economic environment in 2020 has been hit by the US-China trade disputes and the new coronavirus epidemic, which has led to a slowdown in global economic growth. Fighting the new coronavirus epidemic is like a war, but it has also changed the way people live and work. In 2020, the COVID-19 epidemic broke out globally and the global economy has been stagnated, however, the world ceased physical face-to-face contact, but brought up new non-contact business opportunities. The COVID-19 epidemic has accelerated the stimulation of cloud computing, data centers, needs of distance application, the high performance computing (HPC) chip required by the server, logic ICs with high computing power, chips with high-bandwidth memory (HBM), application-specific integrated circuit (ASIC), etc. have pushed participants in the supply chain of the semiconductor industry to witness that 2020 is a year of great growth and explosion. Therefore, with the efforts of all colleagues and the support of shareholders, the Weikeng Group consolidated sales revenue and net profit before tax reached approximately NT\$58.4 billion and 933 million in 2020, respectively, representing a growth of approximately 21% and 161%.

In 2021, the new coronavirus epidemic is still ongoing, and the group's operating market area is still deeply affected, but because the semiconductor industry and its supply chain have been regarded as "essential infrastructure" and / or "essential business" in real economic activities, in response to the needs of the post-epidemic market, the international market has turned to related semiconductor industries to place orders in order to smoothly and quickly obtain the IC chips required by the market, which will drive the continuous upward development of the global IC design, foundry, and packaging and testing industries, making the semiconductor industry prosperous. The results of this operation in the first quarter of 2021 have already shown clues. However, due to the substantial increase in market demand for semiconductors, production capacity of wafer foundry is tight. Therefore, the semiconductor market in 2021 will show a demand growth rate greater than a production capacity growth rate. At present, pure-play wafer foundries are actively adjusting production capacity or building new wafer fabs, but the cost of building new wafer fabs is high and there is a waiting period for construction. As a result, it may not be possible to wait for new wafer production capacity to meet market demand. Facing the aforementioned supply and demand situation, pure-play wafer foundries have begun to balance market supply and demand through price increases, but the problem has gradually spread to IC chip suppliers (the Company's franchises vendors), to adjust the short supply situation in the IC chip market, chip suppliers have also extended the delivery time by at least 90 days. In summary, the semiconductor market in 2021 will face the problem of insufficient wafer production capacity, which has caused chip suppliers to adjust the practice of extending product delivery; in other words, the market will have supply not keeping up with demand, and existing demand will be delayed, but new demand for applications will continue to occur, which will result in crowding out, capacity grabbing, and intensive communication with the supply chain. The problem of chip supply shortages may continue until the third or fourth quarter of 2021, and that will be a variable in the semiconductor market in 2021.

Weikeng Group has successfully won the franchises of product lines, covering many semiconductor Integrated Device Manufacturers (IDMs) or IC design companies such as AMD, Amazing, Dialog, Infineon, Lattice, Microchip, Molex, NXP, Sinopower, Vishay, Western Digital, etc. However, the Company continues to find and develop new products and applications in the semiconductor market, look for new cooperation opportunities of franchises, and create new customer demand. At present, in the application fields of industrial electronics, automotive electronics, mobile communications, consumer electronics, computer peripherals, and AI/5G, Weikeng Group's regional companies are capable of providing customers with competitive parts, technical support services, and efficient management services of supply chain to achieve a triple win value through the

Group's intermediary technology connection between upstream vendors and downstream customers.

(I) The annual business report for 2020

A. Implementation results of business plan

items	Amount( in Thousands of NT\$)	YoY %
Net Sales Revenue	58,413,402	21
Gross Profit	3,067,783	11
Net Operating Income	976,203	30
Profit before Tax	933,088	161
Net Profit	699,309	169

B. Budget Execution in 2020

In 2020, the Group's implementation of operating budget, revenue and profitability performance have exceeded expectations.

C. Financial Income, Costs and Profitability Analysis

	items	%
Finical Structure	Debt Ratio	73.4
	Long-term capital to fixed assets ratio	5,655.1
Solvency	Current Ratio	145.4
	Quick Ratio	93.5
Profitability	Return on Assets	3.9
	Return on Equity	11.9
	Net Profit Margin	1.2
	Basic EPS(in NT\$)	1.9

D. Research Development Status

The Company has successfully won the franchises of product lines of well-known domestic and foreign semiconductor manufacturers, and has succeeded in maintaining or amplifying the continuation of the franchises after the integration of the upstream vendors under the plan and active effort of the "Business Development Division". The "FAE / AE Division" continues to establish a solid foothold in 3C electronic product applications. It also actively provides technical support of the relevant IC products to vendors and customers in emerging applications in order to expand the new business scopes of the Company, assist customers in saving product research development expenses and shortening time to market, enhance service levels, and strengthen the cooperation with the vendors and customers. In addition, the "Solution Division" which is officially moving into the research development and design field and is responsible for the turnkey solution of the products.

At this stage, the product solutions developed by the companies in the Group are mainly focused in 5G (Smart phones, Customer Premise Equipment (CPE), Open Radio Access Network (O-RAN), etc.), artificial intelligence/Internet of things (AIoT), automotive electronics (including electric vehicles, electric locomotives, charging piles, etc.), consumer electronics, industrial control, Type-C power delivery, and various power products, but also devoted various resources to the application development of related product solutions, such as server/data center, motor control, battery energy storage management system, in-vehicle infotainment system and panel display human-machine interface, to facilitate the reference solutions for customers' products in time, which solutions are now available to customers.

(II) Annual Business Plan in 2021

A. Operating Principles

- (A) Facing the prosperity of the market cautiously, Weikeng Group must fully grasp and feedback the customer demand schedule in terms of product and price strategy, actively coordinate with the upstream vendors, and make the best efforts to meet customer needs.
- (B) As the new coronavirus epidemic changes, timely assess the impact, and pay attention to the "Coronomics" and post-epidemic market demand, and take countermeasures to grasp market opportunities.
- (C) With the development trend of technology products, Weikeng Group continues to provide customers with competitive parts, technical support services, and the turnkey solution of new products, and achieve the goal of bridging the technology between upstream vendors and downstream customers through the intermediary of the Group companies, creating a triple value.

- (D) Real-time grasp the diversified strategy and construction of customers' production bases and supply chains affected by trade brinkmanship and the epidemic.
  - (E) Focus on operational performance and efficiency, emphasize operational risk and emphasize risk management.
- B. Production and Sales Policy
- (A) In the face of increasing customer demand, actively coordinate the delivery date of franchise vendors' products, adjust the product and price strategy in a timely manner, and the best interactive communication platform.
  - (B) Grasp the development trend of "new technology" and "Coronomics", expand business cooperation opportunities, and strengthen customer structure.
  - (C) Facing the multinational expansion of customers in the Asia-Pacific region, the Group must strengthen timely support, service momentum and flexibility.
  - (D) Attach importance to compliance with laws and regulations for the import and export of strategic high-tech commodities.
  - (E) As the scale of operations expands, both risk and profitability must be considered.
- C. Expected sales volume and its basis in 2021
- The Company classifies the franchising products into chipsets/special application standard ICs, mixed signals and discrete components according to product characteristics. The operating target of sales forecast for 2021, is based on the management team's consideration of relevant institutions' estimates of the semiconductor industry's sales forecast, the upstream vendors' set targets and the Company's internal business plan, will still be positively expected to have growth opportunities, although the external operating environment in 2021 will still be double-struck by the US-China disputes of trading brinkmanship and the COVID-19 epidemic.

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

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

## II. Company Profile

(I) Date of Incorporation: January 20, 1977

(II) Company History: The most recent year (2020) and the date of publication of the annual report

Year	Milestones
2020/2	The Company won the franchise of electronic components of New Degree Technology CO., LTD and Montage Technology Macao Commercial Offshore Limited.
	The Company won the franchise of semiconductor equipment of E&R Engineering Corporation.
2020/3	The Company won the franchise of semiconductor equipment of M-SOLV LTD and DJ Tech Chip Test Co.
	The Audit Committee and the Board of Directors of the Company approved the participation in the investment of issuance of new common shares for cash HK\$70 million of Weikeng International Co., Ltd, a 100% owned subsidiary in Hong Kong.
2020/4	The Company won the franchises of semiconductor materials of Gillion Application Technology Co., Ltd. and Micropixel Optronics Ltd.
	The Company won the franchise of semiconductor equipment of JET TECHNOLOGY CO., LTD.
	The Company won the franchise of electronic components of Silan Microelectronics Co., Ltd.
	The Company won the franchise of solutions for the automotive and other embedded industry of ETAS Automotive Technology (Shanghai) Co., Ltd.
2020/5	The Company won the franchise of electronic components of KEYSSA SYSTEMS, INC and M3 Technology Inc.
	The Company won the franchise of semiconductor equipment of E&R Engineering Corporation and SIGOLD OPTICS INC.
2020/6	The Company won the franchise of semiconductor equipment of CHERNGER TECH. CO., LTD.
2020/8	The Company won the franchise of solutions for the automotive and other embedded industry of ETAS GmbH.
2020/9	The Company won the franchise of electronic components of Memsic Semiconductor (Tianjin) Co., Ltd.
2020/11	The Company issued the 5 <sup>th</sup> domestic unsecured convertible corporate bonds (stock code: 30335) of 10,000 units, each with a denomination of NT\$100,000, issued by denomination with a total amount of NT\$1 billion and a coupon rate of 0%, which was issued on November 3, 2020 and traded on Taipei Exchange (stock code: 30335), the tenor is 5 years with maturity on November 3, 2025.
2020/12	The Company won the franchise of electronic components of Ningbo Aura Semiconductor Limited.
2021/3	The Company won the franchise of electronic components of Blaize, Inc.
2021/4/6	The Company won the franchise of electronic components of SiTune Corporation.

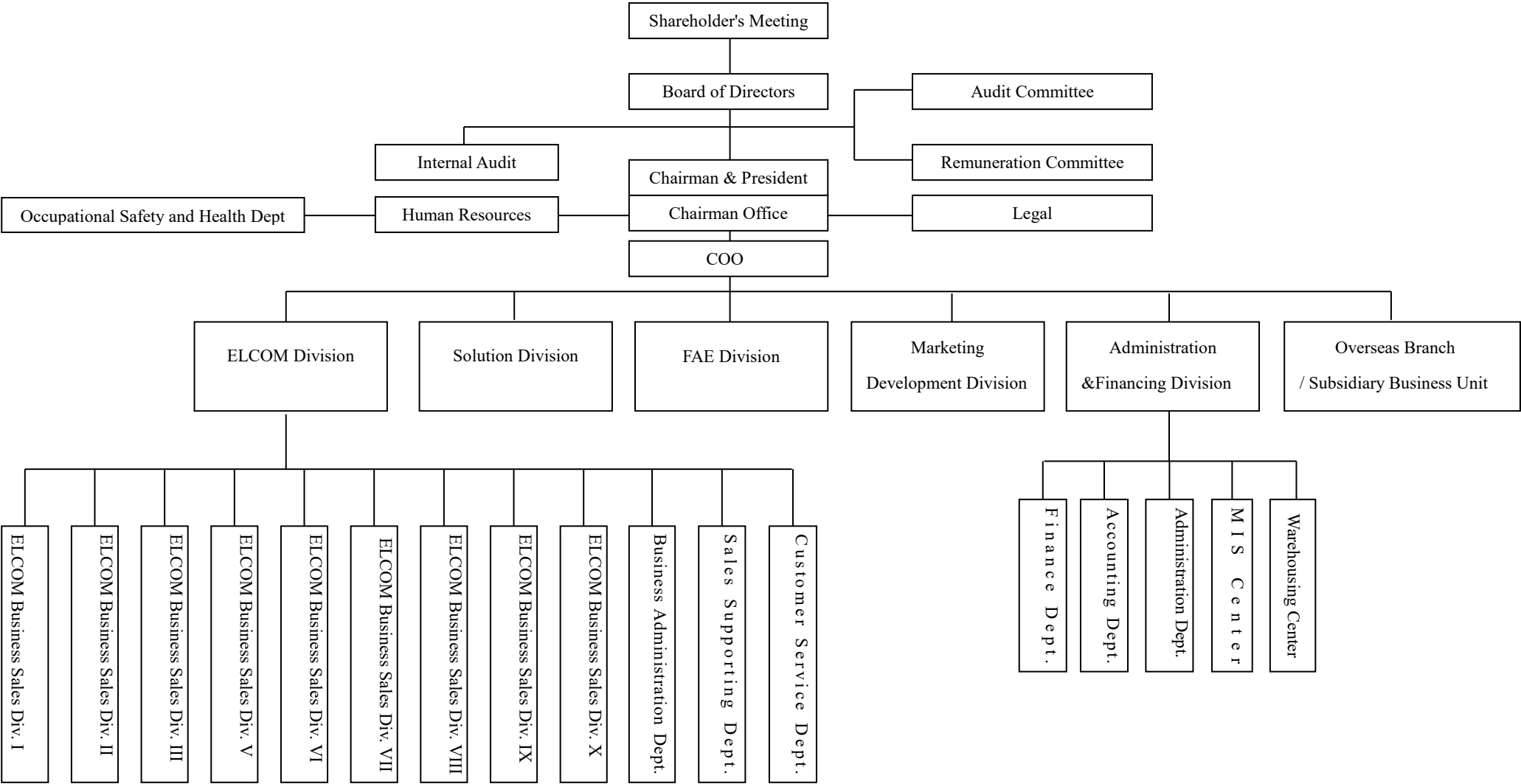


**III. Corporate Governance Report**

**(I) Organization System**

**A. Organizational Chart**

**Organization of Corporate Governance**



## B. Major Corporate Functions

Office/ Division/ Department	Functions
Chairman's Office	<p>(A) Executing the operating policy prepared by the board of directors, responsible for the allocation of management resources, the formulation, implementation and evaluation of management strategies, and reporting to the board of directors.</p> <p>(B) Responsible for the supervision of the group's finance, exchange rate, investment, financing and risk management, and formulate and implement control strategies, report to the board of directors.</p> <p>(C) Formulation and update of the Company's and Group's overall systems, rules and procedures.</p> <p>(D) Planning of the Company's and Group's overall marketing activities and promotion of corporate public relations matters.</p>
Internal Audit Office	<p>(A) Responsible for the formulation, implementation and rationality assessment of the audit plan of the group's internal control, and report to the audit committee and the board of directors.</p> <p>(B) Follow-up advice and risk management evaluation for the suggestions and corrections that are found in the audit.</p> <p>(C) Review the deficiencies of the internal control system in a timely manner, evaluate the effectiveness and efficiency of the operation, and provide appropriate suggestions for improvement to ensure the effectiveness of the internal control system and continuous improvement.</p>
Human Resources Office	<p>(A) Executive human resources management strategy prepared by the Chairman's Office, responsible for the execution and assessment of human resources management, reporting to the Chairman's Office, and planning and implementing matters assigned by Remuneration Committee.</p> <p>(B) Implementation of personnel system regulations, recruitment training, personnel changes, etc.</p> <p>(C) Assist the Board of Directors, Audit Committee and Remuneration Committee in convening related matters.</p>
Legal	<p>(A) Responsible for the management of legal affairs of the Company, and provide legal strategic support for the Company's operations, and prevent and control the Company's operating risks to ensure that the company's interests are not infringed.</p> <p>(B) Participate in the demonstration and negotiation of relevant contracts of the Company's operations, conduct legal assessments, and draft relevant contract texts.</p>

Office/ Division/ Department	Functions
	<p>(C) Assist in handling related legal matters in the Company's operation process, and organize the formulation of various legal documents.</p> <p>(D) Examine various legal documents and contracts that occur during the operation of the Company, and supervise the implementation of the contracts.</p> <p>(E) Assist the company in handling and resolving various legal disputes in operation, and safeguard the Company's legal rights and interests.</p> <p>(F) Management of litigation and non-litigation affairs of the Company.</p>
Occupational Safety and Health Dept.	Formulate, plan, supervise and promote occupational safety and health management plans and related environmental protection, safety and health management matters, and guide relevant departments to implement.
ELCOM Business Division	<p>(A) Market planning for electronic component related products.</p> <p>(B) Development and guarantee of franchises rights for electronic component related products.</p> <p>(C) Use business, technical support, channel marketing, customer service, and other methods to win customers.</p> <p>(D) Perform the company's import and export, customs declaration, shipping, insurance, HUB / VMI warehouse operations, etc.</p>
Solution Division	Research and development on the product reference solution for the franchises of product lines.
FAE Division	Provide customers with technical support for product applications, emphasizing demand creation services.
Marketing Development Division	Master the pulse and trends of the information technology market, leading the fight for the franchises of high-tech products and semiconductor components.
Administration & Financing Division	<p>(A) Responsible for accounting process, budget planning, preparation of various financial accounting statements and management information offering.</p> <p>(B) Take charge of fund dispatching, daily cash receipt and payment of cashiers, establishment and maintenance of credit relationship between financial institutions, management and assurance of accounts receivables, company's credit line control, etc.</p> <p>(C) Handle related matters such as stock affairs planning, shareholders' meetings, board meetings and functional committee meetings.</p> <p>(D) Establishment, implementation and evaluation of management functions of MIS center, such as ERP operations, email operations, network and information security operations, etc.</p> <p>(E) General affairs such as office general procurement and management.</p>

Office/ Division/ Department	Functions
	(F) Establishment and maintenance of computerized warehouse operation platform for logistics warehouse operation center to improve the operation and management efficiency of warehouse operation center
Overseas Branch / Subsidiary Business Unit	(A) Evaluate the implementation of the strategic goals of managing overseas subsidiaries and branches based on the group strategy prepared by the Chairman's office. (B) Evaluate the implementation of the management system and risk management analysis of overseas subsidiaries and branches.

**(II) Directors and Management Team**

**A. Directors**

As of April 20, 2021

Title	Nationality/ Place of Incorporation	Name	Gender	Date Elected	Term (Years)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience ( Education )	Other Position	Executives, Directors or Supervisors Who are Spouses or within Two Degrees of Kinship		
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation
							Chairman (Note)	Taiwan(R.O.C)	HU, CHIU-CHIANG (@Douglas Hu)	M	2018.6.13	3	2009.6.19	8,002,487			2.45	8,843,627	2.40

Title	Nationality/ Place of Incorporation	Name	Gender	Date Elected	Term (Years)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience ( Education )	Other Position	Executives, Directors or Supervisors Who are Spouses or within Two Degrees of Kinship		
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation
Director	Taiwan(R.O.C)	CHI, TING-FANG (@Stan Chi)	M	2018.6.13	3	1989.12.18	5,716,749	1.75	6,278,150	1.71	146,817	0.04	---	---	<ul style="list-style-type: none"> <li>• Bachelor of Science in Control Engineering, National Chiao Tung University, Taiwan</li> <li>• President, Weikeng Industrial Co., Ltd.</li> <li>• Associate Engineer, Institute of Machinery, Industrial Technology Research Institute (ITRI)</li> </ul>	<ul style="list-style-type: none"> <li>• Director &amp; Chief Operating Officer, Weikeng Industrial Co., Ltd.</li> <li>• Managing Director, Weikeng Technology Pte Ltd.</li> <li>• Director, Weikeng Technology Co., Ltd.</li> </ul>	---	---	---
Director	Taiwan(R.O.C)/ Taipei City	WEIJI INVESTMENT CO., LTD.	M	2018.6.13	3	1998.9.1	28,616,637	8.76	30,426,876	8.27	---	---	---	---	<ul style="list-style-type: none"> <li>• Bachelor of Science in Electrophysics, National Chiao Tung University, Taiwan</li> <li>• Engineer, Texas Instruments Inc.</li> </ul>	<ul style="list-style-type: none"> <li>• Chairman, Promate Electronic Co., Ltd.</li> <li>• Chairman, Chuang Feng investment Co., Ltd.</li> <li>• Chairman, Promate International Co. Ltd.</li> <li>• Director (Representative of Juristic Person/ Promate Electronic Co., Ltd.), Promate Solutions Co., Ltd.</li> <li>• Director, Weikeng Industrial Co., Ltd.</li> <li>• Supervisor, Ching Fong investment Co., Ltd.</li> <li>• Director (Representative of Juristic Person/ Promate Electronic Co., Ltd.), CT CONTINENTAL Co., Ltd.</li> <li>• Director, GLIMMER INC</li> </ul>	---	---	---
	Taiwan(R.O.C)/	Representative : CHEN, CHENG-FONG (@Eric Chen)					480,000	0.15	527,136	0.14	---	---	---	---					

Title	Nationality/ Place of Incorporation	Name	Gender	Date Elected	Term (Years)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience ( Education )	Other Position	Executives, Directors or Supervisors Who are Spouses or within Two Degrees of Kinship		
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation
Director	Taiwan(R.O.C)	CHEN, KUAN-HUA (@Bill Chen)	M	2018.6.13	3	2018.6.13	174,195	0.05	191,301	0.05	1,066,456	0.29	--	--	<ul style="list-style-type: none"> <li>• Master of Financial Engineering, Carnegie Mellon University, Commonwealth of Pennsylvania</li> <li>• Master of Computer Science &amp; Information Engineering, National Taiwan University</li> <li>• Bachelor of Mathematical Sciences, National Cheng-Chi University</li> <li>• Supervisor, Weikeng Industrial Co., Ltd.</li> </ul>	<ul style="list-style-type: none"> <li>• Director, King Yuan Electronics Co., Ltd.</li> <li>• Director &amp; President, CHAN-CHENG Investment Co., Ltd.</li> </ul>	--	--	--
Independent Director	Taiwan(R.O.C)	TSAL YU-PING (@Edward Tsai)	M	2018.6.13	3	2009.6.19	0	0	0	0	0	0	0	0	<ul style="list-style-type: none"> <li>• Juris Doctor, Santa Clara University, California</li> <li>• Executives Program, Graduate School of Business Administration, National Cheng-Chi University</li> <li>• Chairman, Meitung Limited</li> <li>• Chief Strategy Officer, Allianz President Insurance Group</li> <li>• President, Allianz-President General Insurance Co., Ltd.</li> <li>• President &amp; CEO, President Securities Investment Trust Co., Ltd.</li> <li>• Lawyer, Baker &amp; McKenzie</li> <li>• Lawyer, Diepenbrock, Wulff, Plant &amp; Hannegan, California</li> <li>• Associate Professor of Department of Law, National Chung Hsing University, Taiwan</li> </ul>	<ul style="list-style-type: none"> <li>• Remuneration Committee and Audit Committee, Weikeng Industrial Co., Ltd.</li> <li>• Chairman, Paradigm Venture Partners, L.L.C.</li> <li>• Director (Representative of Juristic Person/ Paradigm Venture Partners, L.L.C.), ezSWAP Networks Co., Ltd.</li> <li>• Director (Representative of Juristic Person/ Hydroionic Technologies Co., Ltd.), Hydroionic EnviroTec Co., Ltd.</li> <li>• Director (Representative of Juristic Person/ Hydroionic EnviroTec Co., Ltd.), Hydroionic EnviroServices Co., Ltd.</li> <li>• Director, CellMax Taiwan Co., Ltd.</li> <li>• Independent Director, Remuneration Committee, and Audit Committee, Welldone Co., Ltd.</li> </ul>	--	--	--

Title	Nationality/ Place of Incorporation	Name	Gender	Date Elected	Term (Years)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience ( Education )	Other Position	Executives, Directors or Supervisors Who are Spouses or within Two Degrees of Kinship		
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation
Independent Director	Taiwan(R.O.C)	LIN, HUNG (@Vincent Lin)	M	2018.6.13	3	2003.6.25	0	0	0	0	0	0	0	0	<ul style="list-style-type: none"> <li>• Executive Master of Business Administration, National Cheng-Chi University</li> <li>• Bachelor of Science in Pharmacy, Kaohsiung Medical University</li> <li>• President, Harbor View Hotel</li> <li>• Independent Director &amp; Remuneration Committee, Weikeng Industrial Co., Ltd.</li> <li>• Director, National Federation of the Republic of China Hotel Association</li> <li>• Committee of Keelung Foreign Sister City Promotion Association</li> </ul>	<ul style="list-style-type: none"> <li>• Remuneration Committee and Audit Committee, Weikeng Industrial Co., Ltd.</li> <li>• Director ( Representative of Juristic Person/ ALPIN INTERNATIONAL CO., LTD.), Leatec Fine Ceramics Co., Ltd.</li> <li>• Chairman, Hua Shuai Hospitality Management Consulting Co. Ltd.</li> <li>• Chairman, Dragonfly Gallery Co., Ltd.</li> <li>• President of Ahotel, Taiwan Fine Business Travel Alliance</li> <li>• Director, Taiwan Miner's General Hospital</li> </ul>	---	---	---
Independent Director	Taiwan(R.O.C)	YU, HSUEH-PING (@Peggy Yu)	F	2018.6.13	3	2018.6.13	0	0	0	0	0	0	0	0	<ul style="list-style-type: none"> <li>• Master of Accounting, National Taiwan University</li> <li>• Senior Vice President, Standard Chartered International Commercial Bank</li> <li>• Independent Director, CastleNet Technology Inc.</li> <li>• Supervisor, Promate Electronic Co., Ltd.</li> </ul>	<ul style="list-style-type: none"> <li>• Audit Committee, Weikeng Industrial Co., Ltd.</li> <li>• Vice President, Grand Aspect International Ltd.</li> <li>• Vice President, Grand China Ltd.</li> <li>• Director, PRINTEC INTERNATIONAL Co., Ltd.</li> <li>• Supervisor (Representative of Juristic Person/Chin-Tzu Leasing Co., Ltd.), Well Glory Development Co., Ltd.</li> </ul>	---	---	---

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



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

**Major shareholders of the institutional shareholders**

As of April 20, 2021

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

## Professional qualifications and independence analysis of directors

As of April 20, 2021

Criteria  Name	Meet One of the Following Professional Qualification Requirements, Together with at Least Five Years Work Experience			Independence Criteria(Note)												Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
	An Instructor or Higher Position in a Department of Commerce, Law, Finance, Accounting, or Other Academic Department Related to the Business Needs of the Company in a Public or Private Junior College, College or University	A Judge, Public Prosecutor, Attorney, Certified Public Accountant, or Other Professional or Technical Specialist Who has Passed a National Examination and been Awarded a Certificate in a Profession Necessary for the Business of the Company	Have Work Experience in the Areas of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business of the Company	1	2	3	4	5	6	7	8	9	10	11	12	
HU, CHIU-CHIANG (@Douglas Hu)	✓		✓					✓	✓		✓	✓	✓	✓	✓	2
CHI, TING-FANG (@Stan Chi)			✓					✓	✓		✓	✓	✓	✓	✓	
WEIJI INVESTMENT CO., LTD. (Representative : CHEN, CHENG-FONG (@Eric Chen)			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	---
CHEN, KUAN-HUA (@Bill Chen)			✓	✓	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	---
TSAI, YU-PING (@Edward Tsai)		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1
LIN, HUNG (@Vincent Lin)			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	---
YU, HSUEH-PING (@Peggy Yu)			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	---

Note: If the director meets any of the following criteria in the two years before being elected or during the term of office, please check "✓" the corresponding boxes.

- (1). Not an employee of the Company or any of its affiliates.
- (2). Not a director or supervisor of the Company or any of its affiliates (not applicable in cases where the person is an independent director of the Company, its parent company, subsidiary, or the subsidiary of the same parent company in accordance with the Act or with local laws).
- (3). Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of one percent or more of the total number of issued shares of the company or ranks as one of its top ten shareholders.
- (4). Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship of a manager in (1) or personnel in (2) and (3).
- (5). Not a director, supervisor, or employee of a corporate shareholder that directly holds 5% or more of the Company's outstanding shares, a top five shareholder, or appointed as the Company's director or supervisor in accordance with Article 27, Paragraph 1 or 2 of the Company Act (not applicable in cases where the person is an independent director of the Company, its parent company, subsidiary, or the subsidiary of the same parent company in accordance with the Act or with local laws).
- (6). Not a director, supervisor, or employee of other companies controlled by the same person with over half of the Company's director seats or shares with voting rights (not applicable in cases where the person is an independent director of the Company, its parent company, subsidiary, or the subsidiary of the same parent company in accordance with the Act or with local laws).
- (7). Not a director, supervisor, or employee of another company or institution who is the same person or spouse of the Company's chairperson, president or equivalent position (not applicable in cases where the person is an independent director of the Company, its parent company, subsidiary, or the subsidiary of the same parent company in accordance with the Act or with local laws).
- (8). Not a director, supervisor, or executive officer of a specific company or institution with financial or business dealings with the Company, or shareholder with 5% or more shares of the Company (not applicable in cases where the specific company or institution holds 20% or more but less than 50% of the Company's outstanding shares, and is an independent director of the Company, its parent company, subsidiary, or the subsidiary of the same parent company in accordance with the Act or with local laws).
- (9). Not a professional individual who, or an owner, partner, director, supervisor, or manager of a sole proprietorship, partnership, company, or institution that audited or provided commercial, legal, financial, or accounting services for total compensation not exceeding NT\$500,000 in the most recent two years to the company or to any affiliate of the company, or a spouse thereof. This does not apply to members of the Remuneration Committee, Public Tender Offer Review Committee, or Merger and Acquisition Special Committee performing duties in accordance with the Securities and Exchange Act or laws and regulations related to mergers and acquisitions.
- (10). Not having a marital relationship, or a relative within the second degree of kinship to any other director of the company;
- (11). Not having any of the situations set forth in Article 30 of the Company Act of the ROC.
- (12). Not a government agency, juristic person, or its representative set forth in Article 27 of the Company Act of the ROC.

## B. Management Team

As of April 20, 2021

Title	Nationality	Name	Gender	Date Effective	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience ( Education )	Other Position	Managers who are Spouses or Within Two Degrees of Kinship		
					Shares	%	Shares	%	Shares	%			Title	Name	Relation
President & CEO (Note)	Taiwan(R.O.C)	HU, CHIU-CHIANG (@Douglas Hu)	M	2002.7.1	8,843,627	2.40	467,059	0.13	---	---	<ul style="list-style-type: none"> <li>• Ph.D. of Institute of Management of Technology, National Chiao Tung University, Taiwan</li> <li>• Master of Business Administration, Da-Yeh University, Taiwan</li> <li>• Executives Program, Graduate School of Business Administration, National Cheng-Chi University</li> <li>• Bachelor of Science in Communications Engineer, National Chiao Tung University, Taiwan</li> <li>• R&amp;D Engineer, SAMPO Co., Ltd.</li> <li>• Chairman &amp; CEO, Weikeng Industrial Co., Ltd. and its affiliates</li> <li>• Chairman, Taipei County Computer Association (TCCA)</li> <li>• Executive Director, Taipei Electronic Components Suppliers' Association (TECSA)</li> </ul>	<ul style="list-style-type: none"> <li>• Independent Director &amp; Remuneration Committee, V-TAC Technology Co., Ltd.</li> <li>• Independent Director, Remuneration Committee, and Audit Committee, CIPHERLAB Co., Ltd.</li> <li>• Director, Promate Electronic Co., Ltd.</li> <li>• Director (Representative of Juristic Person/ Promate Electronic Co., Ltd.), Promate Solutions Co., Ltd.</li> <li>• Director, Amazing Microelectronic CO., Ltd.</li> <li>• Director, LEADTEL Co., Ltd.</li> <li>• Supervisor, EVGA Technology Incorporated</li> <li>• Chairman &amp; President, Weikeng Industrial Co., Ltd.</li> <li>• Chairman, Weiji Investment Co., Ltd.</li> <li>• Chairman, Weikeng International Co., Ltd.</li> <li>• Chairman, Weikeng Technology Pte Ltd.</li> <li>• Chairman, Weikeng Technology Co., Ltd.</li> </ul>	---	---	---
Group Chief Operating Officer	Taiwan(R.O.C)	CHI, TING-FANG (@Stan Chi)	M	2002.7.1	6,278,150	1.71	146,817	0.04	---	---	<ul style="list-style-type: none"> <li>• Bachelor of Science in Control Engineering, National Chiao Tung University, Taiwan</li> <li>• President, Weikeng Industrial Co., Ltd.</li> <li>• Associate Engineer, Institute of Machinery, Industrial Technology Research Institute (ITRI)</li> </ul>	<ul style="list-style-type: none"> <li>• Director &amp; Chief Operating Officer, Weikeng Industrial Co., Ltd.</li> <li>• Managing Director, Weikeng Technology Pte Ltd.</li> <li>• Director, Weikeng Technology Co., Ltd.</li> </ul>	---	---	---
Executive VP & General Manager (China)	Taiwan(R.O.C)	CHANG, CHIN-HAO (@Asser Chang)	M	2011.07.1	4,102,704	1.12	5,940	0.00	---	---	<ul style="list-style-type: none"> <li>• National Taiwan Ocean University - Department of Electrical Engineering - B.S.degree</li> <li>• Sampo Corporation</li> </ul>	Statutory Representative, Weikeng International (Shanghai) Co., Ltd.	---	---	---

Title	Nationality	Name	Gender	Date Effective	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience ( Education )	Other Position	Managers who are Spouses or Within Two Degrees of Kinship		
					Shares	%	Shares	%	Shares	%			Title	Name	Relation
Executive VP	Taiwan(R.O.C)	CHEN, CHENG-HUNG (@ Tom Chen)	M	2011.07.01	153,027	0.04	---	---	---	---	<ul style="list-style-type: none"> <li>Chung Yuan Christian University - Department of Electronic Engineering - B.S.degree</li> <li>Weikeng Industrial Co., Ltd.</li> </ul>		---	---	---
Chief Marketing Officer	Taiwan(R.O.C)	LI, PEI-TING (@ Calvin Li)	M	2018.5.2	---	---	924	0.00	---	---	<ul style="list-style-type: none"> <li>National Chiao Tung University EMBA - Master</li> <li>Bachelor of Science in Control Engineering, National Chiao Tung University, Taiwan</li> <li>Macnica Galaxy Inc</li> <li>NovaMake Technology</li> <li>Promate Electronic Co., Ltd.</li> </ul>		---	---	---
Chairman Office (Overseas) Senior VP	Taiwan(R.O.C)	HUNG, TUNG-HUI (@Tony Hung)	M	2017.3.1	977,893	0.27	8,620	0.00	---	---	<ul style="list-style-type: none"> <li>National Taiwan Institute of Technology - B.S. degree</li> <li>New Southern Engineering Enterprises Co., Ltd.</li> </ul>	Director (Representative of Juristic Person/ Weikeng Industrial Co., Ltd.), Weikeng Technology Pte Ltd.	---	---	---
FAE Division Senior VP	Taiwan(R.O.C)	HSIEH, CHI-HUNG (@Kevin Hsieh)	M	2017.7.1	197,121	0.05	---	---	---	---	<ul style="list-style-type: none"> <li>Chung Yuan Christian University - Department of Electronic Engineering - B.S. degree</li> <li>Elitegroup Computer Systems</li> </ul>		---	---	---
Marketing Development Division Corporate VP	Taiwan(R.O.C)	LU, SSU-HUI (@Josie Lu)	F	2013.3.18	383	0.00	---	---	---	---	<ul style="list-style-type: none"> <li>Fu Jen Catholic University - Department of International Trade - B.S. degree</li> <li>Cypress Semiconductor Taiwan Branch .</li> </ul>		---	---	---
ELCOM Business Sales Div. I Corporate VP	Taiwan(R.O.C)	YANG, CHIN-MING (@James Yang)	M	2020.2.14	---	---	---	---	---	---	<ul style="list-style-type: none"> <li>Mingshin Institute of Technology - Department of Electronic Engineering</li> <li>Cypress Semiconductor Taiwan Branch</li> <li>Emax Tech Co., Ltd</li> </ul>		---	---	---
ELCOM Business Division III Senior VP	Taiwan(R.O.C)	SU, MING-SUNG	M	2012.7.1	---	---	48,153	0.01	---	---	<ul style="list-style-type: none"> <li>West Texas A&amp;M University MBA</li> <li>Advanced Micro Devices, Inc.</li> <li>National Semiconductor</li> </ul>		---	---	---
ELCOM Business Division III Division Assistant VP	Taiwan(R.O.C)	YANG, CHUNG-YI (@ Jeffrey Yang)	M	2020.7.13	5,946	0.00	131	0.00	---	---	<ul style="list-style-type: none"> <li>Chung Yuan Christian University - Department of Electronic Engineering - B.S. degree</li> <li>New Mercury Industrial Corp.</li> </ul>		---	---	---
ELCOM Business Division V Department Director	Taiwan(R.O.C)	SHEN, HUNG-CHIEN (@Jason Shen)	M	2018.7.1	25,000	0.01	761	0.00	---	---	<ul style="list-style-type: none"> <li>Takming Commercial Junior College - Accounting and Statistics Department</li> <li>Acromax Inc.</li> </ul>		---	---	---
ELCOM Business Division VII	Taiwan(R.O.C)	SHEN, HSIN-CHUEH (@Peter Shen)	M	2013.7.1	28,436	0.01	---	---	---	---	<ul style="list-style-type: none"> <li>National Taiwan University of Science and Technology, EMBA</li> <li>Yonglin Optoelectronics Co., Ltd.</li> </ul>		---	---	---

Title	Nationality	Name	Gender	Date Effective	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience ( Education )	Other Position	Managers who are Spouses or Within Two Degrees of Kinship			
					Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Division Assistant VP																
ELCOM Business Sales Div. VIII Corporate VP	Taiwan(R.O.C)	CHANG, SHAO-HENG (@Walter Chang)	M	2020.8.1	329,870	0.09	89,273	0.02	---	---	<ul style="list-style-type: none"> <li>National Chiao Tung University - Department of Electronics Engineering - B.S. degree</li> <li>Tvia Inc</li> </ul>		---	---	---	
ELCOM Business Division IX Senior VP	Taiwan(R.O.C)	CHEN, YUNG-HSIN (@Rick Chen)	M	2017.7.1	130,883	0.03	50,898	0.01	---	---	<ul style="list-style-type: none"> <li>China Junior College of Technology - Department of Electronic Engineering</li> <li>Weikeng Industrial Co., Ltd.</li> </ul>		---	---	---	
ELCOM Business Division IX Division Assistant VP	Taiwan(R.O.C)	SHIH, CHENG-YU (@ Gary Shih)	M	2020.7.1	---	---	---	---	---	---	<ul style="list-style-type: none"> <li>University of Florida - Master of Industrial Engineering Institute</li> <li>TECHMOSA INTERNATIONAL INC.</li> </ul>		---	---	---	
ELCOM Business Division X Corporate VP	Taiwan(R.O.C)	CHEN, CHANG-YAO (@ Frank Chen)	M	2016.7.1	---	---	---	---	---	---	<ul style="list-style-type: none"> <li>Royal Roads University MBA</li> <li>Ensoar Technologies Corp.</li> </ul>		---	---	---	
ELCOM Business Division X Division Assistant VP	Taiwan(R.O.C)	TSENG, HSIEN-WEN (Robert Tseng)	M	2015.5.18	11,173	0.00	18,669	0.01	---	---	<ul style="list-style-type: none"> <li>Vanung Junior College of Technology - Department of Electronic Engineering</li> <li>ASEC INTERNATIONAL CORPORATION</li> </ul>		---	---	---	
Chairman Office (Overseas) Senior VP	Taiwan(R.O.C)	LU, CHAO-CHIEH (@Bert Lu)	M	2009.7.1	938,168	0.26	---	---	---	---	<ul style="list-style-type: none"> <li>National Taipei Institute of Technology - Department of Electronic Engineering</li> <li>Texas Instruments</li> </ul>		---	---	---	
Chairman Office (Overseas) Division VP	Taiwan(R.O.C)	CHIU, CHIEN-TSANG (Rock Chiu)	M	2017.7.1	---	---	---	---	---	---	<ul style="list-style-type: none"> <li>Ming Chi Institute of Technology - Department of Electrical Engineering</li> <li>Winbond Electronics Corp.</li> </ul>		---	---	---	
Chairman Office (Overseas) Division VP	Taiwan(R.O.C)	LIN, YU-CHING (@Joey Lin)	M	2016.7.1	---	---	---	---	---	---	<ul style="list-style-type: none"> <li>National Yunlin University of Science and Technology - Department of Electronic Engineering - B.S. degree</li> <li>Promaster Technology Corp.</li> </ul>		---	---	---	
Chairman Office (Overseas) Division Assistant VP	Taiwan(R.O.C)	CHEN, LI-WEI (@Vincent Chen)	M	2018.3.19	---	---	---	---	---	---	<ul style="list-style-type: none"> <li>Tamsui Institute of Business Administration - Department of Information Management</li> <li>Zthc (Shanghai) Co Ltd</li> </ul>		---	---	---	
Chairman Office (Overseas) Division Assistant VP	Taiwan(R.O.C)	LIANG, JIH-HSIN (@Hubert Liang)	M	2018.8.16	---	---	---	---	---	---	<ul style="list-style-type: none"> <li>The University of Auckland - Bachelor of Finance - B.S. degree</li> <li>Zthc (Shanghai) Co Ltd</li> </ul>		---	---	---	
Administration & Finance Division Senior VP & Spokesperson	Taiwan(R.O.C)	CHOU, KAN-LIN (@Fama Chou)	M	2011.7.1	182,766	0.05	---	---	---	---	<ul style="list-style-type: none"> <li>National Chung Cheng University - Graduate Institute of Finance - M.S. degree</li> </ul>	<ul style="list-style-type: none"> <li>Supervisor (Representative of Juristic Person/ Weikeng Industrial Co., Ltd.),</li> </ul>	---	---	---	

Title	Nationality	Name	Gender	Date Effective	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience ( Education )	Other Position	Managers who are Spouses or Within Two Degrees of Kinship		
					Shares	%	Shares	%	Shares	%			Title	Name	Relation
Corporate Governance Officer				2021.5.13							• Yuanta Securities Co., Ltd	Weikeng Technology Co., Ltd. • Director & Chairman, Genlog Industrial Co., Ltd.			
Audit Office Department Director	Taiwan(R.O.C)	CHIU, YU-FENG (@David Chiu)	M	2007.7.1	---	---	---	---	---	---	• National Cheng Kung University - Department of Accountancy - B.S. degree • Charoen Pokphand Enterprise Co., Ltd.		---	---	---
Administration & Finance Division Corporate VP	Taiwan(R.O.C)	WU, CHE-PIN (@Jason Wu)	M	2019.7.1.	10,647	0.00	---	---	242,921	0.07	• National Chengchi University - Executive Master of Business Administration - M.S. degree • International Bank of Taipei		---	---	---
Financing Division (Overseas) Division Assistant VP	Taiwan(R.O.C)	WU, SHIH-HAO (@Hook Wu)	M	2013.7.1	14,031	0.00	---	---	---	---	• Feng Chia University - Department of International Business - B.S. degree • JihSun Bank		---	---	---
Accounting Department Manager	Taiwan(R.O.C)	HUANG, LI-HSIANG (@Alice Huang)	F	2011.7.1	91,972	0.03	---	---	---	---	• Chinese Culture University - Department of Accountancy - B.S. degree • Fastfame Technology Co., Ltd.		---	---	---

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

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

### (III) Remuneration of Directors, President, and Vice Presidents

#### A. Remuneration of Directors

Unit: NT\$

Title	Name	Remuneration								Ratio of Total Remuneration (A+B+C+D) to Net Income (%)		Relevant Remuneration Received by Directors Who are Also Employees								Ratio of Total Compensation (A+B+C+D+E+F+G) to Net Income (%)		Compensation Paid to Directors from an Invested Company Other than the Company's Subsidiary
		Base Compensation (A)		Severance Pay (B)		Directors Compensation(C)		Allowances (D)				Salary, Bonuses, and Allowances (E)		Severance Pay (F)		Employee Compensation (G)						
		The Company	All companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company		Companies in the consolidated financial statements		The Company	Companies in the consolidated financial statements			
														Cash	Stock	Cash	Stock					
Chairman	HU, CHIU-CHIANG (@Douglas Hu)																					
Director	CHI, TING-FANG (@Stan Chi)																					
Director	WEIJI INVESTMENT CO., LTD. Representative : CHEN, CHENG-FONG (@Eric Chen)	--	--	--	--	13,727,420	13,727,420	360,000	360,000	2.01%	2.01%	16,494,400	22,445,622	128,736	128,736	11,096,000	--	11,096,000	--	5.98%	6.83%	--
Director	CHEN, KUAN-HUA (@Bill Chen)																					
Independent Director	TSAI, YU-PING (@Edward Tsai)																					
Independent Director	LIN, HUNG (@Vincent Lin)	--	--	--	--	5,883,180	5,883,180	570,000	570,000	0.92%	0.92%	--	--	--	--	--	--	--	--	0.92%	0.92%	--
Independent Director	YU, HSUEH-PING (@Peggy Yu)																					

The remuneration paid by the Company to directors (including independent directors) includes remuneration provided in accordance with Article 22 of the Company's Articles of Association (subject to the approval of the Remuneration Committee and the Board of Directors, and the report of the Shareholders' Meeting) and business execution fees (only the attendance fee for attending the meeting). According to the Company's "Rules for Remuneration Management of Directors and Executive Managers" and "Rules for Board of Directors Performance Assessment", the Company will pay independent directors' remuneration after the Shareholders' Meeting.

Range of Remuneration	Name of Directors			
	Total of (A+B+C+D)		Total of (A+B+C+D+E+F+G)	
	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements
Under NT\$ 1,000,000				
NT\$1,000,000~NT\$2,000,000 (Not included)				
NT\$2,000,000~NT\$3,500,000 (Not included)	HU, CHIU-CHIANG (@DouglasHu) CHI, TING-FANG (@Stan Chi) CHEN, KUAN-HUA (@Bill Chen) TSAI, YU-PING (@Edward Tsai) LIN, HUNG (@Vincent Lin) YU, HSUEH-PING (@Peggy Yu)	HU, CHIU-CHIANG (@DouglasHu) CHI, TING-FANG (@Stan Chi) CHEN, KUAN-HUA (@Bill Chen) TSAI, YU-PING (@Edward Tsai) LIN, HUNG (@Vincent Lin) YU, HSUEH-PING (@Peggy Yu)	CHEN, KUAN-HUA (@Bill Chen) TSAI, YU-PING (@Edward Tsai) LIN, HUNG (@Vincent Lin) YU, HSUEH-PING (@Peggy Yu)	CHEN, KUAN-HUA (@Bill Chen) TSAI, YU-PING (@Edward Tsai) LIN, HUNG (@Vincent Lin) YU, HSUEH-PING (@Peggy Yu)
NT\$3,500,000~NT\$5,000,000 (Not included)				
NT\$5,000,000~NT\$10,000,000 (Not included)	WEIJI INVESTMENT CO., LTD.	WEIJI INVESTMENT CO., LTD.	WEIJI INVESTMENT CO., LTD.	WEIJI INVESTMENT CO., LTD.
NT\$10,000,000~NT\$15,000,000 (Not included)				
NT\$15,000,000~NT\$300,000,000 (Not included)			HU, CHIU-CHIANG (@DouglasHu) CHI, TING-FANG (@Stan Chi)	HU, CHIU-CHIANG (@DouglasHu) CHI, TING-FANG (@Stan Chi)
NT\$30,000,000~NT\$500,000,000 (Not included)				
NT\$50,000,000~NT\$100,000,000 (Not included)				
Over NT\$100,000,000				
Total	7	7	7	7



## B. Remuneration of the President and Vice Presidents

Unit: NT\$

Title	Name	Salary(A)		Severance Pay (B)		Bonuses and Allowances (C)		Employee Compensation (D)				Ratio of total compensation (A+B+C+D) to net income (%)		Compensation Paid to the President and Vice Presidents from an Invested Company Other than the Company's Subsidiary
		The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company		Companies in the consolidated financial statements		The Company	Companies in the consolidated financial statements	
								Cash	Stock	Cash	Stock			
President & CEO	HU, CHIU-CHIANG (@Douglas HU)	26,464,800	35,773,233	829,968	829,968	37,002,120	72,222,923	38,125,000	---	38,125,000	---	14.65%	21.01%	None
Group Chief Operating Officer	CHI, TING-FANG (@Stan Chi)													
Executive VP & General Manager-China	CHANG, CHIN-HAO (@Asser Chang)													
Executive VP	CHEN, CHENG-HUNG (@ Tom Chen)													
Chief Marketing Officer	LI, PEI-TING (@ Calvin Li)													
Senior VP	LU, CHAO-CHIEH (@Bert Lu)													
Senior VP	SU, MING-SUNG													
Senior VP	HUNG, TUNG-HUI (@Tony Hung)													
Senior VP	HSIEH, CHI-HUNG (@Kevin Hsieh)													
Senior VP	CHEN, YUNG-HSIN (@Rick Chen)													
Senior VP / Spokesperson & Corporate Governance Officer	CHOU, KAN-LIN (@Fama Chou)													

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

### C. Distribution of Employees' Remuneration to Executive Officers

Unit: NT\$

	Title	Name	Employee Remuneration - in Stock (Fair Market Value)	Employee Remuneration - in Cash	Total	Ratio of Total Amount to Net Income (%)
Executive Officers	President & CEO	HU, CHIU-CHIANG (@Douglas HU)	---	39,248,000	39,248,000	5.61%
	Group Chief Operating Officer	CHI, TING-FANG (@Stan Chi)				
	Executive VP & General Manager (China)	CHANG, CHIN-HAO (@Asser Chang)				
	Executive VP	CHEN, CHENG-HUNG (@ Tom Chen)				
	Chief Marketing Officer	LI, PEI-TING (@ Calvin Li)				
	Senior VP	HSIEH, HI-HUNG (@ Kevin Hsieh)				
	Senior VP	CHEN, YUNG-HSIN (@Rick Chen)				
	Senior VP	LU, CHAO-CHIEH (@Bert Lu)				
	Senior VP	SU, MING-SUNG				
	Senior VP	HUNG, TUNG-HUI (@Tony Hung)				
	Senior VP / Spokesperson & Corporate Governance Officer	CHOU, KAN-LIN (@Fama Chou)				
	Administration & Finance Division Corporate VP	WU, CHE-PIN (@Jason Wu)				
	Accounting Department Manager	HUANG, LI-HSIANG (@Alice Huang)				

**D. Comparison of Remuneration for Directors, Supervisors, President and Vice Presidents in the Most Recent Two Fiscal Years and Remuneration Policy for Directors, Supervisors, President and Vice Presidents**

**(A) The ratio of total remuneration paid by the Company and by all companies included in the consolidated financial statements for the two most recent fiscal years to directors, supervisors, president and vice presidents of the Company, to the net income.**

Unit: NT\$ thousands

Year	Total remuneration paid to directors, supervisors, president and vice presidents		Ratio of total remuneration paid to directors, supervisors, president and vice presidents to net income (%)	
	The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements
2020	122,963	167,4921	17.59	23.95
2019	74,221	106,777	28.50	41.0

In the past two years of 2019 and 2020, the ratio of total remuneration paid to the Company's directors, supervisors, president and vice presidents to net income was 28.50% and 17.59% respectively in the Company's individual statements, and 41.0% and 23.95% in the consolidated statements respectively.

The correlations between the Company's emoluments (salary and remuneration) policy of directors and executive officers and the operating performance are as follows:

- (1) Remuneration to directors including directors' remuneration and business execution fees.
  - ① The Company pays the remuneration of directors, including the remuneration appropriated by the Company's articles of association and business execution fees (only the attendance fee for attending the meeting). The total appropriated amount of directors' remuneration shall be set at a maximum of 2.5% of the net profit before tax stated in the articles of association of the Company. However, if the Company still has accumulated losses, it shall first be offset against any deficit.
  - ② The total remuneration of directors for 2020 is NT\$19,610,600. After the 2021 shareholders' meeting is reported, the Company will pay directors' remuneration in accordance with the "Rules for Remuneration Management of Directors and Executive Managers" and "Rules for Board of Directors Performance Assessment".
  - ③ For the performance assessments of the board of directors and board members, please refer to page 29 of the Company's 2020 Annual Report.
- (2) Emoluments paid to executive officers are divided into fixed salary and variable remuneration.
  - ① Fixed salary includes base pay, duty allowance and meal allowance, which are determined by the following factors such as education, experience, skills, degree of decision-making responsibility & risk, contribution to the Company, and the typical pay levels adopted by peer companies. The annual salary adjustment is carried out in accordance with the Company's operating conditions, the domestic economic growth rate, price index, the salary adjustment status of the industry, the personal performance appraisal and the Company's annual budget target.
  - ② Variable remuneration includes year-end bonus and employee remuneration.

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

#### (IV) Implementation of Corporate Governance

##### A. Board of Directors

A total of 8 (A) meetings of the Board of Directors were held in 2020. The attendance of director were as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%) 【 B/A 】	Remarks
Chairman	HU, CHIU-CHIANG (@Douglas Hu)	8	0	100.0	Re-elected on 2018/6/13
Director	CHI, TING-FANG (@Stan Chi)	8	0	100.0	Re-elected on 2018/6/13
Director	WEIJI INVESTMENT CO., LTD. (Representative : CHEN, CHENG-FONG (@Eric Chen)	8	0	100.0	Re-elected on 2018/6/13
Director	CHEN, KUAN-HUA (@Bill Chen)	8	0	100.0	Newly elected on 2018/6/13
Independent director	TSAI, YU-PING (@Edward Tsai)	8	0	100.0	Re-elected on 2018/6/13
Independent director	LIN, HUNG (@Vincent Lin)	8	0	100.0	Re-elected on 2018/6/13
Independent Director	YU, HSUEH-PING (@Peggy Yu)	8	0	100.0	Newly elected on 2018/6/13
Other mentionable items:					

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

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

Date of Meeting	Meeting sessions	Contents of motion	Independent directors' opinions	The Company's response to the independent directors' opinion
2020/3/3	2 <sup>nd</sup> meeting in 2020	Discussion on participation in subscribing to the cash capital increase of WEIKENG INTERNATIONAL CO., LTD, a 100% owned subsidiary in Hong Kong	Approved as proposed after the chairperson consulted all attending directors.	Execution in accordance with the resolution
2020/3/27	3 <sup>rd</sup> meeting in 2020	Discussion on the Company's Internal Control System Statement	Approved as proposed after the chairperson consulted all attending directors.	Execution in accordance with the resolution
		Discussion on the some amendments of the Company's 2020 audit plan	Approved as proposed after the chairperson consulted all attending directors.	Execution in accordance with the resolution
		Discussion on the Company's endorsements and guarantees for 100% owned subsidiary WEIKENG INTERNATIONAL CO., LTD.	Approved as proposed after the chairperson consulted all attending directors.	Execution in accordance with the resolution
		Discussion on the Company's endorsements and guarantees for 100% owned subsidiary WEIKENG TECHNOLOGY PTE LTD.	Approved as proposed after the chairperson consulted all attending directors.	Execution in accordance with the resolution
2020/5/14	4 <sup>th</sup> meeting in 2020	Discussion on the some amendments to the Company's "Management Measures for the Preparation Process of Financial Statements"	Approved as proposed after the chairperson consulted all attending directors.	Execution in accordance with the resolution
		Discussion on the Company's endorsements and guarantees for 100% owned subsidiary WEIKENG TECHNOLOGY PTE LTD.	Approved as proposed after the chairperson consulted all attending directors.	Execution in accordance with the resolution
		Discussion on the Company's endorsements and guarantees for 100% owned subsidiary WEIKENG INTERNATIONAL CO., LTD.	Approved as proposed after the chairperson consulted all attending directors.	Execution in accordance with the resolution
		Discussion on the Company's endorsements and guarantees for 100% owned subsidiary WEIKENG INTERNATIONAL(Shanghai) CO., LTD.	Approved as proposed after the chairperson consulted all attending directors.	Execution in accordance with the resolution
2020/7/31	5 <sup>th</sup> meeting in 2020	Discussion on the Company's endorsements and guarantees for 100% owned subsidiary WEIKENG INTERNATIONAL CO., LTD.	Approved as proposed after the chairperson consulted all attending directors.	Execution in accordance with the resolution
2020/9/10	6 <sup>th</sup> meeting in 2020	Discussion on the Company's issuance of the 5 <sup>th</sup> domestic unsecured convertible corporate bond	Approved as proposed after the chairperson consulted all attending directors.	Execution in accordance with the resolution
2020/11/11	7 <sup>th</sup> meeting in 2020	Discussion on the Company's endorsements and guarantees for 100% owned subsidiary WEIKENG INTERNATIONAL CO., LTD.	Approved as proposed after the chairperson consulted all attending directors.	Execution in accordance with the resolution
		Discussion on removing of the Company's endorsements and guarantees for 100% owned subsidiary WEIKENG INTERNATIONAL(Shanghai) CO., LTD.	Approved as proposed after the chairperson	Execution in accordance with the resolution

			consulted all attending directors.	
		Discussion on the Company's endorsements and guarantees for 100% owned subsidiary WEIKENG TECHNOLOGY PTE LTD.	Approved as proposed after the chairperson consulted all attending directors.	Execution in accordance with the resolution
2020/12/30	8 <sup>th</sup> meeting in 2020	Discussion on the evaluation of CPA's independence and suitability for the Company's 2021 annual financial statements	Approved as proposed after the chairperson consulted all attending directors.	Execution in accordance with the resolution
		Discussion on the Company's professional fees of CPA for 2021	Approved as proposed after the chairperson consulted all attending directors.	Execution in accordance with the resolution
		Discussion on the Company's Internal Audit Plan for 2021	Approved as proposed after the chairperson consulted all attending directors.	Execution in accordance with the resolution
		Discussion on the Company's determination of accounts receivable and accounts other than accounts receivable if belong to the nature of funds lending to other parties	Approved as proposed after the chairperson consulted all attending directors.	Execution in accordance with the resolution
		Discussion on the Company's endorsements and guarantees for 100% owned subsidiary WEIKENG INTERNATIONAL CO., LTD.	Approved as proposed after the chairperson consulted all attending directors.	Execution in accordance with the resolution

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

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

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

Assessment cycle	Once a year			
Assessment period	January 1, 2020 to December 31, 2020			
Scope of assessment	Board of Directors, Individual Board Members, and Functional Committees			
Method of Assessment	Board of Directors internal assessment and Board Members self-assessment			
Date of Assessment	2021/3/1~2021/3/8			
Date of Assessment's Result Reported to the Board	2021/3/26			
<b>Internal assessment for the Performance of the Board of Directors (Average of Self-Assessment by Directors)</b>	<b>Items of Assessment</b>	<b>Total Score</b>	<b>Average Actual Score</b>	<b>Hit Rate%</b>
	Level of participation in company operations	60	57.71	96.19
	Enhancement of the board's strategic decision-making quality	60	58.86	98.10
	Composition and structure of the Board of Directors	35	33.00	94.29
	Election and continuous education of directors	35	31.29	89.39
	Internal control	35	35.00	100.00
	Total	225	215.86	95.94

	Items to be improved and improvement plans/ suggestions	<p><b>Items to be improved:</b></p> <ol style="list-style-type: none"> <li>1. The chairman and president or persons with equivalent positions are the same person.</li> <li>2. Two of the three independent directors have served for three consecutive terms.</li> </ol> <p><b>Improvement Plans:</b></p> <ol style="list-style-type: none"> <li>1. The chairman and president are the same person, and the number of independent directors will be increased in accordance with regulations, or the chairman no longer serves as the president and the board of directors appoints a president by the end of 2023.</li> </ol> <p>The structure of independent directors will be improved in 2024 as required.</p>		
<p><b>Self-assessment for Individual Board Members</b> (Average of Self-Assessment by Directors)</p>	<p><b>Items of Assessment</b></p>	<b>Total Score</b>	<b>Average Actual Score</b>	<b>Hit Rate%</b>
	Alignment of the Company's objectives and missions	15	15.00	100.00
	Awareness of a director's duties	15	15.00	100.00
	Level of participation in company operations	40	37.29	93.21
	Management and communication of internal relations	15	14.71	98.10
	Directors' professionalism and continuous education	15	14.86	99.05
	Internal control	15	15.00	100.00
	Total	<b>115</b>	111.86	97.27
	Items to be improved and improvement plans/ suggestions	<p><b>Items to be improved:</b></p> <ol style="list-style-type: none"> <li>1. Directors concurrently serve as directors and supervisors of several companies.</li> </ol> <p><b>Recommendations for improvement:</b></p> <ol style="list-style-type: none"> <li>1. Although some directors have concurrently served as directors and supervisors of multiple companies, their level of participation in the operation of the Company and the management and communication of internal relations are still in line with expectations.</li> </ol>		
<p><b>Internal assessment for Functional Committees</b> (Self-Assessment by Board of Directors)</p>	<p><b>Items of Assessment</b></p>	<b>Total Score</b>	<b>Average Actual Score</b>	<b>Hit Rate%</b>
	Level of participation in company operations	20	20	100.00
	Awareness of the Functional Committee's duties	40	35	87.50



	Enhancement of the Functional Committee's decision-making quality	35	33	94.29
	Composition of the Function Committee and election of its members	20	16	80.00
	Internal control	15	15	100
	Total	130	119	91.54
	Items to be improved and improvement plans/ suggestions	<p><b>Items to be improved:</b></p> <ol style="list-style-type: none"> <li>1. There is no Nomination Committee yet.</li> <li>2. The succession plan of top management is not yet clear</li> </ol> <p><b>Improvement plan:</b></p> <ol style="list-style-type: none"> <li>1. The Nomination Committee will be completed by 2023 as required.</li> <li>2. Plans for top management (for example, the chairman no longer serves as the president, etc.), which will be clarified before the end of 2023.</li> </ol>		

4. Measures taken to strengthen the functionality of the board:

- (1) In 2020 and 2021 (as of the publication date of this Annual Report), the Company has established the following functional committees to assist in strengthening the functions of the Board of Directors:
- ① Audit Committee: It is composed of three independent directors and performs its functions and powers in accordance with the Audit Committee Charter.
  - ② Remuneration Committee: It is composed of two independent directors and an external committee member, and performs its functions and powers in accordance with Remuneration Committee Charter.
- (2) The Company will re-elect all directors (including independent directors) at the 2021 the Annual General Meeting. After the re-election, the above functional committees will be formed at that time to assist in strengthening the functions of the new Board of Directors.

**B. Audit Committee**

A total of 7 (A) Audit Committee meetings were held in 2019. The attendance of the independent directors were as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%) 【 B/A 】	Remarks
Independent director	TSAI, YU-PING (@Edward Tsai)	7	0	100.0	Re-elected on 2018/6/13
Independent director	LIN, HUNG (@Vincent Lin)	7	0	100.0	Re-elected on 2018/6/13
Independent director	YU, HSUEH-PING (@Peggy Yu)	7	0	100.0	Newly elected on 2018/6/13

Other mentionable items:

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

Date of Meeting	Meeting sessions	Contents of motion	Resolutions	The Company's response to the Audit Committee's opinion
2020/3/3	1 <sup>th</sup> meeting in 2020	Discussion on participation in subscribing to the cash capital increase of WEIKENG INTERNATIONAL CO., LTD, a 100% owned subsidiary in Hong Kong	Approved as proposed after the chairperson consulted all attending committee members and submitted proposal to the Board of Directors for resolution.	Execution in accordance with the resolution
2020/3/27	2 <sup>nd</sup> meeting in 2020	Recognition on the 2019 financial statements, including individual financial statements and consolidated financial statements	Approved as proposed after the chairperson consulted all attending committee members and submitted proposal to the Board of Directors for resolution.	Execution in accordance with the resolution
		Discussion on the Company's Internal Control System Statement	Approved as proposed after the chairperson consulted all attending committee members and submitted proposal to the Board of Directors for resolution.	Execution in accordance with the resolution
		Discussion on the some amendments of the Company's 2020 audit plan	Approved as proposed after the chairperson consulted all attending committee members and submitted proposal to the Board of Directors for resolution.	Execution in accordance with the resolution
		Discussion on the Company's endorsements and guarantees for 100% owned subsidiary WEIKENG INTERNATIONAL CO., LTD.	Approved as proposed after the chairperson consulted all attending committee members and submitted proposal to the Board of Directors for resolution.	Execution in accordance with the resolution
2020/5/14	3 <sup>rd</sup> meeting in 2020	Discussion on the some amendments to the Company's "Management Measures for the Preparation Process of Financial Statements"	Approved as proposed after the chairperson consulted all attending committee members and submitted proposal to the Board of Directors for resolution.	Execution in accordance with the resolution
		Discussion on the Company's endorsements and guarantees for 100% owned subsidiary WEIKENG TECHNOLOGY PTE LTD	Approved as proposed after the chairperson consulted all attending committee members and submitted proposal to the Board of Directors for resolution.	Execution in accordance with the resolution
		Discussion on the Company's Endorsements and guarantees for 100% owned subsidiary WEIKENG INTERNATIONAL CO., LTD.	Approved as proposed after the chairperson consulted all attending committee members and submitted proposal to the Board of Directors for resolution.	Execution in accordance with the resolution
		Discussion on the Company's endorsements and guarantees for 100% owned subsidiary WEIKENG INTERNATIONAL(Shanghai) CO., LTD.	Approved as proposed after the chairperson consulted all attending committee members and submitted	Execution in accordance with the resolution

			proposal to the Board of Directors for resolution.	
2020/7/31	4 <sup>th</sup> meeting in 2020	Discussion on the Company's Endorsements and guarantees for 100% owned subsidiary WEIKENG INTERNATIONAL CO., LTD.	Approved as proposed after the chairperson consulted all attending committee members and submitted proposal to the Board of Directors for resolution.	Execution in accordance with the resolution
2020/9/10	5 <sup>th</sup> meeting in 2020	Discussion on the Company's issuance of the 5 <sup>th</sup> domestic unsecured convertible corporate bond	Approved as proposed after the chairperson consulted all attending committee members and submitted proposal to the Board of Directors for resolution.	Execution in accordance with the resolution
2020/11/11	6 <sup>th</sup> meeting in 2019	Discussion on the Company's endorsements and guarantees for 100% owned subsidiary WEIKENG INTERNATIONAL CO., LTD.	Approved as proposed after the chairperson consulted all attending committee members and submitted proposal to the Board of Directors for resolution.	Execution in accordance with the resolution
		Discussion on the Company's endorsements and guarantees for 100% owned subsidiary WEIKENG INTERNATIONAL(Shanghai) CO., LTD.	Approved as proposed after the chairperson consulted all attending committee members and submitted proposal to the Board of Directors for resolution.	Execution in accordance with the resolution
		Discussion on the Company's endorsements and guarantees for 100% owned subsidiary WEIKENG TECHNOLOGY PTE LTD.	Approved as proposed after the chairperson consulted all attending committee members and submitted proposal to the Board of Directors for resolution.	Execution in accordance with the resolution
2020/12/30	7 <sup>th</sup> meeting in 2020	Discussion on the evaluation of CPA's independence and suitability for the Company's 2021 annual financial statements	Approved as proposed after the chairperson consulted all attending committee members and submitted proposal to the Board of Directors for resolution.	Execution in accordance with the resolution
		Discussion on the Company's professional fees of CPA for 2021	Approved as proposed after the chairperson consulted all attending committee members and submitted proposal to the Board of Directors for resolution.	Execution in accordance with the resolution
		Discussion on the Company's Internal Audit Plan for 2021	Approved as proposed after the chairperson consulted all attending committee members and submitted proposal to the Board of Directors for resolution.	Execution in accordance with the resolution
		Discussion on the Company's determination of accounts receivable and accounts other than accounts receivable if belong to the nature of funds lending to other parties	Approved as proposed after the chairperson consulted all attending committee members and submitted proposal to the Board of Directors for resolution.	Execution in accordance with the resolution
		Discussion on the Company's endorsements and guarantees for 100% owned subsidiary WEIKENG INTERNATIONAL CO., LTD.	Approved as proposed after the chairperson consulted all attending committee	Execution in accordance

			members and submitted proposal to the Board of Directors for resolution.	with the resolution
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- (2) Other matters, which were not approved by the Audit Committee but were approved by two-thirds or more of all directors: None.
2. If there are independent directors' avoidance of motions in conflict of interest, the directors' names, contents of motion, causes for avoidance and voting should be specified: None
3. Communications between the independent directors, the Company's chief internal auditor and CPAs (e.g. the material items, methods and results of audits of corporate finance or operations, etc.)
- (1) The internal auditors have communicated the result of the audit reports to the members of the Audit Committee periodically, and have presented the findings of all audit reports in the quarterly meetings of the Audit Committee. Should the urgency of the matter require it, the Company's chief internal auditor will inform the members of the Audit Committee outside of the regular reporting. The communication channel between the Audit Committee and the internal auditor has been functioning well.
- (2) The Company's CPAs have presented the findings or the comments for the annual corporate financial reports, as well as those matters communication of which is required by law, in the regular meetings of the Audit Committee. Under applicable laws and regulations, the CPAs are required to communicate to the Audit Committee any material matters that they have discovered. The communication channel between the Audit Committee and the CPAs has been functioning well.
- (3) Independent Directors' Communication with Internal Auditor and Certified Public Accountant (CPA) in 2020 and as of 2021/3/31

Date	Way of Communication	Highlights of Communication	Results of Communication
2020/3/3	Supervisor of internal auditor attended the Audit Committee (Independent Directors)	Presentation of audit report	No major lack of internal control and abnormal events, and report to the Board of Directors.
	Supervisor of internal auditor attended Board Meeting		No major lack of internal control and abnormal events.
2020/3/27	Communication meeting between CPA and Audit Committee( Independent Directors)	<ol style="list-style-type: none"> <li>1. The responsibility of CPA and auditor for auditing financial statements</li> <li>2. The scope of audit</li> <li>3. The auditing discovery</li> <li>4. The independence of CPA</li> <li>5. Impact of COVID-19 on audits and financial reports in 2019</li> <li>6. Regulations of the competent authority on the Company's self-prepared financial report</li> <li>7. Important Decree Updates (more relevant to the Company)</li> </ol>	<ol style="list-style-type: none"> <li>1. Agreed to submit the 2019 financial statements to the Board meeting for resolution.</li> <li>2. The Company's self-prepared financial report will be responsible for the accounting department and the internal audit department to discuss related internal control processes, and set a timetable for completion, and report to the next meeting of Audit Committee and Board of Directors for discussion.</li> <li>3. Compliance with relevant important laws and regulations will be obliged to be followed up and completed by the corporate governance unit and internal audit department.</li> </ol>
	Supervisor of internal auditor attended the Audit Committee (Independent Directors)	<ol style="list-style-type: none"> <li>1. Presentation of Audit report</li> <li>2. Deliberation of the internal control statement for 2019</li> <li>3. Discuss amendments to the audit plan for 2020 due to COVID-19</li> </ol>	<ol style="list-style-type: none"> <li>1. No major lack of internal control and abnormal events, and report to the Board of Directors.</li> <li>2. Agreed to submit the 2019 internal control statement to Board of Directors for resolution.</li> </ol>

	Supervisor of internal auditor attended Board Meeting		3. Agreed to submit the amendments of the audit plan for 2020 to Board of Directors for resolution.
			1. No major lack of internal control and abnormal events. 2. Agreed the 2019 internal control statement. 3. Agreed the amendments of the audit plan for 2020.
2020/5/14	Supervisor of internal auditor attended the Audit Committee (Independent Directors)	Presentation of audit report	No major lack of internal control and abnormal events, and report to the Board of Directors.
	Supervisor of internal auditor attended Board Meeting		No major lack of internal control and abnormal events.
2020/7/31	Supervisor of internal auditor attended the Audit Committee (Independent Directors)	Presentation of audit report	No major lack of internal control and abnormal events, and report to the Board of Directors.
	Supervisor of internal auditor attended Board Meeting		No major lack of internal control and abnormal events.
2020/9/10	Supervisor of internal auditor attended the Audit Committee (Independent Directors)	Presentation of audit report	No major lack of internal control and abnormal events, and report to the Board of Directors.
	Supervisor of internal auditor attended Board Meeting		No major lack of internal control and abnormal events.
2020/11/11	Supervisor of internal auditor attended the Audit Committee (Independent Directors)	Presentation of audit report	No major lack of internal control and abnormal events, and report to the Board of Directors.
	Supervisor of internal auditor attended Board Meeting		No major lack of internal control and abnormal events.
2020/12/30	Communication meeting between CPA and Audit Committee(Independent Directors)	1. Annual auditing plan 2. Preliminary identification of key audit items in 2020 3. Other considerations 4. Important decree updates	1. Instruct the accounting department to cooperate with KPMG's CPA to prepare for the audit. 2. The update of relevant laws and regulations on corporate governance will be forwarded to the board of directors for reference and included in the early planning of the Company's operating department.
	Supervisor of internal auditor attended the Audit Committee (Independent Directors)	1. Presentation of audit report 2. Discussion on the Company's internal audit plan for 2021	1. No major lack of internal control and abnormal events, and report to the Board of Directors. 2. Agreed to submit the audit plan for 2021 to Board of Directors for resolution.
	Supervisor of internal auditor attended Board Meeting		1. No major lack of internal control and abnormal events. 2. Agreed the audit plan for 2021.
2021/3/26	Communication meeting between CPA and Audit Committee( Independent Directors)	1. The independence of CPA 2. The responsibility of CPA and auditor for auditing financial statements 3. The scope of audit 4. The auditing discovery	1. Key audit items in the 2020 financial statements: (1) Income recognition (individual & consolidated) (2) Inventory evaluation (individual & consolidated)

		<ul style="list-style-type: none"> <li>5. Matters Concerned by the Competent Authority</li> <li>6. Updates to important securities management laws and regulations</li> </ul>	<ul style="list-style-type: none"> <li>(3) Investment using the equity method (individual)</li> <li>2. The auditors' opinion of 2020 financial statement: unqualified opinion.</li> <li>3. Matters Concerned by the Competent Authority: <ul style="list-style-type: none"> <li>(1) Strengthen the internal control process of evaluating investment cycles, focusing on the risk management of financial products and fund investment.</li> <li>(2) The CPA shall strengthen the assessment of the impact of the COVID-19 epidemic on the Company's ability to continue operations, asset impairment and financing risks in the auditing and attesting of the 2020 financial report, and enhance the relevant auditing procedures.</li> </ul> </li> <li>4. Updates to important securities management laws and regulations: Emphasize that the financial report preparation ability of listed companies should cooperate in handling matters.</li> </ul>
	Supervisor of internal auditor attended the Audit Committee (Independent Directors)	<ul style="list-style-type: none"> <li>1. Presentation of Audit report</li> <li>2. Review the 2020 internal control statement</li> </ul>	<ul style="list-style-type: none"> <li>1. No major lack of internal control and abnormal events, and report to the Board of Directors.</li> <li>2. Agreed to submit the 2020 internal control statement to Board of Directors for resolution.</li> </ul>
	Supervisor of internal auditor attended Board Meeting		<ul style="list-style-type: none"> <li>1. No major lack of internal control and abnormal events.</li> <li>2. Agreed the 2020 internal control statement.</li> </ul>

**C. Corporate Governance Implementation Status and Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies”**

Evaluation Item	Implementation Status <sup>1</sup>			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
1. Does the company establish and disclose the Corporate Governance Best-Practice Principles based on “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies”?	√		The Company has established the Corporate Governance Best-Practice Principles based on “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and approved by the Board of Directors on March 27, 2020 for amendment, which information has been disclosed on the Company’s website.	None
2. Shareholding structure & shareholders’ rights				
(1) Does the company establish an internal operating procedure to deal with shareholders’ suggestions, doubts, disputes and litigations, and implement based on the procedure?	√		In addition to the existing hotline and email channels, the Company has established an internal operating procedure (Measures for the Administration of Stock Affairs Operations), and has designated appropriate departments, such as Investor Relations, Stock affairs personnel, Legal Department, to handle shareholders’ suggestions, doubts, disputes and litigation.	None
(2) Does the company possess the list of its major shareholders as well as the ultimate owners of those shares?	√		The Company’s stock affairs personnel of Administration Department and Stock Transfer Agent of Yuanta Securities Co., Ltd are responsible for collecting the updated information of major shareholders and the list of ultimate owners of those shares.	None
(3) Does the company establish and execute the risk	√		Rules, which have “Measures for the management of financial	None

Evaluation Item	Implementation Status <sup>1</sup>		Abstract Illustration	Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No		
management and firewall system within its conglomerate structure?  (4) Does the company establish internal rules against insiders trading with undisclosed information?	√		and business transactions between related parties, group companies and specific companies” and “Risk management approach”, are made to strictly regulate the activities of financial and business transactions between the Company and its affiliates and which activities are executed independently among the companies of the Group. The internal auditors perform related audits regularly or irregularly, and report the audit results to the Audit committee and the Board of Directors.  To protect shareholders’ rights and fairly treat shareholders, the Company has established the internal rules to forbid insiders trading on undisclosed information. The Company has also strongly advocated these rules in order to prevent any violations according to “Procedures for Handling Material Inside Information”.	None
3. Composition and Responsibilities of the Board of Directors (1) Does the Board develop and implement a diversified policy for the composition of its members?	√		The Board members consider member diversification. Factors taken into account include, but are not limited to gender, age, cultures, educational background, race, professional experience, skills, knowledge and terms of service. The Board objectively chooses candidates to meet the goal of member diversification.	None
(2) Does the company voluntarily establish other functional	√		In order for the sound supervision and reinforcement of	None



Evaluation Item	Implementation Status <sup>1</sup>		Abstract Illustration	Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No		
<p>committees in addition to the Remuneration Committee and the Audit Committee?</p> <p>(3) Does the Company formulate the board of directors' performance evaluation rules and procedures, and conduct annual and regular performance evaluations? And report the results of the performance evaluation to the board of directors, and use them as a reference for individual directors' remuneration and nomination for renewal?</p>	√		<p>management, the Company agrees to establish the other functional committee in the future to meet the related regulations in addition to the Remuneration Committee and the Audit Committee. These functional committees shall be responsibilities for the Board of Directors.</p> <p>The Company has formulated rules and procedures for evaluating the Board's performance and conducts it before the first quarter of the following year and report the results to the board of directors, which is also used as a reference document for the nomination of directors in the election year. The Company uses two methods to evaluate the performance of the Board.</p> <p>1. Self-assessment of Board members Board members fill in the” Self-Assessment Questionnaire for Board Members” at the end of each year. To evaluate the performance of each members effectively, the questionnaire contains the following factors:</p> <p>(1) Mastering the goals and tasks of the Company. (2) Cognition of directors' responsibilities. (3) Participation in the operation of the Company. (4) Internal relationship management and communication. (5) Professional and continuing education of directors.</p>	None

Evaluation Item	Implementation Status <sup>1</sup>		Abstract Illustration	Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No		
(4) Does the company regularly evaluate the independence of CPAs?	√		<p>(6) Internal control.</p> <p>2. Assessment of the Board:  The Secretary Office of the Board conducts the assessment of the Board’s performance. The following aspects are taken into consideration:</p> <p>(1) Participation in the operation of the Company.  (2) Improvement of the quality of the board of directors' decision-making.  (3) Composition and structure of the board of directors.  (4) Selection and continuing education of directors.  (5) Internal control.</p> <p>The Administration &amp; Finance Division of the Company evaluated the Certified Public Account’s independence and competence in accordance with Article 47 of the Certified Public Accountant Act, the No. 10 Bulletin of the Norm of Professional Ethics for Certified Public Accountant and the KPMG CPA’s Declaration of Independence, and concluded that the CPA’s audit of the 2020 financial statements and the review of the interim financial statements were consistent with the independence and competence, and moreover, the evaluation proposal had been resolved by the board of directors on December 30, 2019. As for the assessment of the</p>	None

Evaluation Item	Implementation Status <sup>1</sup>			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
			independence and competence of KPMG Certified Public Accountants for the 2021 financial report, it was also assessed in accordance with the aforementioned method, and was resolved by the board of directors on December 30, 2020. As for the assessment of the independence and competence of KPMG Certified Public Accountants for the 2021 financial report, it was also assessed in accordance with the aforementioned method, and was resolved by the board of directors on December 30, 2020.	
4. Does the company set up a corporate governance unit or appoint personnel responsible for corporate governance matters (including but not limited to providing information for directors and supervisors to perform their functions, handling work related to meetings of the board of directors and the shareholders' meetings, filing company registration and changes to company registration, and producing minutes of board meetings and shareholders' meetings)?	√		The chairman's office of the Company is a unit responsible for corporate governance. On May 13, 2021, the board of directors appointed Mr. Fama Chou, senior vice president of the Administration & Finance Division and spokesperson, concurrently as the Corporate Governance Officer responsible for the following major corporate governance affairs: (1) Handle the matters related to board of directors and shareholders meeting in accordance with the law. (2) Prepare the minutes of the board of directors and shareholders' meetings. (3) Assisting directors and independent directors in their appointments and continuing education. (4) Provide information necessary for directors, audit committees and remuneration committees to perform their duties. (5) Assisting directors, audit committees and remuneration committees to	None

Evaluation Item	Implementation Status <sup>1</sup>		Abstract Illustration	Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No		
			comply with laws and regulations. (6) Matters related to investor relations. (7) Other matters stipulated in the Company's articles of association or laws and regulations. Relevant corporate governance personnel include the human resources office, stock affair specialist of administrative department, legal personnel, financial accounting personnel, etc., to assist the corporate governance officer in the previous corporate governance affairs, and shall be handled in accordance with the Company’s provisions of Corporate Governance Best Practice Principles.	
5. Does the company establish a communication channel and build a designated section on its website for stakeholders (including but not limited to shareholders, employees, customers, and suppliers), as well as handle all the issues they care for in terms of corporate social responsibilities?	√		The Company provides detailed contact information, including telephone numbers and email addresses in the “Stakeholder Area” section of the corporate website. In addition, personnel are in place to exclusively deal with issues of social responsibility, ensuring that various interested parties have channels to communicate with the Company.	None
6. Does the company appoint a professional shareholder service agency to deal with shareholder affairs?	√		The Company designates Yuanta Securities Co., Ltd to deal with shareholder affairs.	None
7. Information Disclosure (1) Does the company have a corporate website to disclose both financial standings and the status of corporate governance?	√		The Company has set up a Chinese/English website (www.weikeng.com.tw) to disclose information regarding the Company’s financials, business and corporate governance status.	None

Evaluation Item	Implementation Status <sup>1</sup>			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
(2) Does the company have other information disclosure channels (e.g. building an English website, appointing designated people to handle information collection and disclosure, creating a spokesman system, webcasting investor conferences)?	√		The Company has assigned an appropriate person to handle information collection and disclosure. Please refer to “contact us” of the Company’s website. The Company has established a spokesperson system. Investor conference information is disclosed on the Company’s website.	None
(3) Does the company announce and declare the annual financial report within two months after the end of the fiscal year, and announce and declare the first, second and third quarter financial reports and the monthly operating situation within the prescribed time limit?		√	After the end of each fiscal year, although the Company does not announce and declare the annual financial report within two months after the end of the fiscal year, it still announces and declares the annual financial report information within three months of the prescribed period, and announces and reports Q1, Q2, and Q3 financial reports, as well as monthly operation results, before the prescribed time limit.	But still in line with the deadline prescribed by the regulations
<p>8. Is there any other important information to facilitate a better understanding of the company’s corporate governance practices (e.g., including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, directors’ and supervisors’ training records, the implementation of risk management policies and risk evaluation measures, the implementation of customer relations policies, and purchasing insurance for directors and supervisors)?</p> <p>(1) Status of employee rights and employee wellness: Please refer to the “<b>(V) Labor Relations of V Operational Highlights</b>” section of this Annual Report.</p> <p>(2) Status of risk management policies and risk evaluation: Please refer to the “<b>(VI) Analysis of Risk Management of VII Review of Financial Conditions, Financial Performance, and Risk Management</b>” section of this Annual Report.</p> <p>(3) The Company has purchased D&amp;O insurance for its directors and executive officers with an insured amount of NT\$ 323.8 million, which insurance duration is one year and will expire on 6/16/2021. The new contract has been completed and the duration of the new contract is 6/16/2021~6/16/2022, the sum</p>				

Evaluation Item	Implementation Status <sup>1</sup>			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	

assured remains unchanged.

(4) Directors’ education training records:

Title	Name	Training hours	Date of Training	Training Institutions	Training Courses
Director	HU, CHIU-CHIANG (@Douglas Hu)	3	2020/8/3	Taiwan Corporate Governance Association	Threat Management and Prevention of New Generation Enterprises: Big Data Analysis and Company Fraud Detection and Prevention
		3	2020/8/3		How do Directors and Supervisors supervise companies to do a good job in corporate risk management and crisis management
Director	CHI, TING-FANG (@Stan Chi)	3	2020/12/24	Securities & Futures Institute	Directors, Supervisors and Corporate Governance Executives Advanced Seminar-Principles and Applications of Blockchain
		3	2020/11/26	Independent Director Association Taiwan	Practical operation and case analysis of the Audit Committee and other Functional Committees
representative of Juristic Person Director	CHEN, CHENG-FONG (@Eric Chen)	3	2020/11/26	Securities & Futures Institute	Directors, Supervisors and Corporate Governance Executives Advanced Seminar- 5G Key Technologies and Application Opportunities
		3	2020/10/23	Taiwan Corporate Governance Association	Fubon Insurance Directors and Supervisors Responsibilities and Risk Management Seminar
Director	CHEN, KUAN-HUA (@Bill Chen)	3	2020/10/14	Securities & Futures Institute	2020 Prevention of Insider Trading and Insider Equity Trading Promotion Seminar
		3	2020/9/21	Taiwan Stock Exchange Corporation	Agenda of the Summit Forum on "Listed Company Corporate Governance 3.0-Blueprint for Sustainable Development"

Evaluation Item			Implementation Status <sup>1</sup>			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
			Yes	No	Abstract Illustration	
Independent Director	TSAI, YU-PING (@Edward Tsai)	3	2020/8/12	Independent Director Association Taiwan	The role of independent directors in the struggle between corporate governance and management rights	
		3	2020/8/10	Accounting Research and Development Foundation of the Republic of China	Supervise business management from the financial report figures	
		3	2020/7/21	Independent Director Association Taiwan	How independent directors master the key lines of defense and case analysis of financial report risks	
		3	2020/4/16	Independent Director Association Taiwan	Related party transaction operation, control mechanism and case sharing	
Independent Director	LIN, HUNG (@Vincent Lin)	3	2020/7/21	Independent Director Association Taiwan	How independent directors master the key lines of defense and case analysis of financial report risks	
		3	2020/7/15	Independent Director Association Taiwan	Post-Epidemic Business Growth, Reorganization or Transformation and Upgrading	
Independent Director	YU, HSUEH-PING (@Peggy Yu)	3	2020/11/26	Independent Director Association Taiwan	Practical operation and case analysis of the Audit Committee and other Functional Committees	
		3	2020/10/22	Securities & Futures Institute	2020 Prevention of Insider Trading and Insider Equity Trading Promotion Seminar	

9. Please explain the improvements which have been made in accordance with the results of the Corporate Governance Evaluation System released by the Corporate Governance Center, Taiwan Stock Exchange, and provide the priority enhancement measures.  
The Company has participated in and completed the self-assessment of the governance evaluation in accordance with the corporate governance measures, and most of them have been in line with the spirit of corporate governance, with no major differences.

Note: Regardless of whether the evaluation item is achieved or not, the company shall state an appropriate explanation.

## D. Composition, Responsibilities and Operations of the Remuneration Committee

The Remuneration Committee assists the Board in discharging its responsibilities relating to the Company's compensation and benefits policies, plans and programs, and the evaluation of the directors' and executives' compensation.

The Chairman of the Remuneration Committee convened three regular meetings in 2020. The Remuneration Committee Charter is available on the Company's corporate website.

### (A) Professional Qualifications and Independence Analysis of Remuneration Committee Members

Title	Criteria	Meets One of the Following Professional Qualification Requirements, Together with at Least Five Years' Work Experience			Independence Criteria (Note)										Number of Other Public Companies in Which the Individual is Concurrently Serving as a Remuneration Committee Member	Remarks		
		An instructor or higher position in a department of commerce, law, finance, accounting, or other academic department related to the business needs of the Company in a public or private junior college, college or university	A judge, public prosecutor, attorney, Certified Public Accountant, or other professional or technical specialist who has passed a national examination and been awarded a certificate in a profession necessary for the business of the Company	Has work experience in the areas of commerce, law, finance, or accounting, or otherwise necessary for the business of the Company	1	2	3	4	5	6	7	8	9	10				
Independent Director	TSAI, YU-PING (@Edward Tsai)		√	√	√	√	√	√	√	√	√	√	√	√	√	√	1	Meet the criteria
Independent Director	LIN, HUNG (@Vincent Lin)			√	√	√	√	√	√	√	√	√	√	√	√	√	0	Meet the criteria
Other (**)	Lin, Jenn-Chuen	√			√	√	√	√	√	√	√	√	√	√	√	√	0	Meet the criteria

\*\* : Adjunct Professor of Department of Adult & Continuing Education, National Taiwan Normal University

Note: If the committee member meets any of the following criteria in the two years before being appointed or during the term of office, please check "√" the corresponding boxes.

1. Not an employee of the Company or any of its affiliates.
2. Not a director or supervisor of the Company or any of its affiliates (not applicable in cases where the person is an independent director of the Company, its parent company, subsidiary, or the subsidiary of the same parent company in accordance with the Act or with local laws).
3. Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of one percent or more of the total number of issued shares of the company or ranks as one of its top ten shareholders.
4. Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship of a manager in 1 or personnel in 2 and 3.
5. Not a director, supervisor, or employee of a corporate shareholder that directly holds 5% or more of the Company's outstanding shares, is a top five shareholder, or appointed a representative as the Company's director or supervisor in accordance with Article 27, Paragraph 1 or 2 of the Company Act (not applicable in cases where the person is an independent director of the Company, its parent company, subsidiary, or the subsidiary of the same parent company in accordance with the Act or with local laws).
6. Not a director, supervisor, or employee of other companies controlled by the same person with over half of the Company's director seats or shares with voting rights (not applicable in cases where the person is an independent director of the Company, its parent company, subsidiary, or the subsidiary of the same parent company in accordance with the Act or with local laws).
7. Not a director, supervisor, or employee of another company or institution who is the same person or spouse of the Company's chairperson, president or equivalent position (not applicable in cases where the person is an independent director of the Company, its parent company, subsidiary, or the subsidiary of the same parent company in accordance with the Act or with local laws).
8. Shareholders (not applicable in cases where the specific company or institution holds 20% or more but less than 50% of the Company's outstanding shares, and is an independent director of the Company, its parent company, subsidiary, or the subsidiary of the same parent company in accordance with the Act or with local laws).
9. Not a professional individual who, or an owner, partner, director, supervisor, or manager of a sole proprietorship, partnership, company, or institution that audited or provided commercial, legal, financial, or accounting services for total compensation not exceeding NTS500,000 in the most recent two years to the company or to any affiliate of the company, or a spouse thereof, This does not apply to members of the Remuneration Committee, Public Tender Offer Review Committee, or Merger and Acquisition Special Committee performing duties in accordance with the Securities and Exchange Act or laws and regulations related to mergers and acquisitions.
10. Not having any of the situations set forth in Article 30 of the Company Act of the R.O.C.



**(B) Attendance of Members at Remuneration Committee Meetings**

There are 3 members in the Remuneration Committee. A total of 3 (A) Remuneration Committee meetings were held in 2020. The attendance record of the Remuneration Committee members was as follows:

Title	Name	Attendance in Person(B)	By Proxy	Attendance Rate (%) 【 B/A 】	Remarks
Convener	TSAI, YU-PING (@Edward Tsai)	3	0	100.0	Re-elected on 2018/6/22
Committee Member	LIN, HUNG (@Vincent Lin)	3	0	100.0	Re-elected on 2018/6/22
Committee Member	Lin, Jenn-Chuen	3	0	100.0	Re-elected on 2018/6/22

Other mentionable items:

1. If the board of directors declines to adopt or modifies a recommendation of the Remuneration Committee, it should specify the date of the meeting, session, content of the motion, resolution by the board of directors, and the Company's response to the Remuneration Committee's opinion (eg., the remuneration passed by the Board of Directors exceeds the recommendation of the Remuneration Committee, the circumstances and cause for the difference shall be specified): None.
2. Resolutions of the Remuneration Committee objected to by members or expressed reservations and recorded or declared in writing, the date of the meeting, session, content of the motion, all members' opinions and the response to members' opinion should be specified: None.
3. Material resolutions of a Remuneration Committee meeting during the most recent fiscal year (2020).

Date of Meeting	Meeting sessions	Contents of motion	Resolutions	The Company's response to the Remuneration Committee's opinion
2020/1/14	1 <sup>st</sup> meeting in 2020	Discussion on the 2019 year-end bonus for Executive Officers of the Company and its important subsidiary WEIKENG INTERNATIONAL CO., LTD.	Approved as proposed after the chairperson consulted all attending committee members and submitted proposal to the Board of Directors for resolution.	Execution in accordance with the resolution
2020/3/27	2 <sup>nd</sup> meeting in 2020	Discussion on the approval of accounting entry for the Company's remuneration of employees and Directors for 2019	Approved as proposed after the chairperson consulted all attending committee members and submitted proposal to the Board of Directors for resolution.	Execution in accordance with the resolution
2020/7/31	3 <sup>rd</sup> meeting in 2020	Discussion on the Company's 2019 distribution of employees remuneration and 2020 proposal of salary adjustment to executive officers	Approved as proposed after the chairperson consulted all attending committee members and submitted proposal to the Board of Directors for resolution.	Execution in accordance with the resolution

**E. Fulfillment of Social Responsibility and Deviations from the "Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies" and Reasons**

Evaluation Item	Implementation Status <sup>1</sup>			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation <sup>2</sup>	
1. Does the company conduct risk assessments on environmental, social and corporate governance issues related to the company's operations in accordance with the principle of materiality, and formulate relevant risk management policies or strategies? <sup>3</sup>	√		<p>The Company is a distributor of IC semiconductor components and peripherals, and there is no production process. However, to provide technical services and product solutions to customers, it has a product application and R &amp; D divisions to enhance the value of customers’ product sales services with effective logistics services. As a result, the Company plays a role in bridging technology and creating value with upstream technology vendors and downstream customers to protect customer rights, and to maintain a procurement, sales, logistics and service operating process that meets ethical and environmental standards.</p> <p>In the meantime, in order to practice corporate social responsibility, the Company recognizes that the execution of corporate social responsibility should pay attention to the rights and interests of interested parties. Therefore, while pursuing sustainable operation and profitability, the Company upholds the concepts of attaching importance to the environment, society and corporate governance, incorporates them into the Company's management policies and operational considerations, and formulates relevant risk management policies or strategies as follows:</p> <p>1. Environmental risk assessment: whether there is environmental protection.                      Risk management policy or strategy: The Company responds to environmental protection concepts and takes care of the earth through the following actions:                      (1). To adopt the electronic sign-off system (WorkFlow), the electronicization</p>	None

Evaluation Item	Implementation Status <sup>1</sup>		Abstract Explanation <sup>2</sup>	Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No		
			<p>of document forms and sign-off procedures instead of printed papers, and greatly reduce the paper consumption.</p> <p>(2). To use the original package of upstream vendors for outbound shipments from the Company to customers to reduce the over package of the products and avoid any extra package including extra cartons, shockproof materials, and boxes of parts.</p> <p>(3). To promote energy-saving and water-saving policies, and gradually replace fluorescent lamps in office areas and storage centers with LED lamps; in order to indirectly reduce greenhouse gas emissions, set air-conditioning temperature and time control, and try to turn off lights during lunch breaks to save energy.</p> <p>2. Social risk assessment: whether it has achieved harmless product liability.  Risk management policy or strategy: Actively integrate industrial upstream (Vendors), midstream (the Company) and downstream (Customers) to form a Green Supply Chain Management System, and actively cooperate with upstream original factory (supplier) and downstream customer to comprehensively low product environmental impact shock.</p> <p>(1) Communicate and request with upstream Vendors:  In addition to the requirement of stable quality, it also expects that upstream vendors will use life cycle thinking as the starting point for product design. In other words, all processes that may have an impact on the environment can be taken into consideration from the raw materials' acquisition, input and transportation, products' production and transportation, products use to</p>	

Evaluation Item	Implementation Status <sup>1</sup>		Abstract Explanation <sup>2</sup>	Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No		
			<p>disposal or reuse, etc., and the recycling system of the circular economy can be used effectively.</p> <p>(2) To meet the needs of downstream Customers: Upstream manufacturers (vendors) are required to cooperate and provide a commitment that the relevant substances (including metal or chemical substances) in the product manufacturing process meet the standards of national laws and regulations to ensure that these substances can be safely processed, used, storage, transportation, recycling, reuse and disposal, such as the RoHS (Restriction of Hazardous Substances) and REACH Substance of Very High Concern (SVHC) regulations established by the European Union. In addition, the Company also requires the upstream vendors to provide a self-declaration on the official website that can query the above-mentioned compliance, or according to customer needs, provide a SGS report verified by Taiwan Inspection Technology Co., Ltd. to ensure that the electronic components sold by the Company to downstream customers comply with international regulations.</p> <p>(4) The Company's own required specifications: The Company will indeed implement the requirements of hazardous substance management, pollution prevention, energy saving, water saving and waste reduction in the operating office area and storage center.</p> <p>3. Corporate governance risk assessment: compliance with relevant laws and regulations Risk management policy or strategy:</p>	

Evaluation Item	Implementation Status <sup>1</sup>		Abstract Explanation <sup>2</sup>	Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No		
			In order to implement risk management policies, formulate strategies, and serve as the basis for planning, implementation, and control, the Company has formulated relevant principles, codes, and policies in accordance with government laws and regulations, such as Corporate Governance Best Practice Principles, Code of Integrity Management, Code of Ethical Conduct, Corporate Social Responsibility Policy, and Corporate Social Responsibility Best Practice Principles. Through the operation of the established risk management organizational structure, including Board of Directors, Audit Committee, and the management team composed of top management of chairman office, and the internal audit office, legal affairs, and administrative division to implement audits to enhance the Company’s Internal operation and management can simultaneously take into account the goal of fulfilling corporate social responsibility.	
2. Does the company establish exclusively (or concurrently) dedicated first-line managers authorized by the board to be in charge of proposing the corporate social responsibility policies and reporting to the board?	√		The Company's Chairman Office is the supervisory unit for this matter, and instructs business and administrative units to work together to perform social responsibility, and the administrative unit is responsible for advocacy and integration.	None
3. Environmental issues				

Evaluation Item	Implementation Status <sup>1</sup>			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation <sup>2</sup>	
(1) Does the company establish proper environmental management systems based on the characteristics of their industries?	√		<p>(1) Actively integrate industrial upstream (Vendors), midstream (the Company) and downstream (Customers) to form a Green Supply Chain Management System, and actively cooperate with upstream original factory (supplier) and downstream customer to comprehensively low product environmental impact shock.</p> <p>(a) To communicate and request with upstream Vendors: In addition to the requirement of stable quality, it also expects that upstream vendors will use life cycle thinking as the starting point for product design. In other words, all processes that may have an impact on the environment can be taken into consideration from the raw materials' acquisition, input and transportation, products' production and transportation, products use to disposal or reuse, etc., and the recycling system of the circular economy can be used effectively.</p> <p>(b) To meet the needs of downstream customers: Upstream manufacturers (vendors) are required to cooperate and provide a commitment that the relevant substances (including metal or chemical substances) in the product manufacturing process meet the standards of national laws and regulations to ensure that these substances can be safely processed, used, storage, transportation, recycling, reuse and disposal, such as the RoHS (Restriction of Hazardous Substances) and REACH Substance of Very High Concern (SVHC) regulations established by the European Union. In addition, the Company also requires the upstream vendors to provide a self-declaration on the official website that can query</p>	None

Evaluation Item	Implementation Status <sup>1</sup>			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation <sup>2</sup>	
			<p>the above-mentioned compliance, or according to customer needs, provide a SGS report verified by Taiwan Inspection Technology Co., Ltd. to ensure that the electronic components sold by the Company to downstream customers comply with international regulations.</p> <p>(c)The Company's own required specifications: The Company will indeed implement the requirements of hazardous substance management, pollution prevention, energy saving, water saving and waste reduction in the operating office area and storage center.</p>	
(2)Does the company endeavor to utilize all resources more efficiently and use renewable materials which have low impact on the environment?	√		<p>(2) The Company responds to environmental protection concepts and takes care of the earth through the following actions:</p> <p>(a) To adopt the electronic sign-off system (WorkFlow), the electronicization of document forms and sign-off procedures instead of printed papers and greatly reduce the paper consumption.</p> <p>(b) To use the original package of upstream vendors for outbound shipments from the Company to customers to reduce the over package of the products and avoid any extra package including extra cartons, shockproof materials, and boxes of parts.</p> <p>(c)To Promote energy-saving and water-saving policies, and gradually replace fluorescent lamps in office areas and storage centers with LED lamps; in order to indirectly reduce greenhouse gas emissions, set air-conditioning temperature and time control, and try to turn off lights during lunch breaks to save energy.</p>	None
(3) Does the company assess	√		The slogan of “Energy Conservation and Carbon Reduction” has been a main	None

Evaluation Item	Implementation Status <sup>1</sup>			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons										
	Yes	No	Abstract Explanation <sup>2</sup>											
the potential risks and opportunities of climate change to the company now and in the future, and take measures to deal with climate-related issues?			demand of the electronic products caused from the climate change. As a distributor of the IC components, we actively discover any chances for the franchise of the related solutions to help “Energy Conservation and Carbon Reduction”. The Company actively wins the franchises of IC products and puts more effort to demand creation in the related application, such as power management, electric vehicle charging piles, smart grids, wind power generation, and solar power inverters, which all are the green business opportunities. The Company continues to construct product portfolios with more stable, more efficient and lower energy consumption. Even climate change has made the global demand for the green energy industry more significant, so continued investment in finding new green energy industry franchising opportunities is also one of the main business goals of the Company's product development department.											
(5) Does the company count greenhouse gas emissions, water consumption and total weight of waste in the past two years, and formulate policies for energy saving and carbon reduction, greenhouse gas reduction, water use reduction or other waste	√		<p>The Company conducted a self-examination of greenhouse gases, and the result is shown in the following table and published on the Company's website.</p> <table border="1"> <thead> <tr> <th>Year</th> <th>The statics method of the gas emission</th> <th>Equivalent Emission (metric ton)</th> <th>Whether it passed external verification</th> </tr> </thead> <tbody> <tr> <td>2020</td> <td rowspan="2">The equivalent gas emission of CO2 is converted by the coefficient of power consumption</td> <td>324</td> <td rowspan="2">By self- examination</td> </tr> <tr> <td>2019</td> <td>438</td> </tr> </tbody> </table>	Year	The statics method of the gas emission	Equivalent Emission (metric ton)	Whether it passed external verification	2020	The equivalent gas emission of CO2 is converted by the coefficient of power consumption	324	By self- examination	2019	438	None
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Evaluation Item	Implementation Status <sup>1</sup>			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons																				
	Yes	No	Abstract Explanation <sup>2</sup>																					
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Evaluation Item	Implementation Status <sup>1</sup>			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation <sup>2</sup>	
<p>4. Social issues</p> <p>(1) Does the company formulate appropriate management policies and procedures according to relevant regulations and the International Bill of Human Rights?</p>	√		<p>(1)The Company not only complies with local regulations but also upholds the internationally-recognized human rights of workers and respects the United Nations Universal Declaration on Human Rights, and the International Labor Organization’s fundamental conventions on core labor standards. The Company hires all employees equally based on his or her job qualifications regardless of gender, religion, race, nationality or political affiliation. The followings are the overview of relevant human resource policies and measures:</p> <p>(a) Participate in labor insurance, national health insurance, group accident/hospitalization/ cancer medical insurance, and employee travel safety insurance according to law ;</p> <p>(b) The Company has established employee retirement measures in accordance with laws and regulations. Those who belong to the old system of labor pensions will be appropriated a certain percentage of the Company’s monthly salary to the Taiwan Bank labor retirement reserve account. Those who belong to the new system of labor pensions will be required to allocate 6% of their personal salary to the personal pension account of the Bureau of Labor Insurance in accordance with the “Table of Monthly Contribution Classification of Labor Pension”, and encourage employees to participate in self-withdrawal to plan the accumulation of pensions in advance.</p> <p>(c)The Company has a labor-management meeting. Labor representatives can express labor opinions at the meeting as a communication bridge with the</p>	None

Evaluation Item	Implementation Status <sup>1</sup>		Abstract Explanation <sup>2</sup>	Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No		
			<p>management. In recent years, there has been no dispute over labor-management disputes.</p> <p>(d)The Company attaches importance to employee welfare measures, provides a safe and healthy working environment, encourages employees to participate in refresher training to enhance work value, emphasizes fair treatment, sets up employee complaint mechanisms and channels, and implements the retirement system according to law, so that employees' rights and interests can be demonstrated within the Weikeng Group system.</p>	
(2) Does the company formulate and implement reasonable employee welfare measures (including compensation, vacations and other benefits), and appropriately reflect operating performance or results in employee compensation?	√		<p>The Company's employee welfare measures, education, training, retirement system, labor-management coordination and employee rights protection measures have been implemented in accordance with relevant laws and the Company's policies and principles. For details, please refer to the chapter on labor relations in this annual report.</p> <p>The Company has established a salary and compensation policy and performance appraisal system (annual mid-year and end-of-year assessments twice). In addition to requiring employees to play an active role in their job duties, they are also encouraged to assist the company in actively participating in the activities of fulfilling corporate social responsibility, and included in the scope of reward and punishment in accordance with personnel regulations.</p> <p>The Company regards employees as company assets, so it attaches great importance to the career planning of employees. In addition to setting reasonable salary and business performance reward standards for employees' contribution, there is also a mechanism of employee compensation distribution that will benefit</p>	None

Evaluation Item	Implementation Status <sup>1</sup>			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation <sup>2</sup>	
			employees. Therefore, the Company was listed as a constituent stock by the "Taiwan HC 100 Index" announced by Taiwan Securities Exchange on June 16, 2020.	
(3) Does the company provide a healthy and safe working environment and organize training on health and safety for its employees on a regular basis?	√		<p>The Company takes the following measures to implement it:</p> <p>(1) The Company sets up Employee Welfare Committee to hold association activities, welfare and domestic/overseas travel. In addition, employee has labor insurance, health insurance, group insurance(including accident, hospitalization, cancer medical insurance), and travel safety insurance. Hold annual physicals and consult by doctors every other 2 month for 3 hours to have employee understand their health conditions, and follow-up tracing and evaluation by a full-time nurse.</p> <p>(2) In order to achieve zero calamity of duty, the Company has labor safety hygiene specialist and nurse to plan and execute the policy of related safety hygiene.</p> <p>(3) The Company sets up anti fire staff with trained skill to enhance employees' workplace safety concept.</p>	None
(4) Does the company provide its employees with career development and training sessions?	√		<p>The Company has a plan to carry out further education and training.</p> <p>(1) Executed by the Company:</p> <p>(i) Regular training for new colleagues:</p> <p>(a) Let new colleagues understand the Company's corporate philosophy and core values;</p> <p>(b) Legal affairs and corporate governance requirements;</p> <p>(c) Introduction of job functions of every department, requirements of</p>	None

Evaluation Item	Implementation Status <sup>1</sup>		Abstract Explanation <sup>2</sup>	Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No		
			<p>network information security and intellectual property rights protection, and other matters needing attention;</p> <p>(d) On the Job Training (OJT) of his own department, focusing on job functions and ERP operations.</p> <p>(ii) Working skills improvement training: In response to the workflow, advanced ERP system program function or management requirements, etc., the plan host executes the training courses of working skill improvement to strengthen the essential learning ability of employees, enhance work efficiency, and advance work value of colleagues.</p> <p>(iii) Leadership training: For the education and training of management supervisors, to strengthen the leadership thinking and management knowledge of supervisors, recognize the Company's value, and cultivate management echelon.</p> <p>(2) Participate in courses of external training institutions</p> <p>(i) Encourage colleagues to participate in professional skills or new knowledge training courses organized by external institutions, to apply what they have learned in working processes or management, so that employees and companies can achieve a win-win goal.</p> <p>(ii) After the approval, the Company will subsidize the training cost, and encouragement to obtain the relevant professional license qualifications. Those who have obtained relevant professional license qualifications and are evaluated as having added value to the Company' operations will</p>	

Evaluation Item	Implementation Status <sup>1</sup>			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation <sup>2</sup>	
			<p>receive professional awards.</p> <p>(iii) Please refer to the page 117~119 of this Annual Report for finding the external training courses attended by our colleagues in 2020 and as of the end of March 2021.</p>	
(5) With regard to customer health and safety, customer privacy, marketing and labeling of products and services, has the company followed relevant regulations and international standards, and formulated relevant consumer protection policies and appeal procedures?	√		<p>The semiconductor components sold by the Company, according to the provisions of the franchises contract, the intellectual property rights and brand value belong to the upstream vendors, so the Company takes the following measures when providing sales services:</p> <p>(1) The design and production of related IC products are completed at the upstream end. Upstream vendors input the raw materials or other production factors into the production cycle, which shall comply with the EU RoHS and REACH Highly Concerned Substances (SVHC) and other environmental regulations. To ensure the safety of customers and meet health requirements, the Company needs to obtain the certificates of RoHS and REACH SVHC in advance for the benefit of sales to customers, together with the product specification sheet (Data Sheet).</p> <p>(2) The brand of IC products sold belongs to the vendors, so the related marketing activities must comply with the contract specifications, and marketing promotion activities should be carried out together with the vendors.</p> <p>(3) When providing sales services, personal information of customers will be kept confidential according to law, or NDA contracts will be signed with customers.</p> <p>(4) According to the IC product specifications, if IC parts meet the regulations of strategic material control, sales and export colleagues must first perform</p>	None

Evaluation Item	Implementation Status <sup>1</sup>		Abstract Explanation <sup>2</sup>	Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No		
			<p>customer, product and transaction screening and identification according to the Company's Internal Compliance Program ( ICP ) and check whether the relevant import / export license certificates have been completed when accepting customer orders and before goods are shipped in order to comply with the relevant import and export laws and regulations of Taiwan and the country where the vendors belongs.</p> <p>(5) According to the provisions of the franchise contract, all products sold have a warranty period. When the customer has an RMA application, the relevant RMA service will be performed after completing the failure analysis of products.</p> <p>(6) Customers can report problems via telephone, email and the Company's website, and respond to customer's questions or appeals through contact windows.</p>	
(6) Does the company formulate supplier management policies that require suppliers to follow relevant regulations on environmental protection, occupational safety and health or labor human rights, and their	√		The major suppliers of the Company are all internationally renowned IDM or Fabless factories. They have invested management resources in five major aspects: labor, health and safety, environment, ethics, and management system, in order to comply with the requirements of RBA (Responsible Business Alliance) / EICC( Electronic Industry Citizenship Coalition). To be as a distributor of these upstream manufacturers, the Company will continue to connect with downstream customers and connect the entire supply chain partners to participate in social and environmental concerns.	None

Evaluation Item	Implementation Status <sup>1</sup>			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation <sup>2</sup>	
implementation?				
5. Does the company refer to internationally accepted report preparation standards or guidelines, and prepare social responsibility reports and other reports that disclose the company's non-financial information? Has the previous report obtained the confidence or assurance opinion of the third-party certification unit?		√	The company has not yet prepared a social responsibility report, which will be prepared according to the actual needs of the company.	According to the actual needs of the company, it will be prepared according to the discussion.
6. If the Company has established the corporate social responsibility principles based on “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies”, please describe any discrepancy between the Principles and their implementation: The Company has already established the “Corporate Social Responsibility Policy” and "Corporate Social Responsibility Best Practice Principles" on December 27, 2012. If there is any amendment, the Company will also announce the latest version approved by the board and reported to the shareholders meeting on our website.				
7. Other important information to facilitate better understanding of the company’s corporate social responsibility practices : <b><u>Environmental Protection</u></b> Promoting environmental protection: Caring for the Earth. We are working to promote ecological sustainability.				



Evaluation Item	Implementation Status <sup>1</sup>			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation <sup>2</sup>	
<p>(1) The Company had sponsored the filming and production of " BAO DAO, An Island Sheltering Nature’s Treasures” (Trusted Unit: Forestry Bureau of the Agricultural Commission of the Executive Yuan; Director: CHAN,CHIA-LUNG; Premiere: December 2017). With the sponsorship of this project, the Company participates in the promotion of ecological protection activities.</p> <p>(2) Since 2019, the Company sponsors the Commercial Times "Earth Day" for three consecutive years to pay attention to environmental protection activities of the earth.</p> <p><b><u>Sponsor Educational Resources</u></b></p> <p>(1) In order to enrich university resources, the Company has sponsored Hsinchu National Chiao Tung University in the past five years. In addition, in order to encourage university students to participate in global volunteer services, it also sponsored Hsinchu National Tsing Hua University in 2017.</p> <p>(2) The Company attaches importance to the serious educational gap in Taiwan’s rural areas and sponsored the Boyo Social Welfare Foundation in May 2020 and April 2021 for two consecutive years, which foundation is dedicating to the teaching of remedial education in rural areas, the cultivating of local tutors and tutoring graduates to help themselves out of poverty.</p> <p><b><u>Sponsor Sports Resources</u></b></p> <p>(1) In the past five years, the Company has sponsored the Taiwan Public Welfare Association of Science and Technology and the Taiwan Women’s Professional Golf Association to promote sports activities.</p> <p><b><u>Sponsored research institutions</u></b></p> <p>(1) The Company sponsored the Chinese Society for Management Technology, hoping to combine talents in the field of science and technology management to promote exchanges and cooperation between industry, government departments and academic research institutions.</p> <p><b><u>Sponsored education and nursing institutions</u></b></p> <p>(1) Due to COVID-19, the Company sponsored the anti-epidemic liquid hand soap to the Private Foundation of HsinMiao Home for the Disabled in Miaoli County in June 2020.</p>				

Note: 1. Regardless of whether the evaluation item is achieved or not, the company shall state an appropriate explanation.

2. Companies who have compiled CSR reports may cite the source from specific pages of their CSR reports instead.

3. The principle of materiality refers to those who have a significant influence on the company's investors and other stakeholders in relation to environmental, social and corporate governance issues.

**F. Implementation of Ethical Corporate Management and Deviations from the "Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies" and Reasons**

Evaluation Item	Implementation Status <sup>1</sup>			Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
1. Establishment of ethical corporate management policies and programs				
(1) Does the company formulate the policies and practices of the integrity approved by the board of directors and express the integrity management in the regulations and external documents, as well as the commitment of the board of directors and top management to actively implement the business policies?	√		(1) The Company has set up the “Code of Ethical Conduct” and “Code of Integrity management” approved by the board of directors, are the guidelines to provide high ethical standards for all employees. The principles are disclosed in the annual report and on the Company’s website. The Board of Directors and top management place the greatest importance in adopting the highest standards of integrity and ethics in corporate management and employee work conduct. Bribery, corruption, deception, and all other forms of improper conduct are prohibited.	None
(2) Does the company establish an assessment mechanism for the risk of unethical conducts, regularly analyzes and evaluates the business	√		(2) In order to prevent any unethical conduct, all employees must disclose any matters that have or may have the appearance of	None

Evaluation Item	Implementation Status <sup>1</sup>			Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
<p>activities in the business scope that have a risk of high-potential unethical conducts, and formulates appropriate precautions against unethical conducts, and at least covers listed activities stated in Article 2, Paragraph 7 of the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies?</p> <p>(3) Does the company establish policies to prevent unethical conduct with clear statements regarding relevant procedures, guidelines of conduct, punishment for violation, rules of appeal, and the commitment to implement the policies?</p>	√		<p>undermining the Code, such as any actual or potential conflict of interest. Key employees and senior officers must periodically declare their compliance status with the Code. The Company requires all our suppliers, vendors and partners to declare in writing that they will not engage in any fraud or induce unethical conduct when conducting business transactions with the Company or management personnel and employees. A designated internal audit officer and legal officer of the Company have established internal and external online hotlines for any relevant persons to use in reporting any ethical irregularities for personal investigation.</p> <p>(3) The Company’s “Code of Integrity Management” approved by the board of directors has established preventive measures against the following:</p> <p>A. Bribery and acceptance of bribery.</p> <p>B. Provision of illegal political</p>	None

Evaluation Item	Implementation Status <sup>1</sup>			Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
			<p>contribution.</p> <p>C. Improper charitable donation or sponsorship.</p> <p>D. Provision or acceptance of unreasonable gift, entertainment or other undue benefit.</p> <p>E. The infringement of business confidentiality, trademark right, patent, copyright, and other intellectual property rights.</p> <p>F. The unfair competition.</p> <p>G. The product or service from the purchase, supply or sale damaged directly or indirectly the interest, health, and safety of the consumers or other interested persons.</p> <p>The Company regularly disseminates the above corporate governance for integrity management at monthly operation management meetings, quarterly employee meetings, or employee training occasions to strengthen integrity and self-discipline.</p>	

Evaluation Item	Implementation Status <sup>1</sup>			Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
2. Fulfill operations integrity policy				
(1) Does the company evaluate business partners’ ethical records and include ethics-related clauses in business contracts?	√		(1) The Company holds an operation meeting once a month, requiring participants to convey integrity requirements to all business partners. In addition, every business contract contains ethical terms. If there is any breach of the clause, the Company may terminate the partnership at any time without any further obligation or compensation.	None
(2) Does the company establish an exclusively (or concurrently) dedicated unit supervised by the Board to be in charge of corporate integrity?	√		(2) The Company's Chairman Office is the supervisory unit for this matter, and instructs internal audit office and legal unit to work together to perform corporate integrity, who are under the Board’s supervision and reports to the Board of Directors as needed.	None
(3) Does the company establish policies to prevent conflicts of interest and provide appropriate communication channels, and implement it?	√		(3) The Company follows the Company Act, the Securities and Exchange Act, Business Entity Accounting Act, Political Donations Act, Act to Implement United Nations Convention against Corruption, Government Procurement Act, Act on Recusal of Public Servants Due to Conflicts of Interest and other relevant	None

Evaluation Item	Implementation Status <sup>1</sup>			Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
(4) Has the company established effective systems for both accounting and internal control to facilitate ethical corporate management, and do either internal auditors or CPAs audit them on a regular basis?	√		<p>regulations for listed companies. The Company also conducts due diligence before trading with upstream and downstream companies and issues a letter of integrity to minimize risks. At the same time, the Company provides an internal audit supervisor and legal officer hotline to receive and submit information about conflicts of interest.</p> <p>(4) The Company has established an accounting and internal control system to ensure business integrity. The supervisor of internal audit conducts relevant risk assessments based on possible unethical business practices, incorporates these items into the annual audit plan, and reports the audit results to the Audit Committee and the Board of Directors. Up to now, there is no matter of entrusting CPA to perform audits.</p>	None
(5) Does the company regularly hold internal and external educational trainings on operational	√		(5) In the Company's monthly operation meeting and quarterly employee meeting, executive officers and legal officer regularly educate on	None

Evaluation Item	Implementation Status <sup>1</sup>			Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
integrity?			the integrity management, ethical behavior rules, conflict of interest avoidance and all other related topics. For new employees, the legal officer also conducts the education within the first week.	
3. Operation of the integrity channel (1) Does the company establish both a reward/punishment system and an integrity hotline? Can the accused be reached by an appropriate person for follow-up?	√		(1) The Company establishes the reporting channels with hotline and email of internal audit office and legal unit, so that employees and relevant people can report improper business behaviors through the system. After a confidential investigation, anyone who violates the regulations on operational integrity will be punished according to the Company’s regulations on reward and punishment. In cases of illegal conduct, legal actions will be taken as well.	None
(2) Does the Company establish standard operating procedures for the investigation of accusation cases, follow-up measures to be taken after the completion of investigation,	√		(2) The Company has in place SOPs authorized by the Chairman Office and performed by internal audit office and legal unit, which could be applied on any confidential	None

Evaluation Item	Implementation Status <sup>1</sup>			Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
and related confidentiality mechanisms? (3) Does the company provide proper whistleblower protection?	√		investigations on such cases. (3) The Company takes whistleblower protection seriously since the core purpose is protection from unlawful reprisal for diligent employees who step forward to identify potential wrongdoing. The Company has a dedicated hotline for whistleblower protection whether top management and the Board if necessary, can directly review and determine appropriate actions against reprisal of complaints.	None
4. Strengthening information disclosure Does the company disclose its ethical corporate management policies and the results of its implementation on the company’s website and Market Observation Post System (MOPS)?	√		The Company’s “Code of Ethical Conduct” and “Code of Integrity management “ and the results of our implementation have been posted on the Company’s Chinese / English website and MOPS. As of the date of publication of this annual report, the company has not yet committed any violation of the Code of Integrity Management or was reported.	None
1. If the company has established the ethical corporate management policies based on the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies, please describe any discrepancy between the policies and their implementation. There are no major differences, but the Company keeps abreast of the development of domestic and foreign regulations related to integrity				



Evaluation Item	Implementation Status <sup>1</sup>			Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
				management and encourages directors, managers and employees to make suggestions to review and improve the Code of Integrity Management established by the Company to enhance the effectiveness of the Company's integrity management.
2.				Other important information to facilitate a better understanding of the company’s ethical corporate management policies (e.g., review and amend its policies). The Company has set up the "Internal Major Information Processing Procedures", which specifies that directors, executive officers, and employees are not allowed to reveal inside information to others or to inquire non-public information that is irrelevant to his/her business scope.

Note: Regardless of whether the evaluation item is achieved or not, the company shall state an appropriate explanation.

## **G. Corporate Governance Guidelines and Regulations**

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

## **H. Other Important Information Regarding Corporate Governance**

None.

## **I. Implementation of Internal Control Systems**

### **(A) Internal Control System Statement**

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

Date: March 26, 2021

In 2020, the Company conducted an internal audit of its internal control system and hereby declares the following:

1. The Company acknowledges and understands that the establishment, enforcement and maintenance of the internal control system are the responsibility of the Board of Directors and management, and that the company has already established such a system. The purpose is to provide reasonable assurance to the effectiveness and efficiency of business operations (including profitability, performance and security of assets), reliability of financial reporting and compliance with relevant regulatory requirements.
2. There are inherent limitations to even the most well designed internal control system. As such, an effective internal control system can only reasonably ensure the achievement of the aforementioned goals. Moreover, the operating environment and situation may change, impacting the effectiveness of the internal control system. However, self-supervision measures were implemented within the Company's internal control policies to facilitate immediate rectification once procedural flaws have been identified.
3. The Company determines the effectiveness of the design and implementation of its internal control system in accordance with the items in "Regulations Governing Establishment of Internal Control Systems by Public Companies" (hereinafter called "Governing Regulations") that are related to the effectiveness of internal control systems. The criteria introduced by the "Governing Regulations" cover the process of management control and consist of five major elements, each representing a different stage of internal control: (1) control environment, (2) risk assessment, (3) control activities, (4) information and communications, and (5) monitoring activities. Each of the elements in turn contains certain audit items. Please refer to "Governing Regulations" for details.
4. The Company has adopted the aforementioned measures for an examination of the effectiveness of the design and implementation of the internal control system.
5. Based on the findings of the aforementioned examination, the Company believes it can reasonably assure that the design and implementation of its internal control system as of December 31, 2020 (including supervision and management of subsidiaries), including the effectiveness and efficiency in operation, reliability in financial reporting and compliance with relevant regulatory requirements, have achieved the aforementioned objectives.
6. This declaration constitutes part of the Company's annual report and prospectus, and shall be disclosed to the public. If any fraudulent information, concealment or unlawful practices are discovered in the content of the aforementioned information, the Company shall be held liable under Article 20, Article 32, Article 171 and Article 174 of the Securities and Exchange Act.
7. This statement was passed by the Board of Directors on March 26, 2021, with none of the seven attending Directors expressing dissenting opinions, and the remainder all affirming the content of this Statement.

**Chairman and President: HU, CHIU-CHIANG**

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

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

K. Material resolutions of a shareholders meeting or a board of directors meeting during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report.

Item	Date	Major resolutions																	
Shareholders' Meeting	2020/6/13	1. Recognition on the 2019 Business Report and the Financial Statements, including individual financial statements and consolidated financial statements <b>RESOLVED</b> : Approved after voting, voting results are as follows:																	
		<table border="1"> <thead> <tr> <th rowspan="2">Number of votes represented by attending shareholders</th> <th colspan="2">Approval Votes</th> <th>Disapproval Votes</th> <th>Invalid Votes</th> <th>Abstention Votes/No Votes</th> </tr> <tr> <th>Number</th> <th>%</th> <th>Number</th> <th>Number</th> <th>Number</th> </tr> </thead> <tbody> <tr> <td>225,984,612</td> <td>221,380,492 (including E-Voting : 13,890,189)</td> <td>97.96%</td> <td>283,255 (Including E-Voting : 283,255)</td> <td>0</td> <td>4,320,865 (Including E-Voting : 4,301,893)</td> </tr> </tbody> </table>	Number of votes represented by attending shareholders	Approval Votes		Disapproval Votes	Invalid Votes	Abstention Votes/No Votes	Number	%	Number	Number	Number	225,984,612	221,380,492 (including E-Voting : 13,890,189)	97.96%	283,255 (Including E-Voting : 283,255)	0	4,320,865 (Including E-Voting : 4,301,893)
		Number of votes represented by attending shareholders		Approval Votes		Disapproval Votes	Invalid Votes	Abstention Votes/No Votes											
			Number	%	Number	Number	Number												
		225,984,612	221,380,492 (including E-Voting : 13,890,189)	97.96%	283,255 (Including E-Voting : 283,255)	0	4,320,865 (Including E-Voting : 4,301,893)												
		<u>Implementation:</u> The Company filed its 2019 financial report to the competent authority on March 31, 2020, and disclosed it on the Company's official website, which was then recognized by the shareholders meeting.																	
		2. Recognition on the 2019 Earnings Distribution Plan <b>RESOLVED</b> : Approved after voting, voting results are as follows:																	
		<table border="1"> <thead> <tr> <th rowspan="2">Number of votes represented by attending shareholders</th> <th colspan="2">Approval Votes</th> <th>Disapproval Votes</th> <th>Invalid Votes</th> <th>Abstention Votes/No Votes</th> </tr> <tr> <th>Number</th> <th>%</th> <th>Number</th> <th>Number</th> <th>Number</th> </tr> </thead> <tbody> <tr> <td>225,984,612</td> <td>221,795,474 (including E-Voting : 14,305,171)</td> <td>98.14%</td> <td>318,803 (Including E-Voting : 318,803)</td> <td>0</td> <td>3,870,335 (Including E-Voting : 3,851,363)</td> </tr> </tbody> </table>	Number of votes represented by attending shareholders	Approval Votes		Disapproval Votes	Invalid Votes	Abstention Votes/No Votes	Number	%	Number	Number	Number	225,984,612	221,795,474 (including E-Voting : 14,305,171)	98.14%	318,803 (Including E-Voting : 318,803)	0	3,870,335 (Including E-Voting : 3,851,363)
		Number of votes represented by attending shareholders		Approval Votes		Disapproval Votes	Invalid Votes	Abstention Votes/No Votes											
			Number	%	Number	Number	Number												
225,984,612	221,795,474 (including E-Voting : 14,305,171)	98.14%	318,803 (Including E-Voting : 318,803)	0	3,870,335 (Including E-Voting : 3,851,363)														
<u>Implementation:</u>																			
<table border="1"> <thead> <tr> <th rowspan="2">Date of Ex-dividends</th> <th colspan="2">Cash Dividends</th> </tr> <tr> <th>Per Share</th> <th>Date of Distribution</th> </tr> </thead> <tbody> <tr> <td>2020/7/12</td> <td>@0.5777067</td> <td>2020/7/31</td> </tr> </tbody> </table>	Date of Ex-dividends	Cash Dividends		Per Share	Date of Distribution	2020/7/12	@0.5777067	2020/7/31											
Date of Ex-dividends		Cash Dividends																	
	Per Share	Date of Distribution																	
2020/7/12	@0.5777067	2020/7/31																	
3. Discussion on the some amendments to the Company's Articles of Association. <b>RESOLVED</b> : Approved after voting, voting results are as follows:																			
<table border="1"> <thead> <tr> <th rowspan="2">Number of votes represented by attending</th> <th colspan="2">Approval Votes</th> <th>Disapproval Votes</th> <th>Invalid Votes</th> <th>Abstention Votes/No Votes</th> </tr> <tr> <th>Number</th> <th>%</th> <th>Number</th> <th>Number</th> <th>Number</th> </tr> </thead> <tbody> </tbody> </table>	Number of votes represented by attending	Approval Votes		Disapproval Votes	Invalid Votes	Abstention Votes/No Votes	Number	%	Number	Number	Number								
Number of votes represented by attending		Approval Votes		Disapproval Votes	Invalid Votes	Abstention Votes/No Votes													
	Number	%	Number	Number	Number														

		shareholders					
		225,984,612	221,825,121 (including E-Voting : 14,334,818)	98.15%	278,659 (Including E-Voting : 278,659)	0	3,880,832 (Including E-Voting : 3,861,860)
		<p><b>Implementation:</b> The Company's amended Articles of Association had been approved for registration on July 14, 2020 by the Ministry of Economic Affairs, R.O.C.</p>					
Date of Board Meeting	Contents of Motion			Resolution			
2020/1/14	1. Discussion on formulating the Company's 2020 operating budget			Approved as proposed after the chairperson consulted all attending directors.			
	2. Discussion on the 2019 year-end bonus for Executive Officers of the Company and its important subsidiary WEIKENG INTERNATIONAL CO., LTD.			Approved as proposed after the chairperson consulted all attending directors.			
2020/3/3	1. Discussion on participation in subscribing to the cash capital increase of WEIKENG INTERNATIONAL CO., LTD, a 100% owned subsidiary in Hong Kong			Approved as proposed after the chairperson consulted all attending directors.			
2020/3/27	1. Discussion on the holding 2020 Annual General Meeting			Approved as proposed after the chairperson consulted all attending directors.			
	2. Recognition on the 2019 Financial Statements, including individual financial statements and consolidated financial statements			Approved as proposed after the chairperson consulted all attending directors.			
	3. Recognition on the 2019 Earnings Distribution Plan			Approved as proposed after the chairperson consulted all attending directors.			
	4. Discussion on the Company's 2020 business report			Approved as proposed after the chairperson consulted all attending directors.			
	5. Discussion on the approval of accounting entry for the Company's remuneration of employees and directors in 2019			Approved as proposed after the chairperson consulted all attending directors.			
	6. Discussion on the some amendments to the Company's "Corporate Social Responsibility Best Practice Principles"			Approved as proposed after the chairperson consulted all attending directors.			
	7. Discussion on the some amendments to the Company's " Rules and Procedures of Board of Directors Meeting"			Approved as proposed after the chairperson consulted all attending directors.			
	8. Discussion on the some amendments to the Company's " Audit Committee Charter"			Approved as proposed after the chairperson consulted all attending directors.			
	9. Discussion on the some amendments to the Company's " Corporate Governance Best Practice Principles"			Approved as proposed after the chairperson consulted all attending directors.			
	10. Discussion on the Company's Internal Control System Statement			Approved as proposed after the chairperson consulted all attending directors.			

	11. Discussion on the some amendments of the Company's 2020 audit plan	Approved as proposed after the chairperson consulted all attending directors.
	12. Discussion on the some amendments to the Company's Articles of Association	Approved as proposed after the chairperson consulted all attending directors.
	13. Discussion on the Company's application of banking credit agreement renewal or increase	Approved as proposed after the chairperson consulted all attending directors.
	14. Discussion on the Company's endorsements and guarantees for 100% owned subsidiary WEIKENG INTERNATIONAL CO., LTD.	Approved as proposed after the chairperson consulted all attending directors.
	15. Discussion on the Company's endorsements and guarantees for 100% owned subsidiary WEIKENG TECHNOLOGY PTE LTD.	Approved as proposed after the chairperson consulted all attending directors.
2020/5/14	1. Discussion on the some amendments to the Company's "Management Measures for the Preparation Process of Financial Statements"	Approved as proposed after the chairperson consulted all attending directors.
	2. Discussion on formulation to the Company's "Code of Conduct for Suppliers"	Approved as proposed after the chairperson consulted all attending directors.
	3. Discussion on the Company's endorsements and guarantees for 100% owned subsidiary WEIKENG TECHNOLOGY PTE LTD.	Approved as proposed after the chairperson consulted all attending directors.
	4. Discussion on the Company's endorsements and guarantees for 100% owned subsidiary WEIKENG INTERNATIONAL CO., LTD.	Approved as proposed after the chairperson consulted all attending directors.
	5. Discussion on the Company's endorsements and guarantees for 100% owned subsidiary WEIKENG INTERNATIONAL (Shanghai) CO., LTD.	Approved as proposed after the chairperson consulted all attending directors.
	6. Discussion on the Company's application for renewal or increase of bank financing agreements	Approved as proposed after the chairperson consulted all attending directors.
2020/7/31	1. Discussion on the some amendments to the Company's "Rules and Procedures of Board of Directors Meeting"	Approved as proposed after the chairperson consulted all attending directors.
	2. Discussion on the some amendments to the Company's "Audit Committee Charter"	Approved as proposed after the chairperson consulted all attending directors.
	3. Discussion on the some amendments to the Company's "Remuneration Committee Charter"	Approved as proposed after the chairperson consulted all attending directors.
	4. Discussion on the some amendments to the Company's "Rules for Board of Directors Performance Evaluation"	Approved as proposed after the chairperson consulted all attending directors.
	5. Discussion on the Company's 2019 employee compensation distribution and 2020 salary adjustment proposal to executive officers	Approved as proposed after the chairperson consulted all attending directors.
	6. Discussion on the Company's application for renewal or increase of bank financing agreements	Approved as proposed after the chairperson consulted all attending directors.

	7. Discussion on the Company's endorsements and guarantees for 100% owned subsidiary WEIKENG INTERNATIONAL CO., LTD.	Approved as proposed after the chairperson consulted all attending directors.
2020/9/10	1. Discussion on the Company's issuance of the 5th domestic unsecured convertible corporate bond	Approved as proposed after the chairperson consulted all attending directors.
2020/11/11	1. Discussion on the some amendments to the Company's "Information and Communication Security Policy and Management Regulations"	Approved as proposed after the chairperson consulted all attending directors.
	2. Discussion on the Company's application of banking credit agreement renewal or increase	Approved as proposed after the chairperson consulted all attending directors.
	3. Discussion on the Company's endorsements and guarantees for 100% owned subsidiary WEIKENG INTERNATIONAL CO., LTD.	Approved as proposed after the chairperson consulted all attending directors.
	4. Discussion on the Company's endorsements and guarantees for 100% owned subsidiary WEIKENG INTERNATIONAL (Shanghai) CO., LTD.	Approved as proposed after the chairperson consulted all attending directors.
	5. Discussion on the Company's endorsements and guarantees for 100% owned subsidiary WEIKENG TECHNOLOGY PTE LTD.	Approved as proposed after the chairperson consulted all attending directors.
2020/12/30	1. Discussion on formulating the Company's 2021 operating budget	Approved as proposed after the chairperson consulted all attending directors.
	2. Discussion on the evaluation of CPA's independence and suitability for the Company's 2021 annual financial statements	Approved as proposed after the chairperson consulted all attending directors.
	3. Discussion on the Company's professional fees of CPA for 2021	Approved as proposed after the chairperson consulted all attending directors.
	4. Discussion on the Company's Internal Audit Plan for 2021	Approved as proposed after the chairperson consulted all attending directors.
	5. Discussion on the Company's determination of accounts receivable and accounts other than accounts receivable if belong to the nature of funds lending to other parties	Approved as proposed after the chairperson consulted all attending directors.
	6. Discussion on the Company's application for renewal or increase of bank financing agreements	Approved as proposed after the chairperson consulted all attending directors.
	7. Discussion on the Company's endorsements and guarantees for 100% owned subsidiary WEIKENG INTERNATIONAL CO., LTD.	Approved as proposed after the chairperson consulted all attending directors.
2021/1/29	1. Discussion on the 2020 year-end bonus for Executive Officers of the Company and its important subsidiary WEIKENG INTERNATIONAL CO., LTD.	Approved as proposed after the chairperson consulted all attending directors.
2021/3/26	1. Discussion on the Company's 2020 business report	Approved as proposed after the chairperson consulted all attending directors.
	2. Discussion on the approval of accounting entry for the Company's remuneration of employees and directors in 2020	Approved as proposed after the chairperson consulted all attending directors.

3. Recognition on the 2020 Financial Statements, including individual financial statements and consolidated financial statements	Approved as proposed after the chairperson consulted all attending directors.
4. Discussion on the 2020 Earnings Distribution Plan	Approved as proposed after the chairperson consulted all attending directors.
5. Discussion on the Company's 2020 Internal Control System Statement	Approved as proposed after the chairperson consulted all attending directors.
6. Discussion on the some amendments to the Company's Articles of Association	Approved as proposed after the chairperson consulted all attending directors.
7. Discussion on the holding 2021 Annual General Meeting	Approved as proposed after the chairperson consulted all attending directors.
8. Discussion on the 2021 general meeting of shareholders to accept shareholder proposals and the nomination of directors (including independent directors) candidates	Approved as proposed after the chairperson consulted all attending directors.
9. Discussion on the list of candidates for directors (including independent directors) proposed by the Company's board of directors and their qualification review	Approved as proposed after the chairperson consulted all attending directors.
10. Discussion on the some amendments to the Company's "Rules on the Scope of Duties of Independent Directors"	Approved as proposed after the chairperson consulted all attending directors.
11. Discussion on the some amendments to the Company's "Codes of Ethical Conduct"	Approved as proposed after the chairperson consulted all attending directors.
12. Discussion on the Company's application of banking credit agreement renewal or increase	Approved as proposed after the chairperson consulted all attending directors.
13. Discussion on the Company's endorsements and guarantees for 100% owned subsidiary WEIKENG INTERNATIONAL CO., LTD.	Approved as proposed after the chairperson consulted all attending directors.
14. Discussion on the Company's endorsements and guarantees for 100% owned subsidiary WEIKENG TECHNOLOGY PTE LTD.	Approved as proposed after the chairperson consulted all attending directors.
15. Re-election of all Directors( including Independent Directors)	Approved as proposed after the chairperson consulted all attending directors.
16. Discussion on releasing the new Directors ( including Independent Directors and the representative of Juristic Person Director) of the Company from Non-Competition restrictions	Approved as proposed after the chairperson consulted all attending directors.

**L. Major Issues of Record or Written Statements Made by Any Director or Supervisor Dissenting to Important Resolutions Passed by the Board of Directors**  
None.

**M. A summary of resignations and dismissals, during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report, of the company's chairperson, general manager, chief accounting officer, chief financial officer, chief internal auditor, chief**

corporate governance officer, and chief research and development officer  
None.

(V) **Information on Professional Fees of Certified Public Accountants and Independence**

**A. Audit Fee**

Accounting Firm	Name of CPA	Period Covered by CPA's Audit	Remarks
KPMG, Taiwan	Lo, Jui-Lan & Au, Yiu-Kwan	2020.01.01 ┆ 2020.12.31	The Administration & Finance Division of the Company evaluated the Certified Public Accountant's independence and competence in accordance with Article 47 of the Certified Public Accountant Act, the No. 10 Bulletin of the Norm of Professional Ethics for Certified Public Accountant and the KPMG CPA's Declaration of Independence, and concluded that the CPA's audit of the 2020 financial statements and the review of the interim financial statements were consistent with the independence and competence, and moreover, the evaluation proposal had been resolved by the board of directors on December 30, 2019.(Note)

Note: As for the assessment of the independence and competence of KPMG Certified Public Accountants for the 2021 financial report, it was also assessed in accordance with the aforementioned method, and was resolved by the board of directors on December 30, 2020.

Unit: NT\$ thousands

Fee Range		Fee Items	Audit Fee	Non-audit Fee	Total
1	Under NT\$ 2,000			820	820
2	NT\$2,000 ~ NT\$4,000		3,970		3,970
3	NT\$4,000 ~ NT\$6,000				
4	NT\$6,000~ NT\$8,000				
5	NT\$8,000~ NT\$10,000				
6	Over NT\$100,000				

Unit: NT\$ thousands

Accounting Firm	Name of CPA	Audit Fee	Non-audit Fee					Period Covered by CPA's Audit	Remarks
			System of Design	Company Registration	Human Resource	Others	Subtotal		
KPMG, Taiwan	Lo, Jui-Lan	3,970					3,970	2020/1/1~12/31	Note1
	Au, Yiu-Kwan								
	Chang, Chih			20		800	820	2020/1/1~12/31	Note2

Note: 1. The professional fees for auditing services referred to in the preceding item means the professional fees paid by the company to a certified public accountant for auditing, review, and secondary reviews of financial reports, financial forecast reviews, and tax certification.

2. Tax service fees



(A) If the non-audit fees paid to the CPA, the CPA's accounting firm and its affiliated enterprises is more than one quarter of the audit fees, the amount of audit and non-audit fees and the content of non-audit services shall be disclosed: None.

(B) If the accounting firm is changed and the audit fees paid in the year of the replacement is less than that of the previous year, the amounts of the audit fees before and after the replacement and the causes shall be disclosed: None.

(C) If the audit fees were reduced more than 10% from that of the prior year, the reduction amount, percentage and reasons for the reduction of audit fees shall be disclosed: None.

**(VI) Information on Replacement of Certified Public Accountant**

**A. Regarding the former CPA**

Replacement Date	March 28, 2019		
Replacement reasons and explanations	The former CPAs of the Company were Lo, Jui-Lan and Kuo, Kuan-Ying from KPMG, Taiwan firm. Due to internal restructuring at KPMG, Taiwan firm, the CPAs of the Company were changed to Lo, Jui-Lan and Au, Yiu-Kwan, beginning March 28, 2019.		
Describe whether the Company terminated or the CPA did not accept the appointment	Parties	CPA	The Company
	Status		
	Termination of appointment	√	-
	No longer accepted (continued) appointment	-	-
Other issues (except for unqualified issues) in the audit reports within the last two years	None		
Differences with the company	Yes	-	Accounting principles or practices
		-	Disclosure of Financial Statements
		-	Audit scope or steps
		-	Others
	None	√	
	Remarks/specify details:		
Other Revealed Matters	None		

**B. Regarding the successor CPA**

Name of accounting firm	KPMG, Taiwan
Name of CPA	Au, Yiu-Kwan
Date of appointment	March 28, 2019
Consultation results and opinions on accounting treatments or principles with respect to specified transactions and the company's financial reports that the CPA might issue prior to the engagement.	None
Succeeding CPA's written opinion of disagreement toward the former CPA	None

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

None.

**(VII) Audit Independence**

The Company's Chairman, Chief Executive Officer, Chief Financial Officer, and managers in charge of its finance and accounting operations did not hold any positions in the Company's independent auditing firm or its affiliates during 2020.

**(VIII) Changes in Shareholding of Directors, Supervisors, Managers and Major Shareholders**

Unit: Shares

Title	Name	2020		2021 as of the printing date of the Annual Report	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
Chairman & President	HU, CHIU-CHIANG (@Douglas Hu)		---	---	---
Director & COO	CHI, TING-FANG (@Stan Chi)		---	---	---
Director	WEIJI INVESTMENT CO., LTD.	(1,000,000) (Note1)	---	---	---
Director	CHEN, KUAN-HUA (@Bill Chen)		---	---	---
Independent Director	TSAI, YU-PING (@Edward Tsai)	---	---	---	---
Independent	LIN, HUNG	---	---	---	---

Title	Name	2020		2021 as of the printing date of the Annual Report	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
Director	(@Vincent Lin)				
Independent Director	YU, HSUEH-PING (@Peggy Yu)	---	---	---	---

Note 1: The decrease in the number of holding shares belongs to the financial management behavior of trading in the securities market.

**A. Shares Trading with Related Parties: None**

**B. Shares Pledge with Related Parties: None.**

**(IX) Relationship among the Top Ten Shareholders**

As of 04/20/2021

Name	Current Shareholding		Spouse's/minor's Shareholding		Shareholding by Nominee Arrangement		Name and Relationship Between the Company's Top Ten Shareholders, or Spouses or Relatives Within Two Degrees		Remarks
	Shares	%	Shares	%	Shares	%	Name	Relationship	
Weiji Investment Co., Ltd.	30,426,876	8.27	---	---	---	---	Hu, Chiu-Chiang	Chairman	
Chairman: Hu, Chiu-Chiang	8,843,627	2.40	---	---	---	---			
Yung Hsin Yeh Investment Ltd.	9,684,000	2.63	---	---	---	---			
Chairman: Tai, Fu-Jen	21,000	0.01							
Hu, Chiu-Chiang	8,843,627	2.40	467,059	0.13	---	---			
Liu, Ying-Da	6,854,160	1.86	---	---	---	---	Liu, Yueh-Hsiu	Father-Son	
Chi, Ting-Fang	6,278,150	1.71	146,817	0.04	---	---			
Hsu, Chung-Yueh	4,341,834	1.18	990	0.00	---	---			
Chang, Chin-Hao	4,102,704	1.12	5,940	0.00	---	---			
American JPMorgan Chase Bank Custody of JP Morgan Securities PLC. Investment Account	3,583,935	0.97	---	---	---	---			
Liu, Yueh-Hsiu	3,248,760	0.88	---	---	---	---	Liu, Ying-Da	Son-Father	
HSBC (Taiwan) commercial banks entrusted with the custody of the British Goldman Sachs International Investment Account	2,810,619	0.76							

**(X) Ownership of Shares in Affiliated Enterprises**

As of 2020/3/31  
Unit: thousand shares / %

Affiliated Enterprises	Ownership by the Company		Direct or Indirect Ownership by Directors/Supervisors/Managers		Total Ownership	
	Shares	%	Shares	%	Shares	%
Weikeng International Co., Ltd	396,250	100.00 %	---	---	396,250	100.00 %
Weikeng Technology Pte Ltd	12,413	100.00 %	---	---	12,413	100.00 %
Weikeng Technology Co., Ltd	1,589	100.00 %	---	---	1,589	100.00 %

**IV. Capital Overview**  
**(I) Capital and Shares**  
**A. Source of Capital**  
**(A) Issued Shares**

Month/ Year	Issue at Par Value (NT\$)	Authorized Capital		Paid-in Capital		Remark		
		Shares	Amount (NT\$ thousands)	Shares	Amount (NT\$ thousands)	Sources of Capital	Capital Increased by Assets Other than Cash	Other
Oct/2018 (Note 1)	10	350,000,000	3,500,000	343,100,165	3,431,001	1. issuance of new common shares to capitalization of capital reserves: 12,000,000 shares 2. conversion of convertible corporate bonds: 2,625,125 shares	None	---
Jan/2019	10	350,000,000	3,500,000	344,897,962	3,448,979	conversion of convertible corporate bonds: 797,797 shares	None	---
Mar/2019	10	350,000,000	3,500,000	345,806,461	3,458,064	conversion of convertible corporate bonds: 908,499 shares	None	---
Jul/2019	10	450,000,000	4,500,000	345,985,599	3,459,855	conversion of convertible corporate bonds: 179,138 shares	None	---
Sep/2019 (Note 2)	10	450,000,000	4,500,000	367,751,242	3,677,512	1. issuance of new common shares to capitalization of retained earnings: 20,748,388 shares 2. conversion of convertible corporate bonds: 1,017,255 shares	None	---
2020 & 2021 as of the printing date of the Annual Report	10	450,000,000	4,500,000	367,751,242	3,677,512	No sources changes, same as September 2019	None	---

Note 1: Approved for the issuance of new common shares to capitalization of capital reserves 12,000,000 shares on July 5, 2018 by the Securities and Futures Bureau of the Financial Supervision Commission, R.O.C.

Note 2: Approved for the issuance of new common shares to capitalization of retained earnings 20,748,388 shares on August 2, 2019 by the Securities and Futures Bureau of the Financial Supervision Commission, R.O.C.

**(B) Type of Stock**

Share Type	Authorized Capital			Remarks
	Issued Shares	Un-issued Shares	Total Shares	
Common Shares	367,751,242	82,248,758	450,000,000	Note

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

## B. Status of Shareholders

As of 4/20/2021

Item	Government Agencies	Financial Institutions	Mainland Chinese Investors	Other Juridical Persons	Domestic Natural Persons	Foreign Institutions & Natural Persons	Total
Number of Shareholders	1	1	1	235	48,179	102	48,519
Shareholding (shares)	308,013	1,556,635	1	46,863,973	287,024,331	31,998,289	367,751,242
Percentage	0.08%	0.42 %	0.00 %	12.75%	78.04 %	8.71 %	100.00 %

## C. Shareholding Distribution Status

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

As of 4/20/2021

Class of Shareholding (Unit: Share)	Number of Shareholders	Shareholding (Shares)	Percentage
1 ~ 999	24,536	1,400,869	0.38 %
1,000 ~ 5,000	15,243	32,501,258	8.84 %
5,001 ~ 10,000	3,704	27,140,130	7.38 %
10,001 ~ 15,000	1,792	21,841,587	5.94 %
15,001 ~ 20,000	811	14,527,526	3.95 %
20,001 ~ 30,000	886	21,634,620	5.88 %
30,001 ~ 50,000	671	26,120,760	7.10 %
50,001 ~ 100,000	508	35,803,163	9.74 %
100,001 ~ 200,000	216	29,075,892	7.91 %
200,001 ~ 400,000	77	21,914,920	5.96 %
400,001 ~ 600,000	29	13,939,743	3.79 %
600,001 ~ 800,000	7	4,829,593	1.31 %
800,001 ~ 1,000,000	13	11,792,397	3.21 %
1,000,001 or over	26	105,228,784	28.61 %
Total	48,519	367,751,242	100.00 %

## D. List of Major Shareholders

As of 4/20/2021

Shareholder's Name	Shareholding	
	Shares	%
Weiji Investment Co., Ltd.	30,426,876	8.27
Yung Hsin Yeh Investment Ltd.	9,684,000	2.63
Hu, Chiu-Chiang	8,843,627	2.40
Liu, Ying-Da	6,854,160	1.86
Chi, Ting-Fang	6,278,150	1.71
Hsu, Chung-Yueh	4,341,834	1.18
Chang, Chin-Hao	4,102,704	1.12
American JPMorgan Chase Bank Custody of JP Morgan Securities PLC. Investment Account	3,583,935	0.97

Shareholder's Name	Shareholding	
	Shares	%
Liu, Yueh-Hsiu	3,248,760	0.88
HSBC (Taiwan) commercial banks entrusted with the custody of the British Goldman Sachs International Investment Account	2,810,619	0.76

### E. Market Price, Net Worth, Earnings, and Dividends per Share

Unit: NT\$

Items	2019	2020	01/01/2021- 03/31/2021
<b>Market Price per Share</b>			
Highest Market Price	20.80	20.10	22.15
Lowest Market Price	17.50	10.60	18.00
Average Market Price	19.24	17.48	20.11
<b>Net Worth per Share</b>			
Before Distribution	15.40	16.52	15.96
After Distribution	14.83	15.17	---
<b>Earnings per Share</b>			
Weighted Average Shares (thousand shares)	366,989	367,751	367,751
Basic Earnings Per Share	0.71	1.90	0.75
Adjusted Diluted Earnings Per Share	---	---	---
<b>Dividends per Share</b>			
Cash Dividends	0.57770	1.34468	---
Stock Dividends			
• Dividends from Retained Earnings	---	---	---
• Dividends from Capital Surplus	---	---	---
Accumulated Undistributed Dividends	---	---	---
<b>Return on Investment</b>			
Price / Earnings Ratio (Note 1)	26.94	8.80	---
Price / Dividend Ratio (Note 2)	33.11	12.43	---
Cash Dividend Yield Rate (Note 3)	3.02%	8.04%	---

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

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

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

### F. Dividend Policy and Implementation Status

#### (A) Dividend Policy stipulated in the Company's articles of association :

The earning in the Company's annual final accounts if any shall first be used to pay income tax and offset prior years' deficits, if any, and then set aside legal reserve, and special reserve is set aside or reversed in accordance with laws or regulations. The remaining balance of the current year is the distributable retained earnings of the current year. The

above distributable retained earnings, if any and the accumulated retained earnings in prior years together is the distributable dividends for shareholders. The aforementioned distribution is proposed by the board of directors. In accordance with the Company Act, where the aforementioned distributable retained earnings or capital reserve and legal reserve are distributed by issuing new shares which shall be proposed by the board of directors and submitted to the shareholders' meeting for resolution; however, where the Company authorizes the distributable dividends, legal reserve, or capital reserve may be paid in cash after a resolution has been adopted by a majority vote at a meeting of the board of directors attended by two-thirds of the total number of directors, and in addition thereto a report of such distribution shall be submitted to the shareholders' meeting.

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

**(B) Circumstances of the Proposed Distribution of Dividend at the 2021 Shareholders Meeting**

1. The Company's 2020 earning distribution, will be fully distributed by cash dividends totaling by NT\$494,508,010, has been resolved by the Audit Committee and Board of Directors with no less than two-thirds of directors present, and approved by more than half of directors attending the meeting on March 26, 2021. Board of Directors authorized the Chairman to set the ex-dividend ex-right date, the date of distribution, and other related matters, which information will be announced to shareholders thereafter.
2. As of the shares book closure date for the 2021 Annual General Meeting, the total issued and outstanding ordinary shares are 367,751,242 shares and the Board's resolution of the cash dividend is NT\$1.3446807 per share, which will report to the 2021 AGM. The cash dividends on the issued and outstanding ordinary shares are distributed pro rata and are rounded down to the nearest whole number. The fractional balance of dividends less than NT\$ 1 will be summed up and recognized as other income of the Company's employee welfare committee. Where the total number of issued and outstanding shares of the Company subsequently changes due to purchase of treasury shares, or the conversion, transfer and cancellation of treasury shares, or exercise of employee stock options, or other plans approved by the competent authority for changes in ordinary shares, the aforesaid cash dividends distributed to each ordinary share may be



adjusted pursuant to actual number of the issued and outstanding ordinary shares on the ex-dividend date, the Chairman of the Board of Directors of the Company is authorized to handle it in full authority according to the actual situation, and which information will be announced to shareholders thereafter.

(C) **If a material change in dividend policy is expected, provide an explanation:** None.

## Earnings Distribution Plan for 2020

Expressed in NT\$

<b>Beginning Undistributed Retained Earnings</b>	<b>0</b>
Plus: Remeasurements of Defined benefit plans	1,528,800
Plus: Net Income after Tax in 2020	699,308,629
<b>Subtotal</b>	<b>700,837,429</b>
Less: 10% Legal Reserve	(70,083,743)
Less: Special Reserve Appropriated due to Exchange Differences on Translation of Foreign Financial Statements & Unrealized Gains (Losses) from Investments in Equity Instruments Measured at Fair Value through Other Comprehensive Income	(136,245,676)
<b>Total Distributable Earnings for 2020</b>	<b>494,508,010</b>
Distribution Items:	
<b>Cash Dividends on Ordinary Shares</b>	<b>494,508,010</b>
<b>Ending Undistributed Retained Earnings</b>	<b>0</b>
Chairman : Hu,Chiu-Chiang    President : Hu,Chiu-Chiang    Accounting Manager: Huang,Li-Hsiang	
Note 1 : The cash dividends in line with the Company's dividend policy are subject to no less than 20% of the total dividends of shareholders.	

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

### **H. Remuneration of Employees and Directors**

#### **(A) Information Relating to Remuneration of Employees and Directors in the Articles of Incorporation:**

In accordance with the Articles of Association of the Company, the earning in the Company's annual final accounts if any shall first be offset against any deficit, then, 6% to 10% of net profit before tax (before deducting remuneration to employees and directors) will be distributed as employees' remuneration and a maximum of 2.5% will be allocated as the remuneration of directors and supervisors. Employees who are entitled to receive the above mentioned employees' remuneration, in

share or cash. Actual distribution should be determined in the board of directors' meeting, with no less than two-thirds of directors present, and approved by more than half of directors attending the meeting and then report to the shareholders' meeting.

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

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

**(C) Distribution of Remuneration of Employees and Directors for 2020 Approved in the Board of Directors Meeting:**

1. In accordance with Article 22 of the Articles of Association of the Company, the Company appropriated the remuneration of employees and directors. The total remuneration of employees and directors were NT\$78,442,400 and NT\$19,610,600 respectively, and both of which had been resolved by the Board of Directors on March 26, 2021 with no less than two-thirds of directors present, and approved by more than half of directors attending the meeting, and moreover, both of which will be paid all in cash after reporting to this 2021 Annual General Meeting and there will be no difference from the expense appropriated in the financial statements of 2020.

2. The employee's remuneration of 2020 will not be paid in the form of stocks.

**(D) Information of 2019 Distribution of Remuneration of Employees, Directors (with an indication of the number of shares, monetary amount, and stock price, of the shares distributed) and, if there is any discrepancy between the actual distribution and the recognized employee or director remuneration, additionally the discrepancy, cause, and how it is treated:**

The 2019 employee's remuneration NT\$29,689,600 and the directors' remuneration NT\$7,422,400 had been resolved by the Board of Directors on March 27, 2020 with no less than two-thirds of directors present, and approved by more than half of directors attending the meeting. Both of which had been paid all in cash after 2020 Annual General Meeting and there were no difference from the expense appropriated in the financial statements of 2019 and the resolution of the Board of Directors.

**I. Buyback of Treasury Stock: None.**

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

**A. Convertible Corporate Bonds**

Corporate Bond Type	Domestic 5 <sup>th</sup> Unsecured Convertible Corporate Bonds
Issued date	November 3, 2020
Denomination	NT\$100,000
Issuing and transaction location	Taiwan, Taipei Exchange

Corporate Bond Type		Domestic 5 <sup>th</sup> Unsecured Convertible Corporate Bonds	
Issued price		Issue by denomination	
Total price		NT\$1,000,000,000	
Coupon rate		0%	
Tenor		5 years, Maturity: November 3, 2025	
Guarantee agency		None	
Consignee		Trust Department, HUA NAN Bank	
Underwriting institution		HUA NAN Securities	
Certified lawyer		Wang, Chien-Chih	
CPA		Lo, Jui-Lan Au, Yiu-Kwan, KPMG, Taiwan	
Repayment method		Repayment in lump sum upon maturity	
Outstanding principal		NT\$1,000,000,000	
Terms of redemption or advance repayment		Please refer to the conversion rules and procedures of the Convertible Corporate Bonds	
Restrictive clause		Please refer to the conversion rules and procedures of the Convertible Corporate Bonds	
Name of credit rating agency, rating date, rating of corporate bonds		NA	
Other rights attached	As of the printing date of this annual report, converted amount of (exchanged or subscribed) ordinary shares, GDRs or other securities	0	
	Issuance and conversion (exchange or subscription) method	Please refer to the conversion rules and procedures of the Convertible Corporate Bonds	
Issuance and conversion, exchange or subscription method, issuing condition dilution, and impact on existing shareholders' equity		According to the current conversion price (@18.92), if it is fully converted, it is estimated that the number of shares that can be converted into ordinary shares is about 52,854,122 shares, which will dilute the current equity by about 14.37%; but the investment of the raised funds will help improve operating performance and profitability, it will be able to give back to shareholders in the future, and its impact on the rights and interests of existing shareholders should still be limited.	
Transfer agent		None	

Corporate bond type		Domestic 5 <sup>th</sup> Unsecured Convertible Corporate Bonds	
Year		2020	As of 2021/3/31
Item			
Market price of the convertible bond	Highest	118.0	120.50
	Lowest	102.55	109.05
	Average	106.78	113.43
Convertible Price		18.92	18.92
Issue date and conversion price		Issued Date: 2020/11/3	

<b>Corporate bond type</b>	<b>Domestic 5<sup>th</sup> Unsecured Convertible Corporate Bonds</b>
at issuance	Conversion price at issuance: NT\$18.92/share
Conversion methods	Issuing of new common stocks

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

The Company has no issuance of preferred shares.

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

The Company has no issuance of global depository receipts.

**(V) Employee Stock Warrants**

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

**B. List of Executives Receiving Employee Stock Options and the Top Ten Employees with Stock Warrants**

**(A) the first issuance, 1<sup>st</sup> Tranche (expired date: 2009/5/25)**

Description	Title	Name	No. of Stock Options	Stock Options as a Percentage of Shares Issued	Exercised				Unexercised			
					No. of Shares Converted	Strike Price (NT\$)	Amount (NT\$ thousands)	Converted Shares as a Percentage of Shares Issued	No. of Shares Converted	Strike Price (NT\$)	Amount (NT\$ thousands)	Converted Shares as a Percentage of Shares Issued
Executive officers	President & CEO	HU, CHIU-CHIANG (@Douglas HU)	2,550,000	1.099%	2,185,000	@ 10 @ 12 @ 14 @ 8	23,020,000	0.940%	365,000	@8	2,920,000	0.157%
	COO	CHI, TING-FANG (@Stan Chi)										
	Executive VP & General Manager (China)	CHANG, CHIN-HAO (@Asser Chang)										
	CFO (Retired)	HSU, CHUNG-YUEH (@Gordon Hsu)										
	Executive VP	CHEN, CHENG-HUNG (@ Tom Chen)										
	Marketing Development Division Senior VP (Resigned)	LIN, CHIH-MING (@Roy Lin)										
	Information Sales Business Division	LIN, CHI-HSIANG (@Miky Lin)										

Description	Title	Name	No. of Stock Options	Stock Options as a Percentage of Shares Issued	Exercised				Unexercised				
					No. of Shares Converted	Strike Price (NT\$)	Amount (NT\$ thousands)	Converted Shares as a Percentage of Shares Issued	No. of Shares Converted	Strike Price (NT\$)	Amount (NT\$ thousands)	Converted Shares as a Percentage of Shares Issued	
	Senior VP ( Resigned)												
	Administration & Financing Division Senior VP & Spokesperson	CHOU, KAN-LIN (@Fama Chou)											
	Administration & Financing Division Corporate VP	WU, CHE-PIN (@Jason Wu)											
	Accounting Department Manager	HUANG, LI-HSIANG (@Alice Huang)											
Employees	ELCOM Business Division I Senior VP ( Resigned)	LLJUNG-HUA (@Edward Li)	670,000	0.289%	670,000	@ 10 @ 12 @ 14	8,460,000	0.288%		@ 8			
	ELCOM Business Division III Senior VP	SU, MING-SUNG											
	ELCOM Business Division V Senior VP	HUNG, TUNG-HUI (@Tony Hung)											
	Chairman Office (Overseas) Senior VP	LU, CHAO-CHIEH (@Bert Lu)											

**(B) the first issuance, 2<sup>nd</sup> Tranche (expired date: 2009/6/12)**

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

	Senior VP	CHI-HUNG (@Kevin Hsieh)										
	Chairman Office (Overseas) Senior VP	LU, CHAO-CHIEH (@Bert Lu)										

**(C) the first issuance, 3<sup>rd</sup> Tranche (expired date: 2010/5/13)**

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

**(VI) Issuance of New Restricted Employee Shares**

The Company has no issuance of new restricted employee shares.

**(VII) Status of New Shares Issuance in Connection with Mergers and Acquisitions**

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

**(VIII) Implementation of Capital Allocation Plans**

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

The Company was approved by the securities authorities to raise and issue the 5<sup>th</sup> domestic unsecured convertible corporate bonds of NT\$ 1 billion in October 2020, the project financing plan for the repayment of loans from financial institutions. The Company has completed the implementation by the end of November 2020 according to the planned schedule, and has completed the reporting of the fund utilization status to the competent authority in January 2021. The expected benefits of the fund-raising project are (1) saving cash outflow of interest expenses, reducing financial burden, and (2) strengthening financial structure and improving debt solvency. Since the duration of the convertible corporate bonds is five years with the coupon rate of 0%, the Company needs to calculate the amortized and recognized interest expenses in accordance with International Financial Reporting Standards No. 32 and No. 39 each year, but the interest is not actually paid. Therefore, it is beneficial to reduce cash outflows and lower capital costs. The convertible corporate bonds will be converted from debt to ordinary share capital after the creditor's request conversion, in addition to avoiding the huge funds pressure of repayment at maturity, it can also optimize the financial structure and reduce financial risks, which is more conducive to the Company's medium- and long-term development and the benefits of this fund-raising project has gradually emerged so far.

## V. Overview of Business Operations

### (I) Business Activities

#### A. Scope of Business

##### (A) Main areas of business operations

The major activities of Weikeng Group are the purchase and sales of electronic components and computer peripherals, technical service and the import-export trade business, with a sales proportion of about 100% being sales of electronic components and peripherals. The operating areas of Weikeng Group are mainly in Greater China (Taiwan, Hong Kong, China) and Southeast Asia (Singapore, Philippines, Malaysia, Thailand, and Vietnam). The companies affiliated to the Group are continuing to play the role of connecting technology and creating value in the semiconductor industry chain by the spirit of meeting challenges and overcoming difficulties, and strengthening the combination of franchises of product lines to meet changes in market demand. Weikeng Group has successfully won the franchises of product lines, covering many semiconductor Integrated Device Manufacturers (IDMs) or IC design companies such as AMD, Amazing, Dialog, Infineon, Lattice, Microchip, Molex, NXP, Sinopower, Vishay, Western Digital, etc. However, the Company continues to find and develop new products and applications in the semiconductor market, look for new cooperation opportunities of franchises, and create new customer demand. At present, in the application fields of industrial electronics, automotive electronics, mobile communications, consumer electronics, computer peripherals, and AI/5G, Weikeng Group's regional companies are capable of providing customers with competitive parts, technical support services, and efficient management services of supply chain to achieve a triple win value through the Group's intermediary technology connection between upstream vendors and downstream customers.

##### (B) Revenue distribution

Unit ; NT\$ thousands

Major Divisions	Total Sales in Year 2020	(%) of Total Sales
Electronic Components	58,413,402	100%

##### (C) Main products

The Company classifies the franchising products into chipsets/special application standard ICs, mixed signals and discrete components according to product characteristics.

##### (D) New products development

At this stage, the product solutions developed by the companies in the Group are mainly focused in 5G (Smart phones, Customer Premise Equipment (CPE), Open Radio Access Network (O-RAN), etc.), artificial intelligence/Internet of things (AIoT), automotive electronics (including electric vehicles, electric locomotives, charging piles, etc.), consumer electronics, industrial control, Type-C power delivery, and various power products, but also devoted various resources to the application development of related product solutions, such as server/data center, motor control, battery energy storage management system, in-vehicle infotainment system and panel display human-machine interface, to facilitate the reference solutions for customers' products in time.

## **B. Industry Overview**

### **(A) The current status and development of the industry**

According to data released by the American Semiconductor Industry Association (SIA), global semiconductor sales totaled US\$439 billion in 2020, an increase of 6.53% compared with 2019 (US\$412.1 billion). Under the influence of factors such as the COVID-19 epidemic and trading brinkmanship, the growth of global semiconductor sales in 2020 will be relatively moderate. In 2020, the COVID-19 epidemic broke out globally and the global economy has been stagnated, however, the world ceased physical face-to-face contact, but brought up new non-contact business opportunities. The COVID-19 epidemic has accelerated the stimulation of cloud computing, data centers, needs of distance application, the high performance computing (HPC) chip required by the server, logic ICs with high computing power, chips with high-bandwidth memory (HBM), application-specific integrated circuit (ASIC), etc. have also become an important factor driving the growth of semiconductors.

Several semiconductor product segments stood out in 2020. Logic (\$117.5 billion in 2020 sales) and memory (\$117.3 billion) were the largest semiconductor categories by sales. Annual sales of logic products increased by 10.3% compared to 2019, while sales of memory products were up 10.2%. Within the memory category, annual sales of NAND flash products stood out, increasing 23.1% to \$49.5 billion in 2020. Sales of micro-ICs — a category that includes microprocessors — increased 4.8% to \$69.6 billion in 2020. Sales of all non-memory products combined increased by 5.2% in 2020 and that category reached an all-time high in total sales.

On a regional basis, sales into the Americas market stood out, increasing annually by 19.8% in 2020. China remained the largest individual market for semiconductors, with sales there totaling \$151.7 billion in 2020, an increase of 5.0%. Annual sales also increased in 2020 in Asia Pacific/All Other (5.3%) and Japan (1.0%), but decreased in Europe (-6.0%).

Under the control of the epidemic, Taiwan's domestic semiconductor production plants are operating normally. In turn, the international market has turned to Taiwan's semiconductor industry to place orders in response to the needs of the post-epidemic market in order to smoothly and quickly obtain the IC chips required by the market, driving the world and Taiwan's IC design, manufacturing, and packaging and testing industries continue to develop upward. According to statistics from the Taiwan Semiconductor Industry Association (TSIA) and the Industrial Technology Research Institute (ITRI), the output value of Taiwan's IC industry exceeded NT\$3 trillion for the first time in 2020, reaching a scale of NT\$3.22 trillion, setting a record high. In 2021, due to the short supply of semiconductor production capacity, it is estimated that the annual output value will increase by 8.6% to NT\$3.5 trillion. Among them, the output value of the IC design industry in 2021 will increase by 10.9% to NT\$945.9 billion, and the foundry output value will increase by 8.5% to NT\$1.77 trillion, which are the main driving forces to push the output value of



Taiwan's IC industry to record highs in 2021.

The semiconductor industry continues the short supply situation in 2020 and will continue in 2021. The World Semiconductor Trade Statistics (WSTS) estimates that the value of global semiconductor sales in 2021 is expected to increase by about 8.4% YoY. For a long time, computing performance has been the engine for the growth of the IC industry, however, emerging applications in communications, consumer electronics, automotive, industrial and medical systems are also driving the rapid development of emerging ICs, such as cloud computing, 5G technology, artificial intelligence(AI), virtual reality, the Internet of Things(IoT), autonomous driving, robotics and many others technologies are developing rapidly, and will change the lives of consumers and the mode of operation of enterprises. IC Insights, a market research organization, estimates that, based on the needs of these emerging technologies, the IC industry will usher in double-digit growth momentum in the next three years, and the semiconductor market will grow by more than 12% in 2021.

An important industry development trend worth mentioning is the arrival of the AI generation. In the application trend of AI, technology enterprises not only have actively rushed into self-made design "AI Chip" but also have actively developed AI infrastructure-public clouds, such as Google, Facebook, Microsoft, IBM, Nvidia, Amazon, Apple, Intel, Alibaba, Baidu, etc. In addition to wishing to have all kinds of plug-and-play AI basic service APIs (Application Programming Interfaces) from the underlying AI library, it is convenient to quickly assemble various artificial intelligence applications, and hope to integrate the technical components and services of AI to export in the form of industry to assist various industries to do AI for Industries. It is confirming that AI industrialization (industries for AI) can accelerate and expand the progress of AI for industries, and the success of AI for industries can nourish AI industrialization (industries for AI) too.

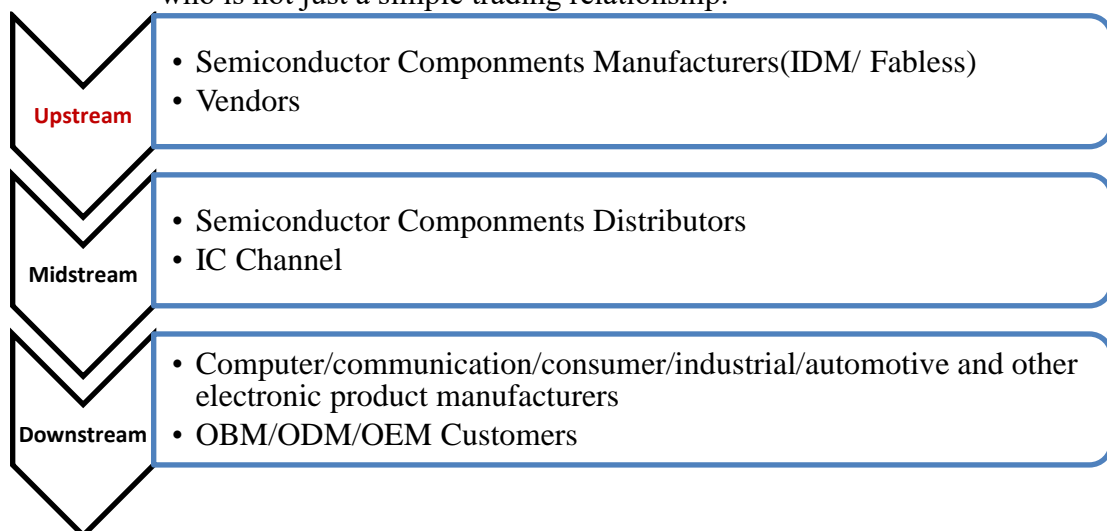
AI chips are a market that Taiwan's semiconductor industry must actively grasp. In the future, most artificial intelligence computing operations will be embedded in all information and communications' equipment in the form of semiconductors. This will have huge market opportunities, or even surpass the mobile phone market, and is expected to span decades until the next generation of artificial intelligence or information computing technology. As for cloud services, it is a pity that cloud services are not Taiwan's strengths due to the lack of globally competitive public cloud services, resulting in only serving cloud service hardware providers, such as servers and network equipment.

In the face of the COVID-19 epidemic, semiconductors underpin vital sectors of the economy, including health care and medical devices, telecommunications, energy, finance, transportation, agriculture, and manufacturing. They are the key components of the technologies that control critical infrastructure, such as water systems, the energy grid, and communication networks. They also underpin the IT systems that enable remote work and access to essential services across every domain, including medicine, finance, education, government, food distribution, and more. Ensuring the continuity of semiconductor and

related supply chains is necessary to support the even greater range of services that will be digitized in the coming weeks and months. Additionally, since the semiconductor supply chain is highly globalized, semiconductor shortages created by operating restrictions in one region cannot be readily made up by production in other regions. For these reasons, the semiconductor industry and its supply chain can be defined as "essential infrastructure" and /or "essential business" in real economic activities, and Weikeng Group plays an important role in the semiconductor distribution supply chain.

**(B) the links between the upstream, midstream, and downstream segments of the industry supply chain**

In the semiconductor industry, the upstream of the supply chain of IC components distributors is mainly manufacturers of various semiconductor components, and the downstream is mainly manufacturers of various electronic products, including OBM, ODM, and OEM. Distributors build a complete sales and technical service network for upstream manufacturing vendors, so that they need not directly to face with many customers, saving their sales and administration expenses, while also playing the role of information provider, forming an important communication channel with downstream electronic products manufacturers. At the same time, distributors can quickly provide the components and technical support to meet the demand of downstream customers, reduce their research and development costs, and make analysis and recommendations for market trends, while playing the role of multiple roles of suppliers, consultants and analysts. Therefore, distributors of semiconductor components frequently communicate with upstream and downstream manufacturers to provide professional supply chain management and technical support services for manufacturing vendors and customers, who is not just a simple trading relationship.



**(C) Product Trends and Competition**

a. Product Trends

In 2020, the Weikeng Group's sales of semiconductor components are based on the application fields of downstream clients. The products are mainly classified into computers and peripherals, network communications, consumer electronics, industrial control and

automotive electronics. By 2021, the above-mentioned application fields are still in demand, but due to the development of the global Coronavirus Disease 2019 (COVID-19) epidemic and the extension of regional trading brinkmanship, both of which are still the uncertain factors in the overall development situation of the semiconductor market in 2021, however, as the new coronavirus epidemic changes, “coronomics” and post-epidemic market demand, upstream technology suppliers must continue to focus on their long-term investments, maintain interaction with cooperative partners and potential customers, and take corresponding measures to grasp market opportunities, such as 5G, data centers, AI and the Internet of Things (IoT), autonomous driving, high-performance computing, and the intelligent edge, will become the basis for a comprehensive rise in the technical field.

b. Product Competition

At present, most of the international IDM and Fabless semiconductor manufacturers grant distribution rights, which are mostly duplex franchises contracts, not exclusive contracts, resulting in dozens of players who play the role of midstream semiconductor components distributors in the domestic semiconductor industry. In addition to the Company, the major distributors are WPG Holdings, Synnex Technology, WT Microelectronics, EDOM Technology, Promate, Zenitorn, Supreme etc.

C. An overview of Technologies and Research and Development Work

**(A) A listing of research and development expenditures as well as technologies and/or products successfully developed during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report.**

Year	2020	2021 (As of March 31)
Total Expenses (NT\$ thousands)	105,849	25,878

The Company has successfully won the franchises of product lines of well-known domestic and foreign semiconductor manufacturers, and has succeeded in maintaining or amplifying the continuation of the franchises after the integration of the upstream vendors under the plan and active effort of the "Business Development Division". The "FAE / AE Division" continues to establish a solid foothold in 3C electronic product applications. It also actively provides technical support of the relevant IC products to vendors and customers in emerging applications in order to expand the new business scopes of the Company, assist customers in saving product research development expenses and shortening time to market, enhance service levels, and strengthen the cooperation with the vendors and customers. In addition, the Solution Division” which is officially moving into the research development and design field and is responsible for the total reference solution of the products.

At this stage, the product solutions developed by the companies in the Group are mainly focused in 5G (Smart phones, Customer Premise Equipment (CPE), Open Radio Access Network (O-RAN), etc.),

artificial intelligence/Internet of things (AIoT), automotive electronics (including electric vehicles, electric locomotives, charging piles, etc.), consumer electronics, industrial control, Type-C power delivery, and various power products, but also devoted various resources to the application development of related product solutions, such as server/data center, motor control, battery energy storage management system, in-vehicle infotainment system and panel display human-machine interface, to facilitate the reference solutions for customers' products in time, which solutions are now available to customers.

**D. Long-term and Short-term Business Development Plans**

**(A) Long-term Business Development Plans**

- a. With the development trend of technology products, continue to create a triple win value

With the development trend of technology products, Weikeng Group continues to provide customers with competitive parts, technical support services, and the turnkey solution of new products, and achieve the goal of bridging the technology between upstream vendors and downstream customers through the intermediary of the Group companies, creating a triple value.

- b. Balance the risk and profitability of the operating scale

The operating scale of each company in the Group is increasing gradually. The sales mix of franchises must emphasize the cost-effectiveness and risk of working capital. Therefore, the operating management strategy must balance the management of operational risk and financial risk to facilitate the standardization of business and financing activities. In addition, the Group has to control the inventory purchase timing, inventory level management, and customer credit management, especially in the face of the risk of exchange rate fluctuations, and to avoid the exchange rate changes eroding the gross profit and management profit as much as possible to ensure that the Group achieves its profits.

- c. Timely increase the injection of equity capital

Based on operational needs, financial institutions are currently the main source of working capital, but the Group's financial leverage still requires a balance of its equity capital to build a better financial structure. Therefore, the Company and its affiliates within the Group will evaluate the balance between the financing activities and capital structure at any time, and raise its equity capital in a timely manner to take the balance between direct and indirect financing into consideration.

- d. Attach importance to compliance with laws and regulations for the import and export of strategic high-tech commodities

For the IC high-tech commodities of franchises, it may be in the scope of dual use for military and commercial purposes. Therefore, for the import and export of goods, customers, product classification and transactions must be screened to comply with the relevant import and export laws and regulations of Taiwan and the country where the vendor belongs, and exclude the possibility of trading objects for the production or development of nuclear weapons, biochemical weapons, missiles and other military weapons.

## (B) Short-term Development

- a. Cautiously face the problem of short supply in the semiconductor market in 2021

Facing the problem of short supply cautiously in the semiconductor market in 2021, Weikeng Group must fully grasp and feedback the customer demand schedule in terms of product and price strategy, actively coordinate with the upstream vendors, and make the best efforts to meet customer needs.

- b. Pay attention to the ``Coronomics'' and post-epidemic market demand

As the new coronavirus epidemic changes, timely assess the impact, and pay attention to the "Coronomics" and post-epidemic market demand, and take countermeasures to grasp market opportunities.

- c. Real-time grasp of the diversified strategies of customers' production bases and supply chains

Due to the trade brinkmanship and the COVID-19 epidemic, which affect the diversified layout strategies of customers' production bases and supply chains, as well as the cross-border movement in the Asia-Pacific region, the Group must strengthen support, service momentum and flexibility.

## (II) Market and Sales Overview

### A. Market Analysis

#### (A) Sales (Service) Region

Unit: NT\$ thousand

Area	2020	
	\$	%
Taiwan	5,614,082	9.61
China	49,044,599	83.96
Other Area	3,754,721	6.43
Total	58,413,402	100.00

#### (B) Main competitor

At present, most of the international IDM and Fabless semiconductor manufacturers grant distribution rights, which are mostly duplex franchises contracts, not exclusive contracts, resulting in dozens of players who play the role of midstream semiconductor components distributors in the domestic semiconductor industry. In addition to the Company, the major distributors are WPG Holdings, Synnex Technology, WT Microelectronics, EDOM Technology, Promate, Zenitorn, Supreme, etc.

#### (C) Market Share (%) of Major Product Categories in 2020

Item	Companies								
	Weikeng	WPG Holdings	Synnex Technology	WT Microelectronics	EDOM Technology	Promate	Zenitorn	Supreme	
Sales (1) (NT\$ Thousand)	58,413,402	609,885,871	334,200,976	353,152,195	108,522,967	26,710,813	34,401,169	137,509,979	
Market Share (%)	Domestic (2)	1.81	18.94	10.38	10.97	3.37	0.83	1.07	4.27
	Global (3)	0.45	4.70	2.58	2.72	0.84	0.21	0.27	1.06

Sources:

1. According to the above companies' financial report audited by CPAs for 2020.
2. According to the statistics of the Industrial Technology Research Institute, the output value of Taiwan's IC industry reached NT \$3.22 trillion in 2020.
3. According to the latest information released by the United States Semiconductor Industry Association (SIA), global semiconductor sales in 2020 totaled US \$ 439 billion (equivalent to NT\$12.97 trillion).

**(D) Demand and Supply Conditions for the Market in the future, the Market's Growth Potential**

**a. Supply Conditions**

Since the industry of semiconductor and its supply chain have been regarded as "essential infrastructure" and / or "essential business" in real economic activities. Upstream semiconductor manufacturers and pure-play wafer foundries have made great efforts to develop advanced processes and packaging technologies for the design and manufacture of semiconductor components, and hope that the supply of semiconductor components developed by advanced technologies can create or meet demand in new application fields.

One of the tasks of the semiconductor components distributors is to bridge the upstream vendors' advanced technologies of semiconductor development. In addition to satisfying downstream customers' derived demand and playing the role of a professional and value-added provider of "demand creation" in the semiconductor industry.

The suppliers of semiconductor components distributors are the upstream semiconductor components manufacturers (IDM or Fabless), and the rise and fall of the output value of the semiconductor industry directly affects the supply side. As the COVID-19 epidemic has not yet seen its end, distance- using needs have greatly increased, and the demand for digital economy has accelerated, which has driven the application market's demand for semiconductor chips to a significant increase and caused the entire supply chain to be in short supply; silicon wafers, production capacity of foundries, as well as packaging and testing are showing tightness and even a shortage of goods. This phenomenon began in the second half of 2020 and has continued to 2021. It may not be able to effectively improve even before the end of this year, that has made it difficult for the supply side of the semiconductor industry to keep up with demand, and it is expected that the shortage of chips will continue until at least the end of this year.

Therefore, the semiconductor market in 2021 will show a demand growth rate greater than a production capacity growth rate. At present, pure-play wafer foundries are actively adjusting production capacity or building new wafer fabs, but the cost of building new wafer fabs is high and there is a waiting period for construction. Therefore, it may not be possible to wait for new wafer production capacity to meet market demand. Facing the aforementioned supply and demand situation, pure-play wafer foundries have begun to balance market supply and demand through price increases, but the problem has gradually spread to IC chip suppliers (the Company's franchises vendors), to adjust the short supply situation in the IC chip market, chip suppliers have also extended the delivery time by at

least 90 days. In summary, the semiconductor market in 2021 will face the problem of insufficient wafer production capacity, which has caused chip suppliers to adjust the practice of extending product delivery; in other words, the market will have supply not keeping up with demand, and existing demand will be delayed, but new demand for applications will continue to occur, which will result in crowding out, capacity grabbing, and intensive communication with the supply chain. The problem of chip supply shortages may continue until the third or fourth quarter of 2021, and that will be a variable in the semiconductor market in 2021. The main reasons for the current shortage in the chips market can be summarized as follows:

- ① The COVID-19 epidemic may cause some chip manufacturers' inventories to be unable to ship as scheduled, and supply chain inventory accumulation.
- ② The continuing dispute over the US-China trading brinkmanship policy has caused the supply chain and competitors in the regional market to expect market shares to shift, and which uncertain factor may lead to overbooking; especially in the 28nm mature scaling of semiconductors, there may be overbooking phenomenon.
- ③ The COVID-19 epidemic is accelerating digital transformation, and changing in work and life patterns have led to an increase in semiconductor demand.

As Taiwan's semiconductor industry continues to grow in importance in the global supply chain, the overall supply chain advantage created by its overall professional specialization, and advanced scaling processes ahead of global competitors; In 2021, the global semiconductor industry is coinciding with the booming super cycle, and Taiwan's semiconductor industry has acted as the center of the international semiconductor industry, but Taiwan is facing a water shortage problem. Whether this can be resolved in time will affect the global supply chain, or even cause serious shocks. This will be the focus of urgent observation on the supply side of the semiconductor industry in the future.

Reflected in statistics, the Taiwan Industrial Technology Research Institute estimates that the total output value of Taiwan's semiconductor industry will grow to NT\$3.5 trillion in 2021, with an annual growth rate of 8.3%; and in 2030, it will reach a historical peak of NT\$5 trillion. Since the beginning of 2021, the global COVID-19 epidemic has continued to drive the emergence of distance-using business opportunities. In addition, the time sequence has entered the accelerated development period of the 5G generation. The increase in 5G mobile phone specifications has led to a significant increase in semiconductor contents, such as power management ICs, MOSFETs, fingerprint recognition, and sensor ICs, driver ICs, etc. In Taiwan, the mature 28nm scaling and 8-inch wafer foundry have already experienced supply chain shortages and price increases. Even the shortage of automotive chips in Germany, the United States, and Japan has also turned to Taiwan's foundries for help. The pure-play wafer foundries also promised to

put forward a supporting plan to meet the government's request to support automotive chips as much as possible, including optimizing the production line so that the production line can increase the production capacity to 102%, 103%, and increase the proportion of automotive chips support to let the demand for automotive chips can be met, and at the same time, coordinating whether other chip demand manufacturers agree to allocate chip production capacity to automotive users is an indication of the tight supply-side production capacity.

In order to respond to demand, the global semiconductor industry will continue to invest in related equipment, processes and materials; major international semiconductor equipment manufacturers, such as Applied Materials, Lam Research, KLA and ASML, estimated that the capital expenditure investment of related equipment in the global semiconductor industry will fall at around US\$70 billion in 2021. The International Semiconductor Industry Association (SEMI) predicts that fab equipment expenditures in 2021 will be US\$ 72.1 billion, an increase of 5% from US\$ 68.8 billion in 2020. Leading foundry manufacturers hope that capital expenditures for equipment investment will increase to ensure and expand future capacity supply, and maintain market share and technological leadership, such as TSMC (CapEx of US\$30 billion in 2021, and US\$100 billion will be invested within three years) and Samsung (CapEx of US\$29.6 billion in 2021). Take TSMC, the world's leading pure-play foundry manufacturer, as an example. In addition to the significant increase in capital expenditures in 2021, it will ensure that 3nm, 2nm or even 1nm scaling technology continues to lead, allowing integrated circuit's power consumption, performance and transistor density continue to improve; also in extreme ultraviolet (EUV) lithography technology, to solve the problem of extreme power consumption of EUV, it has also achieved a breakthrough in 350W lighting source technology, which will support 5 nm mass production or even 1nm node; there is no less than competitor in terms of material technology innovation, low-dimensional materials, including 2D materials such as hexagonal boron nitride (hBN), are close to achieving mass production and advancing chip technology; and in order to create 3D chips, 3D chip stacking will be achieved through SoIC (system on IC) and low-temperature bonding processes.

#### b. Demand Conditions

Semiconductor components are the key essential production elements for the production of various electronic products. The intensity of demand for electronic products by consumers, enterprises, governments, or other institutions is often directly related to changes of macroeconomic prosperity or technological development trends, and thus the related consumer procurement and infrastructure investment needs for various types of electronic products. Therefore, the demand for semiconductor components is the "derived demand" for all kinds of finished electronic products. The demand faced by distributors of semiconductor components is to supply manufacturers of electronic products such as computing, network communications,



consumer, industrial, automotive, and other new technology applications, including OBM, ODM and OEM factories.

The correlation between the semiconductor industry boom and the global economic growth rate is highly linked. Once the global economic prosperity is not good, which will also affect the demands of the semiconductor industry. Therefore, the demand development of the semiconductor industry in 2021 will be closely related to the development of the COVID-19 epidemic and its containment. Policymakers in many countries have implemented large-scale, timely, and targeted fiscal, monetary and financial policies, including credit guarantees, liquidity facilities, loan forbearance, expanded unemployment insurance, enhanced benefits, and tax relief, have been lifelines to households and businesses, so as to make the economy recover as quickly as possible and stimulate demand. In addition, the major economies have begun to vaccinate against COVID-19, which is expected to boost economic activity later 2021 and drive global economic growth. Therefore, the International Monetary Fund (IMF) estimated in April 2021 that the global economy shrank by 3.3% in 2020, and then it is expected to grow by 6.0% and 4.4% in 2021 and 2022, respectively (please refer to the below table). Accordingly, the economic prospects of all major economies are showing a trend of recovery and growth, which also supports the semiconductor market demand.

## Latest World Economic Outlook Growth Projections

(real GDP, annual percent change)	PROJECTIONS		
	2020	2021	2022
<b>World Output</b>	<b>-3.3</b>	<b>6.0</b>	<b>4.4</b>
<b>Advanced Economies</b>	<b>-4.7</b>	<b>5.1</b>	<b>3.6</b>
United States	-3.5	6.4	3.5
Euro Area	-6.6	4.4	3.8
Germany	-4.9	3.6	3.4
France	-8.2	5.8	4.2
Italy	-8.9	4.2	3.6
Spain	-11.0	6.4	4.7
Japan	-4.8	3.3	2.5
United Kingdom	-9.9	5.3	5.1
Canada	-5.4	5.0	4.7
Other Advanced Economies	-2.1	4.4	3.4
<b>Emerging Market and Developing Economies</b>	<b>-2.2</b>	<b>6.7</b>	<b>5.0</b>
Emerging and Developing Asia	-1.0	8.6	6.0
China	2.3	8.4	5.6
India	-8.0	12.5	6.9
ASEAN-5	-3.4	4.9	6.1
Emerging and Developing Europe	-2.0	4.4	3.9
Russia	-3.1	3.8	3.8
Latin America and the Caribbean	-7.0	4.6	3.1
Brazil	-4.1	3.7	2.6
Mexico	-8.2	5.0	3.0
Middle East and Central Asia	-2.9	3.7	3.8
Saudi Arabia	-4.1	2.9	4.0
Sub-Saharan Africa	-1.9	3.4	4.0
Nigeria	-1.8	2.5	2.3
South Africa	-7.0	3.1	2.0
<b>Memorandum</b>			
Emerging Market and Middle-Income Economies	-2.4	6.9	5.0
Low-Income Developing Countries	0.0	4.3	5.2

Source: IMF, *World Economic Outlook*, April 2021

Note: For India, data and forecasts are presented on a fiscal year basis, with FY 2020/2021 starting in April 2020. India's growth projections are -7.1 percent in 2020 and 11.3 percent in 2021 based on calendar year.

Based on the aforementioned semiconductor industry overview and product development trend analysis, as well as the foundation for industrial growth in 2020 and the prospects for recovery in major global economies in 2021, the market research organization IC Insights estimates that based on the needs of emerging technologies, such as cloud computing, 5G technology, artificial intelligence(AI), virtual reality, the Internet of Things(IoT), autonomous driving, robotics, etc., the IC industry will usher in double-digit growth momentum in the next three years, and the semiconductor market will grow by more than 12% in 2021. Therefore, there will be positive expectations for the IC industry's future demand; IC Insights' January 2021 research report also listed the top ten growing integrated circuit (IC) market in 2021 (please refer to the summarized in the following table ).

Rank	Top 10 Growing IC Market 2020-2021(F)			
	2020	YoY	2021(F)	YoY
1	Wireless Communication-Special purpose Logic	28%	DRAM	18%
2	Computer and peripherals-Special purpose Logic	26%	NAND Flash	17%
3	Cellphone Application MPUs	24%	Auto-Application Specific Analog	16%
4	NAND Flash	24%	Auto-Special Purpose Logic	16%
5	Wired Communication Application-Specific Analog	18%	Embedded MPUs	15%
6	Display Drivers	10%	Display Drivers	11%
7	Industrial/Other- Special purpose Logic	10%	Wired Communication-Application Specific Analog	11%
8	Wired Communication-Special purpose Logic	10%	32-bite MCU	10%
9	Auto-Special Purpose Logic	9%	Computer and peripherals-Special purpose Logic	10%
10	-		Wireless Communication-Special purpose Logic	10%

Source: IC Insights Jan. 28, 2021  
Rankings apply to IC product categories with more than \$100 million in annual sales.

### c. The Market's Growth Potential

Entering 2021, in addition to the ongoing trade conflict between the US and China, the COVID-19) epidemic is spreading globally. Not only does it influence the current international situation, but it also has an impact on the future global industrial chain, however, ideas and demands for future technological development have already flooded with our lives.

In terms of technological development, the key element of any technological equipment or device is a semiconductor component, which controls and executes multiple functional requirements of the

equipment or device through the compilation process of the instruction set architecture. The fields of applications of semiconductors cover smartphones, automobiles, networks, edge computing, cloud data, industrial automation, smart homes and various consumer electronic products. The industry's demand for the development of key semiconductor technologies and the supply of components is increasing, driving the overall potential market stability expansion.

In the global economic trend, the rise of the digital economy will promote the new direction of economic activities and industrial development. With the Information and Communication Technology (ICT) and manufacturing technology in place, it will be able to integrate front-end sensing, Internet of Things (IoT) communication technology, virtual and real integrated systems, cloud computing, big data analysis, etc., to improve production efficiency, respond to flexible production and solve problems such as lack of work, and lead future industrial innovation.

The COVID-19 epidemic has accelerated the digital economy even more! Since 2020, with the global spread of the COVID-19 epidemic, the digital economies that were originally expected to be popularized in 10 years, such as online teaching, telemedicine, unmanned vehicles, has arrived early due to the impact of the epidemic. In order to implement epidemic prevention, it has catalyzed the mature development of technologies including distance working, digital finance, and digital learning, and even a diversified business model of online e-commerce.

To analyze the technological trends of the semiconductor industry and its future growth potential in terms of the following perspectives, such as 5G "Scalization", computing "Edgelization", wafer manufacturing "Heterogeneization" integration, chip "Specialization", instruction set architecture "Openness", MEMS/Sensor "Fusion", and "Acceleration" of 3<sup>rd</sup> generation semiconductors.

1. 5G "Scalization" in business will drive the development of 5G mobile phones, base stations, VR / AR equipment, and emerging applications such as Industry 4.0, autonomous driving, and medical treatment.

High data rate, large capacity and ultra-reliable low-latency are the distinguishing characteristics of 5G networks. The 3<sup>rd</sup> Generation Partnership Project( 3GPP) has defined three major technologies and applications for 5G, including (A) enhanced Mobile Broadband Communication (eMBB), which is mainly aimed at 3D / Ultra High Definition Video, VR / AR and other applications, (B) massive Machine Type Communications (mMTC), mainly for Internet of Things applications such as smart wearables, smart homes, smart cities, Internet of Vehicles and industrial Internet of Things, and (C) ultra-Reliable and Low-Latency Communications ( uRLLC), mainly for high reliability and key applications such as autonomous driving, industrial automation and mobile health.

The increasing maturity of 5G technology and the large-scale commercial deployment of 5G networks will drive the technologies' development and popularization of application fields such as artificial intelligence (AI), big data and cloud computing in emerging video games, VR/AR, AIoT, autonomous driving, smart cities, industry 4.0, and medical imaging. 5G technology can also target private clouds for manufacturing companies, boosting the development of Industry 4.0, the Industrial Internet of Things, and industrial big data, while ensuring the security of enterprise data. In addition, 5G will also drive the accelerated landing of Internet of Vehicles and ADAS / autonomous driving, and provide high-speed, stable and safe data transmission for emerging applications such as telemedicine and medical imaging.

When 5G engages in mass commercial stage, it will first drive the rapid development, technological innovation and mass shipment of chips and electronic components for 5G mobile phones, wireless base stations and communication network systems, including 5G mobile modems Baseband chip, application processor (AP), GPU and AI accelerator, RF components and filters, image sensor / camera, and antennas. In the meantime, 5G base stations are prone to shortcomings such as signal attenuation and short transmission distance because 5G networks must work in higher frequency (sub-6GHz, sub-7GHz or millimeter wave band) environments, forcing telecom operators to deploy and install at least 3 times the number of 4G base stations can achieve full coverage, which increases the demand for fundamental frequency digital signal processing components, RF components, power amplifier components, antennas, and power management components.

2. The trend of computing "Edgelization" gives more AI and computing capabilities to edge devices, while providing more opportunities for SoC design companies, it also proposes higher PPA (Performance, Power, and Area) requirements.

The decentralization and fragmentation of IoT applications have put great pressure on the transmission network bandwidth and cloud computing capabilities, forcing IoT terminal devices to have the ability to process data in situ. In addition to driving the rise of edge computing, this demand can also improve the performance of microprocessors at the core of edge devices, and correspondingly increase AI processing capabilities. Edge computing can collect and analyze data on IoT devices, make quick reasoning (or decision making), and then only transfer a small amount of useful data to the cloud, which can reduce delay time, bandwidth consumption and costs, and can quickly make decisions based on data analysis. Even if the system is offline, edge computing can continue to operate, processing data in real time and determining which data should be sent to the cloud for further analysis.

As the edge of the Internet of Things or the heart of the terminal

equipment, the SoC must not only have better performance, but also have the lowest power consumption and occupied area, that is, it needs to achieve the best PPA. The traditional general-purpose MCU / MPU / CPU has been difficult to meet different application scenarios and PPA requirements, and the innovation of technology and business models in the field of edge computing can unleash the potential of AI and computing power. In addition, different application scenarios have different requirements for software and AI algorithms. Although it is technically feasible to add AI inference functions on the edge side, customized chips are needed to implement processors with AI-enhanced performance.

3. Heterogeneous Integration Design Architecture System (HIDAS) has become an innovative driving force for IC chips.

It is possible to integrate dies of different processes and properties through packaging and 2.5D/3D stacking technologies, making chiplet likely to become a new IP for chip design and manufacturing in the post-Moore's Law era. The development of HIDAS enables many heterogeneous chips to be integrated in the same package, including logic circuits (Logic), radio frequency (RF) circuits, MEMS (Micro Electro Mechanical System), sensor, etc., through technologies such as AI, Internet of Things or 5G, can extend Moore's Law economy and allow the semiconductor industry to continue to advance.

4. "Specialization of the chip" opens the application-oriented design concept of customized chips. AI chips will become massive data processing accelerator for data centers, communication terminal equipment and specific application products, including automatic driving, head-mounted AR / VR, drones, robots.

In order to grasp the business opportunities of the application market of AI, many technology companies are actively rushing into the self-designed "AI chip", such as Google's Tensor Processing Unit (TPU), Microsoft's Field Programmable Gate Array, FPGA) vision chip, IBM's humanoid chip TrueNorth, Nvidia's Graphics Processing Unit(GPU), Apple's neural network processing chip (Neural-network Processing Unit; NPU), Intel's Nervana neural network processor (NNP, Neural Network Processor), Alibaba Neural Network Processing Chip (Ali\_NPU), Baidu 's Kunlun. These are all examples of custom-developed AI chips for specific needs by software, algorithms and application orientation. From general-purpose CPUs, GPUs and FPGAs to the development of dedicated SoC and AI accelerator chips to cope with the massive data processing challenges of a variety of emerging applications, including high-performance computing in data centers, extensive and fragmented IoT application scenarios, autonomous driving and industrial 4.0, and to meet the processing and use requirements for immediate processing and decision-making.

5. The "Openness" of computing architecture stimulates open source hardware innovation, and the rapid development of the RISC-V ecosystem influences the global chip design community and Arm

ecosystem.

Moore's Law, which has dominated the development of integrated circuits for many years, is ending gradually, and the Von Neumann architecture that has supported the development of computers for many years has also begun to highlight its limitations. General-purpose CPUs, GPUs, FPGAs, and ASICs have their own expertise and limitations, resulting in heterogeneous computing increases the complexity of the operation. To meet these challenges posed by emerging applications, which needs to innovate architecture fundamentally.

The 5th generation Reduced Instruction Set Computer (RISC-V) is an instruction set architecture (ISA) with the main features of high quality, no license fees, no royalties, etc. The main difference between the RISC-V architecture and other mature commercial architectures is that it is a modular architecture. Therefore, the RISC-V architecture is not only short and sophisticated, but its different parts can also be organized together in a modular type, thus trying to meet a variety of different applications through a unified architecture.

The mainstream computing architecture of AIoT will be RISC-V, which will also lead the design and development of mainstream chips. Arm has felt the pressure and started to make changes, such as opening up customized instructions, as well as more cooperation with industry partners in the field of Internet of Things and autonomous driving.

6. MEMS/Sensor "fusion" combined with AI and edge computing will make mobile phones, cars, factories, cities and homes more intelligent.

MEMS/Sensors play a key role in the process of connecting the analog and digital world. With the penetration of AI in the Internet of Things and the enhancement of edge computing capabilities, as well as the popularity of MEMS/Sensors in more key applications, the future development trend will advance with higher accuracy, lower power consumption, smaller size, higher reliability, higher efficiency and smarter.

The key to "Sensors Fusion" is to emphasize that the system depends not only on one sensor, but also on multiple sensor inputs. Whether it is smartphones, autonomous vehicles, smart cities, factories of the future, or healthcare, the sensing subsystem includes various sensor types that need to measure parameters such as temperature, pressure, proximity, and location, as well as various chemical substances and gas indicators to achieve a closed-loop system that tracks, interprets and feeds back relevant information. Taking autonomous vehicles as an example, the fusion of camera vision and radar imaging sensors is required to provide drivers and passengers with sufficient confidence and safety.

7. The "Acceleration" of 3<sup>rd</sup> generation semiconductors, empowering 5G RF, electric vehicles and wireless/ fast charging. Semiconductor materials have gone from the first generation of

Si, the second generation of GaAs, and to the third generation is dominated by GaN and SiC so far. GaN/SiC is a wide band gap (WBG) semiconductor material, which can withstand high voltage, high frequency and high temperature operating conditions better than traditional silicon semiconductor materials, and has better energy conversion efficiency, which combines the four excellent characteristics of good heat dissipation, small size, low energy consumption and high power. Whether it is lighting, home appliances, consumer electronic equipment, new energy vehicles, smart grids, or military supplies, there is a great demand for this high-performance semiconductor material.

In the 5G mobile communication system, the data transmission rate of base stations and mobile terminals is faster than that of 4G, and the spectrum utilization of modulation technology is also higher, which raises higher requirements for RF front-end components and modules. At present, mainstream Silicon-based laterally diffused metal oxide semiconductor (LDMOS) material and GaAs materials are not as good as GaN in high frequency characteristics. Therefore, whether it is a silicon substrate or a SiC substrate, GaN will achieve rapid development driven by 5G. In addition, the fast and efficient charging requirements of electric vehicles and portable electronic products will also drive GaN power components to the mass market, gradually replacing traditional silicon power components.

The rapid development of electronic technology often drives the explosion of semiconductor components demand. In addition to existing product demand solutions for customers in computing, communications, consumer electronics, industrial and automotive electronics, etc., the Company and its affiliates also fully cooperated with upstream vendors and downstream customers to actively grasp relevant product solutions with growing business opportunities, such as cloud or edge applications, industrial AI applications, Internet of Things applications, 5G applications and other technical requirements, will allow the Group's business opportunities to stand out in time in the future.

**(E) The Company's Competitive Niche**

a. Completed product line portfolio

With years of accumulated marketing experience in electronic components and a keen judgment on the trend of the electronic component market, the Company has developed into a professional electronic component distributor, cooperating with world-class original manufacturers, such as AMD, Amazing, Dialog, Infineon, Lattice, Microchip, Molex, NXP, Sinopower, Vishay, Western Digital, etc. The Company classifies the franchising products into chipsets/application-specific integrated circuit(ASIC), mixed signals and discrete components according to product characteristics, covers the scope of applications in 3C, industrial , automotive, industrial AI, Internet of Things, cloud / edge, 5G application etc., and has become the main agent distributor of the major suppliers.

b. Affirmed Demand Creation ability

The Company can quickly grasp the latest developments in the technology market, communicate the latest product solution information and provide timely services to customers, and often invite professionals or suppliers to organize relevant product and industry information seminars, such as new product launches, new technologies trend seminars, etc., to enable customers to participate in discussions and keep up to date. To provide a full range of technical services for product solutions, quickly respond to customers' technical problems with components, and also save customers' R & D and design costs and shorten the time to market for new products, the Company and its subsidiaries have established the FAE division and Solution division to dedicate the demand creation of clients, providing professional technical services and R & D design. Upstream vendors and downstream customers have repeatedly affirmed this professional demand creation ability, which is an important competitive advantage in stabilizing franchises' rights and obtaining new project orders from customers.

c. Strong management team

The Company's management team demonstrates the spirit of teamwork with the professional spirit of "Bridge Technology and Creating Value" with a view to enhancing the Company's market competitiveness. In addition, the companies within the Group attach importance to the cultivation and development of management echelon; have cultivated usable business and administrative talents in each operating area, and those who have begun to demonstrate the experience of leadership and management. At present, the management team has a very good business philosophy and tacit understanding, coupled with the Company's long-term commitment and dedication to the electronic components channels, the management team continues to think about the business strategy of electronic components distribution, creating a market for channels value.

d. Solid network of marketing channels

The Weikeng Group's business focuses on deeply cultivating the Asia-Pacific region market. Business is solid, even though its scale is not the largest among its peers. In order to meet the customer's concern in the timeliness of supply, the flexible use of inventory dispatching in response to the downstream customer's demand of components in overseas factories. In addition to Taiwan, Weikeng Group has established subsidiaries in Hong Kong, China and Singapore, which are responsible for business marketing and technical services in the Greater China region (Taiwan, Hong Kong, China) and Southeast Asia markets. With the business covering the Asia-Pacific region and the distribution locations empowering a complete marketing system, the Group forms a solid sales channel and technical service base, which can not only effectively enhance the substantial competitiveness of the Company and customers, but also empower the strength to win the franchise rights of new product lines.

**(F) Positive Factors Negative Factors and the Countermeasures to**



## such Factors

### a. Positive Factors

#### 1. Viewed as essential infrastructure and / or essential business

Since the industry of semiconductor and its supply chain have been regarded as "essential infrastructure" and / or "essential business" in real economic activities. Upstream semiconductor manufacturers and wafer manufacturing plants have made great efforts to develop advanced processes and packaging technologies for the design and manufacture of semiconductor components, and hope that the supply of semiconductor components developed by advanced technologies can create demand in new application fields. One of the tasks of the semiconductor components distributors is to bridge the upstream vendors' advanced technologies of semiconductor development. In addition to satisfying downstream customers' derived demand and playing the role of a professional and value-added provider of "demand creation" in the semiconductor industry.

#### 2. Great potential for application market growth

In terms of technological development, the key element of any technological equipment or device is a semiconductor component, which controls and executes multiple functional requirements of the equipment or device through the compilation process of the instruction set architecture. The fields of applications of semiconductors cover smartphones, automobiles, networks, edge computing, cloud data, industrial automation, smart homes and various consumer electronic products. The industry's demand for the development of key semiconductor technologies and the supply of components is increasing, driving the overall potential market stability expansion.

In the global economic trend, the rise of the digital economy will promote the new direction of economic activities and industrial development. With the Information and Communication Technology (ICT) and manufacturing technology in place, it will be able to integrate front-end sensing, Internet of Things (IoT) communication technology, virtual and real integrated systems, cloud computing, big data analysis, etc., to improve production efficiency, respond to flexible production and solve problems such as lack of work, and lead future industrial innovation.

An important industry development trend worth mentioning is the arrival of the AI and 5G applications. The rapid development of electronic technology often drives the explosion of semiconductor components demand. In addition to existing product demand solutions for customers in computing, communications, consumer electronics, industrial and automotive electronics, etc., the Company and its affiliates also fully cooperated with upstream vendors and downstream customers to actively grasp relevant product solutions with growing business opportunities, such as cloud or edge applications, industrial AI applications, Internet of Things applications, 5G applications and other technical requirements, will allow the Group's business opportunities to

stand out in time in the future.

3. Stable franchises rights

The Company has maintained a good cooperative relationship with upstream vendors that have granted franchises rights of product lines. According to the years of cooperation experience, the world-renowned manufacturers rely more on the Company's professional sales capabilities and are more conducive to the Company's business development.

b. Negative Factors and the Countermeasures to such Factors

1. Short product life cycle

The life cycle of electronic products is short, and the generation of replacements for new products will test the Company's ability to manage inventory and master product information. The countermeasures made by the Company are:

- (1) The business department must hold business meetings regularly or irregularly to review the supply and demand of the market and the needs of customers, to ensure a firm grasp of the life cycle status of the customer's product plan, and establish corresponding preventive measures to adjust the stock level.
- (2) In light of market product trends and technology trends, the Company sets the future development direction, grasps opportunities, actively obtains the franchises rights of star products, and creates new customers to optimize the connection of the product portfolio to master the growth opportunity of replacing aged products with new ones and reduce risk.

2. External factors interfere with economic activity

Since 2020, there have been black swans in global economic activities to interfere with normal operations. For example, the continuation of trade brinkmanship and the outbreak of the new coronavirus epidemic have influenced the normal activities of the global economy, which has suppressed the growth opportunities of the semiconductor industry and increased the Company's operations risk. The countermeasures made by the Company are:

- (1) Do a good job of epidemic prevention management to ensure the health of employees, so that the Company can continue to operate normally; and continue to strengthen communication and rewards with employees.
- (2) Regularly review the Company's internal operation management, inspect the impact, and establish a rapid response channel for the communications of crisis events. The communication objects include employees, management teams, customers, and business partners to maintain the Company's normal operations.
- (3) Being loyal to customers, in the face of severe downturns, can effectively assist customers in solving supply chain problems, or even provide warnings, which will deepen the customer's close relationship.
- (4) In light of the technological development trend, the product strategy of continuous development of new product franchising rights and research and development of new product solutions continues to deepen, accumulating subsequent strength to stand

out.

- (5) Exchange market information with upstream vendors and downstream customers without interruption due to interference factors, so as to grasp the opportunity dynamics.
- (6) The management of operating risks caused by interference factors must be strengthened, such as customer credit, exchange rate and inventory risk management. Take the prudent and proactive handling policy as the guiding principle, focus on cash management to enhance liquidity, and reduce the capital consumption rate.
- (7) Strengthen IT's ability to distance working, and ensure that both system operation and network security are compatible.

**B. Production Procedures of Main Products**

**(A) Products and Their Main Uses**

The Company classifies the franchising products into chipsets/application-specific integrated circuit(ASIC), mixed signals and discrete components according to product characteristics, and their main uses of applications segment and client products are as the below table.

Application Segment	Client Products
Computing	PC, NB, MB, AIO, Server, 2-in-1 NB, Enterprise Storage, Mining Machine, AI, Data Center · Edge Computing
Industrial	IPC, UPS, BMS, Motor Control, Charging Stations, Drone, POS, VF Pump, E-Tools, Lighting, Surveillance (DVR/NVR), Welding machine, Aero modeling, Textile machine, PLC, Metering, Smart Grid, Wind Power, Solar Inverter, Server Power, Instrumentation, Telecom Power, Medical
Consumer	Smart Speaker, AR/VR, IoT Devices, STB, Projector, Headphone, Smart phone, eReader, Tablet, PND, LCD TV, Media Player, Wearable, Home appliance, White Goods, Alarm, Home automation, e-Lock, Toy, IP CAM
Communication	Ethernet Switch, Gateway, WiFi AP Router, xDSL, NIC, GPON/EPON, Cable Modem, STB, Femtocell, 4G/5G Base Station
Automotive	BMS, BCM, Dashboard, RKE, ADAS, TPMS, Infotainment, Power Window, TBOX, HUD

**(B) Major Products and Their Production Processes.**

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

**C. Supply Status of Main Materials**

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

**D. Major Suppliers and Clients**

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

Unit: NT\$ thousands

Item	2019				2020				2021 (As of March 31)			
	Company Name	Amount	%t	Relation with Issuer	Company Name	Amount	%	Relation with Issuer	Company Name	Amount	%	Relation with Issuer
1	TV007	8,598,020	18.90	None	TV007	10,147,317	19.25	None	TV007	2,767,044	19.06	None
2	TV002	4,931,860	10.84	None	TV001	5,559,900	10.55	None	TV001	1,555,629	10.72	None
3	TV001	4,876,701	10.72	None								
4	Others	27,080,833	59.54		Others	37,015,158	70.20		Others	10,191,208	70.22	
	Net Total Supplies	45,87,414	100.00		Net Total Supplies	52,722,375	100.00		Net Total Supplies	14,513,881	100.00	

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

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

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

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

**E. Production in the Last Two Years**

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

**F. Shipments and Sales in the Last Two Years**

Unit: NT\$ thousands; Quantity: thousands

Shipments & Sales Major Products	Year	2019				2020			
		Local		Export		Local		Export	
		Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount
Chipsets / ASIC Components		11,962	1,849,155	481,593	18,119,450	16,439	1,934,216	533,916	22,173,572
Mixed signals and Discrete components		267,784	1,851,613	6,023,269	26,388,440	332,583	2,822,683	7,180,674	31,410,143
Labor services, Commissions and Others			59	17	15,369		763	5,765	72,025
Total		279,746	3,700,827	6,504,879	44,523,259	349,022	4,757,662	7,720,355	53,655,740

### (III) Human Resources

Year		2019	2020	2021 (As of March 31)
Number of Employees	Business Division	685	707	713
	FAE & RD Division	230	238	234
	Administration Division	234	237	237
	Total	1,149	1,182	1,184
Average Age		36.64	38.13	38.53
Average Years of Service		6.48	7.49	7.58
Education (%)	Ph.D.	0.09	0.09	0.09
	Masters	6.09	6.32	6.25
	Bachelor's Degree	82.42	81.70	82.00
	Senior High School	9.48	9.94	9.97
	Below Senior High School	1.92	1.95	1.69

### (IV) Disbursements for environmental protection

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

Weikeng Group is principally engaged in the IC distributors industry, and its main business is the trading electronic components & Peripheral Products distribution and technical support, where the Group has not the manufacturing behavior and there are no environmental pollution issues and any losses due to environmental pollution during the most recent year and up to the annual report publication date.

### (V) Labor Relations

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

#### (A) Implementation of welfare measures

- a. Executed by the Company:
  1. Participate in labor insurance, national health insurance, group accident/ hospitalization/ cancer medical insurance, and employee travel safety insurance according to law ;
  2. Marriage, funeral and maternity benefits ;
  3. Encourage and subsidize employee on-the-job training courses ;

4. Annual employee health check ;
  5. Physician consultation service every two months (3 hours) ;
  6. Signed a childcare contract with a nearby kindergarten to facilitate childcare at work ;
  7. According to the Company's articles of association, the net profit before tax of 6%~10% is allocated to employees ' remuneration, and after the report of the annual shareholders' , it is distributed to employees according to the factors such as employee performance evaluation, contribution, job level and other factors ;
  8. Sales and FAE personnel subsidies, including transportation costs, mobile phones, parking costs, and laptop purchases.
- b. Executed by the Company's Employee Welfare Committee:
1. Encourage employees to form associations, participate in activities to regulate the body and mind ;
  2. Organize and subsidize employee travel, recreational activities, movie enjoy ;
  3. Signed a contract with a special store to give company employees a discount ;
  4. Gift vouchers for Dragon Boat Festival, Mid-Autumn Festival and birthday ;
  5. Holding year-end party, lotteries and family day activities.

**(B) Situation of further education and training**

- a. Executed by the Company:
1. Regular training for new colleagues:
    - (1) Let new colleagues understand the Company's corporate philosophy and core values;
    - (2) Legal affairs and corporate governance requirements;
    - (3) Introduction of job functions of every department, requirements of network information security and intellectual property rights protection, and other matters needing attention;
    - (4) On the Job Training (OJT) of his own department, focusing on job functions and ERP operations.
  2. Working skills improvement training:
 

In response to the workflow, advanced ERP system program function or management requirements, etc., the plan host executes the training courses of working skill improvement to strengthen the essential learning ability of employees, enhance work efficiency, and advance work value of colleagues.
  3. Leadership training:
 

For the education and training of management supervisors, to strengthen the leadership thinking and management knowledge of supervisors, recognize the Company's value, and cultivate management echelon.
- b. Participate in courses of external training institutions
1. Encourage colleagues to participate in professional skills or new knowledge training courses organized by external institutions, to apply what they have learned in working processes or management, so that employees and companies can achieve a win-win goal.

2. After the approval, the Company will subsidize the training cost, and encouragement to obtain the relevant professional license qualifications. Those who have obtained relevant professional license qualifications and are evaluated as having added value to the Company' operations will receive professional awards.
3. In 2020 and as of the end of March 2021, our colleagues have participated in external training courses. The summary is as follows:

Participating Department	Courses Outline	Training Institution	Training Period
Accounting	<ol style="list-style-type: none"> <li>1. Discussion on the fiscal and tax laws and cases of enterprise mergers and acquisitions</li> <li>2. Revisions and practical analysis of the latest corporate finance and taxation laws and regulations</li> <li>3. Comparison, legal liability and case analysis between the "Economic Espionage Crime" of the United States and Taiwan's "Business Secret Law"</li> <li>4. The latest development trend of corporate governance and performance evaluation practices</li> </ol>	Accounting Research and Development Foundation	2020/1
	<ol style="list-style-type: none"> <li>1. Analysis of the validity and legal liability of "evidence" in economic crimes</li> <li>2. Corporate governance practices: the impact and response of the newly released "Labor Incident Law" on the company</li> <li>3. The latest IFRS Q&amp;A and common missing analysis of financial reports</li> <li>4. The latest "Taiwanese businessmen return to Taiwan investment" fiscal and taxation policies and practical analysis</li> </ol>		
	Business tax "polyangular trade" zero tax rate declaration practice and analysis of common dispute cases	KPMG Education Foundation	2020/12
	<ol style="list-style-type: none"> <li>1. Investigation of "Fund Flow" in Financial Report Fraud Cases and Discussion of Related Legal Liability Cases</li> <li>2. Analysis of important policies and measures of the latest "Corporate Governance 3.0-Sustainable Development Blueprint"</li> <li>3. Application of "Commercial Arbitration" to enterprises and analysis of legal liabilities</li> <li>4. An analysis of the relevant provisions of the International Financial Reporting Standard "Material Judgment"</li> </ol>	Accounting Research and Development Foundation	2021/1
	<ol style="list-style-type: none"> <li>1. The latest IFRS Q&amp;A and common missing analysis of financial reports</li> <li>2. Legal liability and practical case analysis of corporate "securities fraud"</li> <li>3. The financial handling practices of "real estate transactions" commonly used by enterprises</li> <li>4. "Independent Directors" on the role and operation of corporate governance practices</li> </ol>		
Internal Audit	<ol style="list-style-type: none"> <li>1. Policy analysis and key discussion on internal audit and internal control practices for enterprises to improve their ability to prepare financial reports on their own</li> </ol>	Securities and Futures Institute	2020/5

Participating Department	Courses Outline	Training Institution	Training Period
	2. Regulations, implementation, management and auditing practices of commercial contracts		2020/6
	1. Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies- Discussion on the introduction of ISO37001 bribery prevention management system		
	2. Advanced case study and analysis of enterprise contract management and execution		
	Analysis of the latest domestic corporate governance trends and implementation of the control environment	The Institute of Internal Auditors-Chinese Taiwan	2021/3
Administration	Occupational safety and health business supervisor retraining	China Productivity Center	2020/7
Solution Division	1. Magnetic circuit analysis, permanent magnet analysis, DC/AC converter analysis 2. Analysis and design of DC brushless motor driver (Equivalent circuit, PWM control, PI control law, controller) 3. Analysis and design of permanent magnet synchronous motor driver (Coordinate conversion, vector control, controller)	Tze-Chiang Foundation of Science & Technology	2020/7
SVP of Administration Division/Legal /MIS /Business Support /Accounting Supervisor	Seminar on "U.S. Rules, Global Application"- Analysis of the continuous impact and coping methods faced by enterprise operations against U.S. New Order	KPMG Law Firm	2020/9
Occupational Safety and Health	On-the-job education and training of occupational safety and health management personnel	Industrial Safety and Health Association of the R.O.C	2021/3
Business Support	Post- epidemic and during the trade war, various countries' customs clearance and trade measures	Taiwan Chamber of Commerce	2020/7
	Taiwan's trade management regulations and international export control trends briefing session	Bureau of Foreign Trade, Ministry of Economic Affairs, R.O.C	2020/8
Human Resources Office	Wage Presumption Solution Course of Labor Incident Law	104 Human Resources College	2020/2
	1. Instructions on how to legally establish and convene labor-management meetings	Department of Labor,	2020/7



Participating Department	Courses Outline	Training Institution	Training Period
	2. Publicity of the online reference system for the list of labor-management representatives of the labor-management conference of the Ministry of Labor 3. Formulation of working rules and practice standards	Taipei City Government	
	1. How to legally establish and convene labor-management conference explanation activities (session 4) 2. Easy learning of labor rights: know the rules of labor leave		
	Mental health care for new employees	Department of Health, Taipei City Government	
	1. On-the-job training course for workplace nursing and mental health awareness of human resources [workplace mental health needs assessment] 2. On-the-job training courses for workplace nursing and mental health awareness of human resources [Guide to EAP Manual for Wholesale and Retail Industry (Scene 1)] 3. On-the-job training courses for workplace nursing and mental health awareness of human resources personnel [Response and assistance for illegal infringements in the workplace]	Taipei Community Mental Health Center	2020/8
	Labor Insurance Bureau Business Briefing 1. Labor insurance payment business 2. Employment insurance payment business 3. Labor pension business 4. Labor insurance underwriting business	Bureau of Labor Insurance, Ministry of Labor	
	Gender Equality in the Workplace and Preventive Measures		2020/9
	Advocacy of the decree on nursing facilities (measures) for companies to handle breastfeeding rooms, study of employee welfare business, and explanation of laws and regulations related to labor insurance and employment insurance	Department of Labor, Taipei City Government	2020/10
	1. Regulations and exceptions to the protection of working hours (including an example of One Fixed Day Off and One Flexible Rest Day) 2. Basic scheduling concept and analysis of overtime pay 3. Shift work norms and labor disputes 4. Integrating case to analyze the legitimacy of the class schedule		2020/11
	1. Global and Taiwan's overall economic insights and 2021 economic outlook after the U.S. election 2. Corporate Governance 3.0 and Updates to Securities Regulatory Laws 3. The sustainable layout of global ESG disclosure trends 4. Summary analysis of recent common rental tax concessions	KPMG, Taiwan	2020/12

**(C) Implementation of the Retirement System:**

The Company has established employee retirement measures in

accordance with laws and regulations. Those who belong to the old system of labor pensions will be appropriated a certain percentage of the Company's monthly salary to the Taiwan Bank labor retirement reserve account. Those who belong to the new system of labor pensions will be required to allocate 6% of their personal salary to the personal pension account of the Bureau of Labor Insurance in accordance with the "Table of Monthly Contribution Classification of Labor Pension", and encourage employees to participate in self-withdrawal to plan the accumulation of pensions in advance.

**(D) Negotiation between Employer and Employee, and Employee Rights Protection**

- a. The Company has a labor-management meeting. Labor representatives can express labor opinions at the meeting as a communication bridge with the management. In recent years, there has been no dispute over labor-management disputes.
- b. According to the "Act of Gender Equality in Employment" and "Sexual Harassment Prevention Act", there are complaints and punishments for workplace sexual harassment prevention measures.
- c. The Company regards employees as company assets, so it attaches great importance to the career planning of employees. In addition to setting reasonable salary and business performance reward standards for employees' contribution, there is also a mechanism of employee compensation distribution that will benefit employees. Therefore, the Company was listed as a constituent stock by the "Taiwan HC 100 Index" announced by Taiwan Securities Exchange on June 16, 2020.
- d. The Company attaches importance to employee welfare measures, provides a safe and healthy working environment, encourages employees to participate in refresher training to enhance work value, emphasizes fair treatment, sets up employee complaint mechanisms and channels, and implements the retirement system according to law, so that employees' rights and interests can be demonstrated within the Weikeng Group system.

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

The Company did not sustain any losses due to employer-employee disputes in the most recent year and up to the publication date of the Annual Report.

The Company always values employees as company assets, attaches great importance to employees' career planning, and hopes that employees can improve day by day to give full play to the work value of the workplace and spare no effort to maintain harmonious labor relations. Regardless of the

rights and benefits conferred on employees by setting salary standards and implementing laws and regulations, such as vacations, pension provision and execution, employee compensation, labor insurance, health insurance, and group insurance, all are implemented in accordance with the system under the premise of taking care of employees.

In order to allow colleagues to improve their professional skills in the workplace, they have education and training related to job functions and encourage employees to participate in diverse training. The Company hopes colleagues can master their own career planning and can use the Company's learning to exert their workplace value; in the meantime, the Company encourages employees to participate in the activities of related associations under the Employee Welfare Committee to mediate his body and soul after the work duty.

#### (VI) Important Contracts

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

Nature of Contract	Contractual Party	Contract Validity	Main Content	Restriction Clause
Distribution	Hui Zhou TCL King High Frequency Electronics Co., LTD	Since 2012/10	Franchise of Electronic Components	None
Distribution	Sinopower Semiconductor Inc.	Since 2013/11	Franchise of Electronic Components	None
Distribution	Realtek Semiconductor Corporation	Since 2014 /01	Franchise of Electronic Components	<ol style="list-style-type: none"> <li>1. No sales, quotation or other marketing activities or distribution outside the distribution territory.</li> <li>2. Without the prior consent of the vendor, there shall be no improper quotation or lower than the current price of the product provided by the vendor, or acts to disrupt the market order.</li> <li>3. Without the prior consent of the vendor, the distributor shall not sell to customers who are not stated in the distributor's order or attached to the relevant order.</li> <li>4. The distributor shall not market, promote, or sell products that are competitive with the vendor's products or introduce intermediate referral customers or exclusive customers or other unfavorable behavior or competitive behavior against the vendor.</li> </ol>
Distribution	mCube Hong Kong Limited	Since 2014/03	Franchise of Electronic Components	None
Distribution	Crocus Technology, Inc.	Since 2014/04	Franchise of Electronic Components	Comply with U.S Import/Export Regulations
Distribution	Dialog Semiconductor Operations Services Limited, Dialog Semiconductor GmbH and Silego Technology	Since 2014 /05	Franchise of Electronic Components	Comply with U.S Import/Export Regulations

Nature of Contract	Contractual Party	Contract Validity	Main Content	Restriction Clause
	Inc.			
Distribution	Infineon Technologies Asia Pacific Pte Ltd	Since 2015/06	Franchise of Electronic Components	None
Distribution	Vorago Technologies	Since 2015/12	Franchise of Electronic Components	None
Distribution	Savitech Corp.	Since 2016/07	Franchise of Electronic Components	None
Distribution	Arctic Sand Technologies Inc.	Since 2016/07	Franchise of Electronic Components	None
Distribution	Luminus Devices, Inc.	Since 2016/07	Franchise of Electronic Components	None
Distribution	Rambus Inc.	Since 2016/08	Franchise of Electronic Components	None
Distribution	InvenSense International Inc.	Since 2016/10	Franchise of Electronic Components	None
Distribution	Molex Taiwan Ltd.	Since 2016/10	Franchise of Electronic Components	Comply with U.S Import/Export Regulations
Distribution	CT Microelectronics Co., Ltd.	Since 2017/01	Franchise of Electronic Components	None
Distribution	QBit Semiconductor LTD.	Since 2017/01	Franchise of Electronic Components	None
Distribution	Trigence Semiconductor K.K.	Since 2017/09	Franchise of Electronic Components	None
Distribution	Globaltech Semiconductor	Since 2017/10	Franchise of Electronic Components	None
Distribution	XMOS LIMITED	Since 2017/12	Franchise of Electronic Components	None
Distribution	Microsemi Corporation	Since 2018/03	Franchise of Electronic Components	Comply with U.S Import/Export Regulations
Distribution	GIGADEVICE SEMICONDUCTOR(HK) LIMITED	Since 2018/06	Franchise of Electronic Components	None
Distribution	InnoGrit Corporation	Since 2018/11	Franchise of Electronic Components	Comply with U.S Import/Export Regulations
Distribution	Active-Semi Hong Kong Limited	Since 2018 /11	Franchise of Electronic Components	None
Distribution	SkyHigh Memory Limited	Since 2019/04	Franchise of Electronic Components	Comply with U.S Import/Export Regulations
Distribution	MULTICOREWARE, Inc	Since 2019/07	Franchise of Electronic Components	None
Distribution	AirBeam Wireless	Since 2019/07	Franchise of	None

Nature of Contract	Contractual Party	Contract Validity	Main Content	Restriction Clause
	Technologies Inc.		Electronic Components	
Distribution	Huizhou Gaoshengda Technology Co.,Ltd.	Since 2019/08	Franchise of Electronic Components	None
Distribution	Qorvo International Pte. Ltd	Since 2019/10	Franchise of Electronic Components	Comply with U.S Import/Export Regulations
Distribution	New Degree Technology CO., LTD	Since 2020/02	Franchise of Electronic Components	None
Distribution	Montage Technology Macao Commercial Offshore Limited	Since 2020/02	Franchise of Electronic Components	None
Distribution	E&R Engineering Corporation	Since 2020/02	Franchise of Semiconductor Equipment	None
Distribution	M-SOLV LTD	Since 2020/03	Franchise of Semiconductor Equipment	None
Distribution	DJ Tech Chip Test Co.	Since 2020/03	Franchise of Semiconductor Equipment	None
Distribution	Gillion Application Technology Co., Ltd.	Since 2020/04	Franchise of Semiconductor Materials	None
Distribution	Micropixel Optronics Ltd	Since 2020/04	Franchise of Semiconductor Materials	None
Distribution	JET TECHNOLOGY CO., LTD.	Since 2020/04	Franchise of Semiconductor Equipment	None
Distribution	Silan Microelectronics Co., Ltd.	Since 2020/04	Franchise of Electronic Components	None
Distribution	ETAS Automotive Technology (Shanghai) Co., Ltd.	Since 2020/04	Franchise of solutions for the automotive and other embedded industry	None
Distribution	KEYSSA SYSTEMS, INC.	Since 2020/05	Franchise of Electronic Components	Comply with U.S Import/Export Regulations
Distribution	M3 Technology Inc.	Since 2020/05	Franchise of Electronic Components	None
Distribution	E&R Engineering Corporation	Since 2020/05	Franchise of Semiconductor Equipment	None
Distribution	SIGOLD OPTICS INC.	Since 2020/05	Franchise of Semiconductor Equipment	None
Distribution	CHERNGER TECH. CO., LTD..	Since 2020/06	Franchise of Semiconductor Equipment	None
D&O Insurance	Insurance Company of North America, Taiwan Branch	2020/6/16~2021/6/16	All directors, supervisors and important staff personal liability insurance and	None

Nature of Contract	Contractual Party	Contract Validity	Main Content	Restriction Clause
			company compensation insurance	
Distribution	ETAS GmbH	Since 2020/08	Franchise of solutions for the automotive and other embedded industry	None
Distribution	Memsic Semiconductor (Tianjin) Co., Ltd	Since 2020/09	Franchise of Electronic Components	None
Distribution	Ningbo Aura Semiconductor Limited	Since 2020/12	Franchise of Electronic Components	None
Cargo & Inventory Insurance	THE FIRST / FUBON / TAIAN / SHINKONG / CHUNG KUO / HOTAL INSURANCE CO., LTD	2020/12/31~2021/12/31	Cargo transportation insurance, inventory /fire insurance, theft insurance, etc.	None
Distribution	Blaize, Inc.	Since 2021/03	Franchise of Electronic Components	Comply with U.S Import/Export Regulations
Distribution	SiTune Corporation	Since 2021/04	Franchise of Electronic Components	Comply with U.S Import/Export Regulations

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

## VI. Financial Information

### (I) Five-Year Financial Summary

#### A. Condensed Balance Sheet and Statement of Comprehensive Income

##### (A) Consolidated Condensed Balance Sheet – Based on IFRS

Unit: NT\$ thousands

Item	Year	Financial Summary for The Last Five Years					As of March 31, 2021 of quarterly report
		2016	2017	2018	2019	2020	
Current assets		19,620,015	20,706,518	25,146,488	22,559,927	22,153,599	22,065,410
Property, Plant and Equipment		159,419	152,273	156,815	149,291	134,770	133,214
Intangible assets		7,706	8,602	9,369	57,519	53,665	50,397
Other assets		207,826	234,414	292,529	616,713	511,796	495,872
Total assets		19,994,966	21,101,807	25,605,201	23,383,450	22,853,830	22,744,893
Current liabilities	Before distribution	14,188,764	15,317,709	19,319,466	17,104,473	15,232,451	15,335,686
	After distribution	14,532,503	15,750,306	19,673,631	17,316,925	---	---
Non-current liabilities		537,396	389,901	467,143	614,052	1,547,301	1,539,646
Total liabilities	Before distribution	14,726,160	15,707,610	19,786,609	17,718,525	16,779,752	16,875,332
	After distribution	15,069,899	16,140,207	20,140,774	17,930,977	---	---
Equity attributable to shareholders of the parent		5,268,806	5,394,197	5,818,592	5,664,925	6,074,078	5,869,561
Capital stock		3,230,094	3,230,094	3,448,980	3,677,513	3,677,513	3,677,513
Capital surplus		929,151	929,151	872,702	884,335	941,349	941,349
Retained earnings	Before distribution	1,082,967	1,378,114	1,635,526	1,332,537	1,820,922	1,600,468
	After distribution	739,228	945,517	1,073,877	1,120,085	---	---
Other equity interest		26,594	(143,162)	(138,616)	(229,460)	(365,706)	(349,769)
Treasury stock		---	---	---	---	---	---
Non-controlling interest		---	---	---	---	---	---
Total equity	Before distribution	5,268,806	5,394,197	5,818,592	5,664,925	6,074,078	5,869,561
	After distribution	4,925,067	4,961,600	5,464,427	5,452,473	---	---



**(B) Individual- Parent Company Condensed balance sheet – Based on IFRS**

Unit: NT\$ thousands

Item	Year	Financial Summary for The Last Five Years					As of March 31, 2021 of quarterly report
		2016	2017	2018	2019	2020	
Current assets		9,245,404	10,335,695	13,033,051	10,164,745	10,357,157	NA
Property, Plant and Equipment		106,489	106,912	104,327	100,785	96,552	
Intangible assets		1,295	585	1,062	574	13,899	
Other assets		2,958,900	3,371,399	3,781,234	4,102,522	4,464,926	
Total assets		12,312,088	13,814,591	16,919,674	14,368,626	14,932,534	
Current liabilities	Before distribution	6,506,903	8,031,302	10,634,756	8,162,743	7,350,919	
	After distribution	6,850,642	8,463,899	10,988,921	8,375,195	---	
Non-current liabilities		536,379	389,092	466,326	540,958	1,507,537	
Total liabilities	Before distribution	7,043,282	8,420,394	11,101,082	8,703,701	8,858,456	
	After distribution	7,387,021	8,852,991	11,455,247	8,916,153	---	
Equity attributable to shareholders of the parent		5,268,806	5,394,197	5,818,592	5,664,925	6,074,078	
Capital stock		3,230,094	3,230,094	3,448,980	3,677,513	3,677,513	
Capital surplus		929,151	929,151	872,702	884,335	941,349	
Retained earnings	Before distribution	1,082,967	1,378,114	1,635,526	1,332,537	1,820,922	
	After distribution	739,228	945,517	1,073,877	1,120,085	---	
Other equity interest		26,594	(143,162)	(138,616)	(229,460)	(365,706)	
Treasury stock		---	---	---	---	---	
Non-controlling interest		---	---	---	---	---	
Total equity	Before distribution	5,268,806	5,394,197	5,818,592	5,664,925	6,074,078	
	After distribution	4,925,067	4,961,600	5,464,427	5,452,473	---	

**(C) Consolidated Condensed Statement of Comprehensive Income –  
Based on IFRS**

Unit: NT\$ thousands

Item \ Year	Financial Summary for The Last Five Years					As of March 31, 2021 of quarterly report
	2016	2017	2018	2019	2020	
Net sales revenue	43,741,657	51,929,408	52,987,131	48,224,086	58,413,402	15,823,146
Gross profit	2,437,584	2,806,330	3,400,085	2,775,288	3,067,783	952,910
Income from operations	625,004	912,412	1,268,285	752,757	976,203	397,776
Non-operating income & expenses	(153,869)	(84,912)	(379,878)	(394,701)	(43,115)	(16,411)
Income before tax	471,135	827,500	888,407	358,056	933,088	381,365
Income from Continuing Operation before Income Tax	390,713	631,260	624,054	260,394	699,309	274,054
Income (Loss) from Discontinued Operation	---	---	---	---	---	---
Net income (Loss)	390,713	631,260	624,054	260,394	699,309	274,054
Other comprehensive income (income after tax)	(85,459)	(162,130)	68,651	(92,578)	(134,718)	15,937
Total comprehensive income	305,254	469,130	692,705	167,816	564,591	289,991
Net income attributable to shareholders of the parent	305,254	469,130	692,705	167,816	564,591	289,991
Net income attributable to non-controlling interest	---	---	---	---	---	---
Comprehensive income attributable to Shareholders of the parent	305,254	469,130	692,705	167,816	564,591	289,991
Comprehensive income attributable to non-controlling interest	---	---	---	---	---	---
Earnings per share	1.33	1.95	1.83	0.71	1.9	0.75

**(D) Individual- Parent Company Condensed Statement of  
Comprehensive Income – Based on IFRS**

Unit: NT\$ thousands

Item \ Year	Financial Summary for The Last Five Years					As of March 31, 2021 of quarterly report
	2016	2017	2018	2019	2020	
Net sales revenue	19,826,307	26,339,820	27,667,169	22,377,731	27,706,010	NA
Gross profit	1,016,156	1,108,622	1,362,396	1,056,790	1,238,640	
Net operating income	223,097	210,154	435,207	226,074	285,149	
Non-operating income & expenses	234,510	565,337	389,966	107,932	597,333	
Income before tax	457,607	775,491	825,173	334,006	882,482	
Income from Continuing Operation before Income Tax	390,713	631,260	624,054	334,006	699,309	
Income (Loss) from Discontinued Operation	---	---	---	---	---	
Net income (Loss)	390,713	631,260	624,054	260,394	699,309	
Other comprehensive income (income after tax)	(85,459)	(162,130)	68,651	(92,578)	(134,718)	
Total comprehensive income	305,254	469,130	692,705	167,816	564,591	
Net income attributable to shareholders of the parent	305,254	469,130	692,705	167,816	564,591	
Net income attributable to non-controlling interest	---	---	---	---	---	
Comprehensive income attributable to Shareholders of the parent	305,254	469,130	692,705	167,816	564,591	
Comprehensive income attributable to non-controlling interest	---	---	---	---	---	
Earnings per share	1.33	1.95	1.83	0.71	1.9	

**B. Auditors' Opinions from 2016 to 2020**

Year	Accounting Firm	CPA	Audit Opinion
2016	KPMG, Taiwan	Lo, Jui-Lan and Kuo, Kuan-Ying	Unqualified Opinion
2017	KPMG, Taiwan	Lo, Jui-Lan and Kuo, Kuan-Ying	Unqualified Opinion
2018	KPMG, Taiwan	Lo, Jui-Lan and Kuo, Kuan-Ying	Unqualified Opinion
2019	KPMG, Taiwan	Lo, Jui-Lan and Au, Yiu-Kwan	Unqualified Opinion
2020	KPMG, Taiwan	Lo, Jui-Lan and Au, Yiu-Kwan	Unqualified Opinion

**(II) Five-Year Financial Analysis**  
**A. Consolidated Financial Analysis – Based on IFRS**

Item		Year		Financial Analysis for the Last Five Years(Note 1)					As of March 31, 2021 of quarterly report
		2016	2017	2018	2019	2020			
Financial structure (%)	Debt Ratio	73.65	74.44	77.28	75.77	73.42	74.19		
	Ratio of long-term capital to property, plant and equipment	3,422.63	3,542.45	3,710.48	4,205.86	5,655.1	5,561.88		
Solvency (%)	Current ratio	138.28	135.18	130.16	131.89	145.44	143.88		
	Quick ratio	79.54	68.21	60.66	70.49	93.54	94.4		
	Interest earned ratio (times)	3.69	4.19	3.35	1.84	4.71	9.73		
Operating performance	Accounts receivable turnover (times)	6.01	6.39	6.45	5.79	6.18	5.62		
	Average collection period	61	57	57	63	59	65		
	Inventory turnover (times)	5.69	5.34	4.20	3.81	6.04	7.75		
	Accounts payable turnover (times)	10.61	10.34	9.26	8.3	12.45	15.74		
	Average days in sales	64	68	87	96	60	47		
	Property, plant and equipment turnover (times)	274.38	341.03	337.90	315.08	411.27	472.36		
	Total assets turnover (times)	2.19	2.46	2.07	1.97	2.53	2.78		
Profitability	Return on total assets (%)	2.96	4.12	3.97	2.45	3.90	5.42		
	Return on stockholders' equity (%)	7.79	11.84	11.13	4.54	11.91	18.36		
	Pre-tax income to paid-in capital (%)	14.59	25.62	25.76	9.74	25.37	41.48		
	Profit ratio (%)	0.89	1.22	1.18	0.54	1.2	1.73		
	Earnings per share (NT\$)	1.31	1.95	1.83	0.71	1.9	0.75		
Cash flow	Cash flow ratio (%)	(16.51)	(0.47)	(11.20)	17.83	(1.27)	(1.02)		
	Cash flow adequacy ratio (%)	(56.04)	(51.59)	(49.31)	(11.60)	(19.32)	7.04		
	Cash reinvestment ratio (%)	(46.26)	(6.96)	(40.22)	41.70	(5.20)	(2.05)		
Leverage	Operating leverage	1.04	1.02	1.02	1.22	1.18	1.12		
	Financial leverage	1.39	1.40	1.43	2.3	1.35	1.12		
Analysis of financial ratio differences for the last two years. (Not required if the difference does not exceed 20%)									
(1) Ratio of long-term capital to property, plant and equipment increased: Mainly due to the Group's Parent Company issuing the domestic unsecured convertible corporate bonds with duration of 5 years in November 2020, raising long-term funds of NT\$1 billion, and the increase in net equity because of the increase in the Group's net profit after tax in 2020.									
(2) Quick ratio increased:									

Due to the COVID-19 epidemic, the acceleration of digital transformation and the needs of distance application have led to an increase in the sales of application chips, which has speeded up the conversion of the Group's inventory to accounts receivable and increased the quick assets. However, since the fourth quarter of 2020, the upstream suppliers are restricted by the production capacity began to appear out of stock or even extended the delivery period, resulting in a decrease in the balance of consolidated accounts payable at the end of the year and a reduction in current liabilities.

- (3) Interest earned ratio (times) increased:  
Mainly due to the significant increase in Group's sales revenue, the improvement of profitability in consolidated gross margin and operating income, and declining borrowing rate led to lower interest expense.
- (4) Inventory turnover (times) increased:  
Demand for customer orders increased, which accelerated destocking of inventories and increased consolidated sales revenue.
- (5) Accounts payable turnover (times) increased:  
Due to the COVID-19 epidemic in 2020, in order to cope with the increase in customer order demand, the Group adopted a more active purchase policy and increased the frequency of shipments. However, starting in the fourth quarter of 2020, due to upstream suppliers' limited supply capacity, shortages began to occur or even extended the delivery period, resulting in a decline in the balance of consolidated accounts payable at the end of the year.
- (6) Property, plant and equipment turnover (times)/ Total assets turnover (times) increased:  
Due to the COVID-19 epidemic stimulating the growth of order demand, consolidated sales revenue increased significantly in 2020, and the companies in the Group did not invest a large amount in property, plant and equipment, which accounted for only about 1% of total assets, resulting in the turnover of which increased to 411.27 times. In addition, the consolidated net accounts receivable and net inventories in current assets accounted for approximately 81% of consolidated total assets, the turnover of these two accounts increased, and the turnover of total assets also moved up to 2.53 times.
- (7) Profitability increased:  
In 2020, due to the COVID-19 epidemic, the acceleration of digital transformation and the needs of distance application caused the sales of application chips to increase, which drove the increase in consolidated sales revenue and gross margin, and the control of operating expenses was still appropriate, resulting in increasing the Group's net operating income accordingly. The Group's financial costs have resulted in financial leverage benefits due to the decline in borrowing rates. In addition, the position management of U.S. dollar assets and liabilities also generated exchange gains because of the appreciation of the TWD and CNY against the USD. Both of which injected the gains into the consolidated profit before tax and after-tax profit. The Parent Company of the Group had no equity dilution in 2020, and the relevant profitability indicators are increasing compared with 2019.
- (8) Cash flow ratio (%) decreased:  
In 2020, due to the COVID-19 epidemic, the acceleration of digital transformation and the growth of needs of distance application, the destocking of chip inventories speeded up the growth of sales revenue, and the account receivable also highly increased due to the continuation of the credit policy. At the same time, current liabilities declined due to the decrease in the balance of accounts payable (as described in the 5 above, account payable turnover), resulting in a net outflow of net cash flow from operating activities in 2020.
- (9) Cash flow adequacy ratio (%) decreased:  
Due to the increase in the market demand of semiconductor chips in 2020, the investment in working capital has continued to increase. However, based on the characteristics of the ICs distribution industry, when the net cash inflow from operating activities is insufficient to cover the Group's equipment purchases, inventory increase, and the distribution of cash dividends, the Parent Company of the Group will launch a fund-raising activity in a timely manner as a support. Therefore, the Parent Company of the Group issued the unsecured convertible corporate bonds of NT\$ 1 billion in November 2020 to facilitate mutual support and adjustment of credit lines with financial institutions.
- (10) Cash reinvestment ratio (%) decreased:  
Since the net cash flow from operating activities in 2020 showed a net outflow (as described in the 8 above), if reinvestment of assets (working capital, long-term investment, etc.) is required in the future, financing activities will also be carried out in a timely manner as a support.
- (11) Financial leverage decreased:  
As described in the 7 above, the consolidated net operating income increased, and financial costs decreased due to lower borrowing rates.

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

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

- (1) Financial structure:
  - a. Debt to asset ratio = Total Liabilities / Total Assets
  - b. Long-term Fund to Property, Plant and Equipment Ratio = (Shareholders' Equity + Noncurrent Liabilities) / Net Property, Plant and Equipment
- (2) Liquidity:
  - a. Current Ratio = Current Assets / Current Liabilities
  - b. Quick Ratio = (Current Assets – Inventories – Prepaid Expenses) / Current Liabilities
  - c. Time interest earned = net income before income tax and interest expense / current interest expense.
- (3) Operating ability:
  - a. Average Collection Turnover = Net Sales / Average Trade Receivables (including all accounts receivable and all notes receivable resulting from trade)

- b. Average Collection Days =  $365 / \text{Average Collection Turnover}$
  - c. Inventory turnover ratio =  $\text{cost of goods sold} / \text{average amount of inventory}$ .
  - d. Average Payables Turnover =  $\text{Cost of Sales} / \text{Average Trade Payables}$  (including all accounts payable and all notes payable resulting from trade)
  - e. Average Inventory Turnover Days =  $365 / \text{Average Inventory Turnover}$
  - f. Property, Plant and Equipment Turnover =  $\text{Net Sales} / \text{Average Net Property, Plant and Equipment}$
  - g. Fixed assets turnover ratio =  $\text{net sales} / \text{total average fixed assets}$ .
- (4) Profitability:
- a. Return on Total Assets =  $(\text{Net Income} + \text{Interest Expenses} * (1 - \text{Effective Tax Rate})) / \text{Average Total Assets}$
  - b. Return on Equity =  $\text{Net Income} / \text{Average Equity}$
  - c. Net profit margin =  $\text{after-tax profit} / \text{net operating income}$ .
  - d. Earnings Per Share =  $(\text{Net Income Attributable to Shareholders of the Parent} - \text{Preferred Stock Dividend}) / \text{Weighted Average Number of Shares Outstanding}$
- (5) Cash flows:
- a. Cash flow ratio =  $\text{new cash flows from operating activities} / \text{current liabilities}$ .
  - b. Cash flow adequacy ratio =  $\text{net cash flows from operating activities in the past five years} / (\text{capital expenditure} + \text{increase in inventory} + \text{cash dividend}) \text{ in the past five years}$ .
  - c. Cash reinvestment ratio =  $(\text{net cash flows from operating activities} - \text{cash dividend}) / (\text{gross margin of property, plant and equipment} + \text{long-term investment} + \text{other noncurrent assets} + \text{working capital})$ .
- (6) Leverage:
- a. Operating leverage =  $(\text{net operating revenue} - \text{variable operating cost and expenses}) / \text{operating profit}$ .
  - b. Financial leverage =  $\text{operating profit} / (\text{operating profit} - \text{interest expense})$ .
- Note 3: The formula for calculating the earnings per share should pay special attention to the following items when measuring:
- (1) Based on the weighted average number of ordinary shares rather than the number of shares issued at the end of the year.
  - (2) Where there is a cash capital increase or treasury stock transaction, the weighted average number of shares should be calculated considering the period of outstanding.
  - (3) Where there is a capitalization of retained earnings or capitalization of capital reserves, when calculating the previous year and semi-annual earnings per share, it should be adjusted retrospectively according to the capital increase ratio, and there is no need to consider the period of the capital increase.
  - (4) If the preferred shares are non-convertible accumulated preferred shares, the current year's dividend (whether or not paid) shall be deducted from the net profit after tax or increase the net loss after tax. If the preferred shares are of non-cumulative nature, in the case of net profit after tax, the dividend of preferred shares shall be deducted from the net profit after tax; if it is a loss, no adjustment is necessary.
- Note 4: When measuring cash flow analysis, special attention should be paid to the following items:
- (1) Net cash flow from operating activities refers to the net cash inflow from operating activities in the cash flow statements.
  - (2) Capital expenditure refers to the annual cash outflow of capital investment.
  - (3) The increase in inventory is counted only when the ending balance is greater than the beginning balance. If inventory decreases at the end of the year, it is calculated as zero.
  - (4) Cash dividends include cash dividends for ordinary shares and preferred shares.
  - (5) Gross amount of real estate, plant and equipment refers to the total amount of real estate, plant and equipment before deduction of accumulated depreciation.
- Note 5: The issuer should classify various operating costs and operating expenses into fixed and variable according to the nature. If it involves estimation or subjective judgment, it should pay attention to its rationality and maintain consistency.
- Note 6: If the company's stocks have no par value or par value per share that are not NT \$ 10, the calculation of the ratio of the paid-in capital to the previous issue will be calculated based on the equity ratio of equity attributable to shareholders of the parent on the balance sheet.

## B. Individual- Parent Company Financial Analysis – Based on IFRS

Year		Financial Analysis for the Last Five Years(Note 1)					As of March 31, 2021 of quarterly report
		2016	2017	2018	2019	2020	
Financial structure (%)	Debt Ratio	57.21	60.95	65.61	60.57	59.32	NA
	Ratio of long-term capital to property, plant and equipment	5,123.84	5,045.46	5,577.26	6,157.55	7852.36	
Solvency (%)	Current ratio	142.09	128.69	122.55	124.53	140.9	
	Quick ratio	93.07	71.76	63.91	80.43	100.56	
	Interest earned ratio (times)	6.79	7.00	5.50	2.72	7.96	
Operating performance	Accounts receivable turnover (times)	5.80	6.51	6.44	5.42	6.47	
	Average collection period	63	56	57	67	56	
	Inventory turnover (times)	6.94	6.51	4.88	4.35	8.11	
	Accounts payable turnover (times)	11.37	11.14	9.17	8.38	15.74	
	Average days in sales	53	56	75	84	45	
	Property, plant and equipment turnover (times)	186.18	246.37	265.20	218.20	280.80	
	Total assets turnover (times)	1.61	1.91	1.64	1.43	1.89	
Profitability	Return on total assets (%)	4.07	5.65	5.01	2.66	5.47	
	Return on stockholders' equity (%)	7.79	11.84	11.13	4.54	11.91	
	Pre-tax income to paid-in capital (%)	14.17	24.01	23.93	9.08	24.00	
	Profit ratio (%)	1.97	2.40	2.26	1.16	2.52	
	Earnings per share (NT\$)	1.31	1.87	1.78	0.71	1.9	
Cash flow	Cash flow ratio (%)	(19.45)	(2.60)	(10.08)	27.70	(3.08)	
	Cash flow adequacy ratio (%)	(3.75)	(13.18)	(22.12)	16.60	(8.84)	
	Cash reinvestment ratio (%)	(28.65)	(9.40)	(23.57)	30.23	(5.71)	
Leverage	Operating leverage	1.04	1.04	1.02	1.28	1.22	
	Financial leverage	1.55	2.60	1.73	7.01	1.8	

- Analysis of financial ratio differences for the last two years. (Not required if the difference does not exceed 20%)
- (1) Ratio of long-term capital to property, plant and equipment increased:  
Mainly due to the Company issuing the domestic unsecured convertible corporate bonds with duration of 5 years in November 2020, raising long-term funds of NT\$1 billion, and the increase in net equity because of the increase in net profit after tax in 2020.
  - (2) Quick ratio increased:  
Due to the COVID-19 epidemic, the acceleration of digital transformation and the needs of distance application have led to an increase in the sales of application chips, which has speeded up the conversion of the Company's inventory to accounts receivable and increased the quick assets. However, since the fourth quarter of 2020, the upstream suppliers are restricted by the production capacity began to appear out of stock or even extended the delivery period, resulting in a decrease in the balance of accounts payable at the end of the year and a reduction in current liabilities.
  - (3) Interest earned ratio (times) increased:  
Mainly due to the significant increase in sales revenue, the improvement of the Company's profitability in gross margin and operating income, and declining borrowing rate led to lower interest expense.
  - (4) Inventory turnover (times) increased:  
Demand for customer orders increased, which accelerated destocking of inventories and increased sales revenue.
  - (5) Accounts payable turnover (times) increased:  
Due to the COVID-19 epidemic in 2020, in order to cope with the increase in customer order demand, the Company adopted a more active purchase policy and increased the frequency of shipments. However, starting in the fourth quarter

- of 2020, due to upstream suppliers' limited supply capacity, shortages began to occur or even extended the delivery period, resulting in a decline in the balance of accounts payable at the end of the year.
- (6) Property, plant and equipment turnover (times)/ Total assets turnover (times) increased:  
Due to the COVID-19 epidemic stimulating the growth of order demand, sales revenue increased significantly in 2020, and the Company did not invest a large amount in property, plant and equipment, which accounted for only about 1% of total assets, resulting in the turnover of which increased to 280.8 times. In addition, the net accounts receivable and net inventories in current assets accounted for approximately 52% of total assets, the turnover of these two accounts increased, and the turnover of total assets also moved up to 1.89 times.
- (7) Profitability increased:  
In 2020, due to the COVID-19 epidemic, the acceleration of digital transformation and the needs of distance application caused the sales of application chips to increase, which drove the increase in sales revenue and gross margin, and the control of operating expenses was still appropriate, resulting in increasing net operating income accordingly. The Company's financial costs have resulted in financial leverage benefits due to the decline in borrowing rates. In addition, the position management of U.S. dollar assets and liabilities also generated exchange gains because of the appreciation of the TWD against the USD. Both of which injected the gains into the profit before tax and after-tax profit. The Company had no equity dilution in 2020, and the relevant profitability indicators are increasing compared with 2019.
- (8) Cash flow ratio (%) decreased:  
In 2020, due to the COVID-19 epidemic, the acceleration of digital transformation and the growth of needs of distance application, the destocking of chip inventories speeded up the growth of sales revenue, and the account receivable also highly increased due to the continuation of the credit policy. At the same time, current liabilities declined due to the decrease in the balance of accounts payable (as described in the 5 above, account payable turnover), resulting in a net outflow of net cash flow from operating activities in 2020.
- (9) Cash flow adequacy ratio (%) decreased:  
Due to the increase in the market demand of semiconductor chips in 2020, the investment in working capital has continued to increase. However, based on the characteristics of the ICs distribution industry, when the net cash inflow from operating activities is insufficient to cover the Company's equipment purchases, inventory increase, and the distribution of cash dividends, the Company will launch a fund-raising activity in a timely manner as a support. Therefore, the Company issued the unsecured convertible corporate bonds of NT\$ 1 billion in November 2020 to facilitate mutual support and adjustment of credit lines with financial institutions.
- (10) Cash reinvestment ratio (%) decreased:  
Since the net cash flow from operating activities in 2020 showed a net outflow (as described in the 8 above), if reinvestment of assets (working capital, long-term investment, etc.) is required in the future, financing activities will also be carried out in a timely manner as a support.
- (11) Financial leverage decreased:  
As described in the 7 above, the net operating income increased, and financial costs decreased due to lower borrowing rates.

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

Note 2: Not Applicable.

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

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

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

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

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

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

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



**(III) Audit Committee's Review Report for the Most Recent Year (2020)**  
**Weikeng Industrial Co., Ltd.**  
**2020 Review Report of Audit Committee**

The Board of Directors has prepared this Company's 2020 financial statements (including individual financial statements and consolidated financial statements), business report, and the earnings distribution plan; with respect to the financial statements have been audited by independent auditors, Lo, Jui-Lan and Au, Yiu-Kwan of KPMG Taiwan, who have submitted an audit report. The above statements and reports have been reviewed by the Audit Committee and no irregularities were found. We hereby report as above in accordance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act. Kindly approve.

To: Weikeng Industrial Co., Ltd., 2021 Annual General Meeting

Convener of Audit Committee : Tsai, Yu-Ping

Date: March 26, 2021

**(IV) Consolidated Financial Statements for the Years Ended December 31, 2020 and 2019, and Independent Auditors' Report**

Please refer to page 147~220 of this Annual Report.

**(V) Individual- Parent Company Financial Statements for the Years Ended December 31, 2020 and 2019, and Independent Auditors' Report**

Please refer to page 221~296 of this Annual Report.

**(VI) If the company or its affiliates have experienced financial difficulties in the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report, the annual report shall explain how said difficulties will affect the company's financial situation.**

None.

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

### (I) Analysis of Financial Status

Unit: NT\$ thousands

Item \ Year	2020	2019	Difference	
			Amount	%
Current Assets	22,153,599	22,559,927	(406,328)	(1.80%)
Fixed Assets	134,770	149,291	(14,521)	(9.73%)
Intangible Assets	53,665	57,519	(3,854)	(6.70%)
Other Assets	511,796	616,713	(104,917)	(17.01%)
<b>Total Assets</b>	22,853,830	23,383,450	(529,620)	(2.26%)
Current Liabilities	15,232,451	17,104,473	(1,872,022)	(10.94%)
<b>Total Liabilities</b>	16,779,752	17,718,525	(938,773)	(5.30%)
Capital stock	3,677,513	3,677,513	---	---
Capital surplus	941,349	884,335	57,014	6.45%
Retained Earnings	1,820,922	1,332,537	488,385	36.65%
Other Equity Interest	(365,706)	(229,460)	(136,246)	(59.38%)
<b>Total Stockholders' Equity</b>	6,074,078	5,664,925	409,153	7.22%
Analysis of changes in financial ratios:				
(1) Retained Earnings increased: Due to the increase in profit in 2020 and better than the last year.				
(2) Other Equity Interest decreased: Mainly due to the appreciation of TWD against USD at the end of 2020, a negative exchange differences on translation of foreign financial statements resulted.				

#### A. Effect of changes on the company's financial condition:

The Company's financial condition has not changed significantly.

#### B. Future response actions: Not applicable.

## (II) Analysis of Financial Performance

Unit: NT\$ thousands

Item	Year		Difference	
	2020	2019	Amount	%
Net sales revenue	58,413,402	48,224,086	10,189,316	21.13%
Cos of sales	55,345,619	45,448,798	9,896,821	21.78%
Gross profit	3,067,783	2,775,288	292,495	10.54%
Operating expenses	2,091,580	2,022,531	69,049	3.41%
Net operating income	976,203	752,757	223,446	29.68%
Non-operating income & expenses	(43,115)	(394,701)	351,586	89.08%
Profit before tax	933,088	358,056	575,032	160.60%
Income tax expenses	233,779	97,662	136,117	139.38%
Profit (Loss)	699,309	260,394	438,915	168.56%
Other comprehensive income, net	(134,718)	(92,578)	(42,140)	(45.52%)
Total comprehensive income	564,591	167,816	396,775	236.43%
Analysis of changes in financial ratios:				
(1) Net sales revenue and cost of sales increased: In 2020, due to the COVID-19 epidemic, the acceleration of digital transformation and the needs of distance application caused the sales of application chips to increase, which drove the increase in consolidated net sales revenue and cost of sales.				
(2) Net operating income increased: The Group's net sales revenue increased, but the control of cost of sales and operating expenses were still appropriate, and the Group's operating income increased accordingly.				
(3) Profit before tax increased: With the growth of the Group's operating income, financial costs have resulted in financial leverage benefits due to the decline in borrowing rates. In addition, the position management of U.S. dollar assets and liabilities also generated exchange gains because of the appreciation of the TWD and CNY against the USD. Both of which injected the gains into the consolidated profit before tax to growth.				
(4) Tax expense increased: Due to the increase in profit in 2020 and better than the last year, so the estimated income tax expense increased accordingly.				
(5) Other comprehensive income decreased: Mainly due to the appreciation of the TWD against the USD at the end of 2020, a negative exchange differences on translation of foreign financial statements resulted.				

### A. Sales volume forecast and the basis:

The Company classifies the franchising products into chipsets/special application standard ICs, mixed signals and discrete components according to product characteristics. The operating target of sales forecast for 2021, is based on the management team's consideration of relevant institutions' estimates of the semiconductor industry's sales forecast, the upstream vendors' set targets and the Company's internal business plan, will still be positively expected to have growth opportunities, although the external operating environment in 2021 will still be double-struck by the US-China disputes of trading brinkmanship and the COVID-19 epidemic.

### B. Effect upon the company's financial operations as well as measures to be taken in responses:

In 2021, the new coronavirus epidemic is still ongoing, and the group's operating market area is still deeply affected, but because the semiconductor industry and its supply chain have been regarded as "essential infrastructure" and / or "essential business" in real economic activities, in response to the needs of the post-epidemic market, the international market has turned to related semiconductor industries to place

orders in order to smoothly and quickly obtain the IC chips required by the market, which will drive the continuous upward development of the global IC design, foundry, and packaging and testing industries, making the semiconductor industry prosperous. The results of this operation in the first quarter of 2021 have already shown clues. However, due to the substantial increase in market demand for semiconductors, production capacity of wafer foundry is tight. Therefore, the semiconductor market in 2021 will show a demand growth rate greater than a production capacity growth rate. In other words, the market will have supply not keeping up with demand, and existing demand will be delayed, but new demand for applications will continue to occur, which will result in crowding out, capacity grabbing, and intensive communication with the supply chain. The problem of chip supply shortages may continue until the third or fourth quarter of 2021, and that will be a variable in the semiconductor market in 2021. The response plans are as follows:

1. Facing the prosperity of the market cautiously, Weikeng Group must fully grasp and feedback the customer demand schedule in terms of product and price strategy, actively coordinate with the upstream vendors, and make the best efforts to meet customer needs.
2. As the new coronavirus epidemic changes, timely assess the impact, and pay attention to the “Coronomics” and post-epidemic market demand, taking countermeasures to grasp market opportunities.
3. With the development trend of technology products, Weikeng Group continues to provide customers with competitive parts, technical support services, and the turnkey solution of new products, and achieve the goal of bridging the technology between upstream vendors and downstream customers through the intermediary of the Group companies, creating a triple value.
4. Real-time grasp the diversified strategy and construction of customers' production bases and supply chains affected by trade brinkmanship and the epidemic.
5. Focus on operational performance and efficiency, emphasize operational risk and emphasize risk management.

**(III) Analysis of Cash Flow****A. Cash Flow Analysis for the Most Recent Fiscal Year (2020)**

Unit: NT\$ thousands

Cash and Cash Equivalents, Beginning of Year (1)	Net Cash Flow from Operating Activities (2)	Cash Inflow (Outflow) (3)	Cash Surplus (Deficit) (1)+(2)+(3)	Leverage of Cash Deficit	
				Investment Plans	Financing Plans
2,336,361	(193,820)	343,799	2,486,340	NA	NA

Analysis of change in cash flow in the recent year:

**(1) Net Cash Outflow from Operating Activities:**

In 2020, due to the COVID-19 epidemic, the acceleration of digital transformation and the growth of needs of distance application, the destocking of chip inventories speeded up the growth of sales revenue, and the account receivable also highly increased due to the continuation of the credit policy. However, starting in the fourth quarter of 2020, due to upstream suppliers' limited supply capacity, shortages began to occur or even extended the delivery period, resulting in a decline in the balance of consolidated accounts payable at the end of the year. A net cash outflow from operating activities in 2020 resulted.

**(2) Cash inflow: Mainly because the net cash inflow from financing activities is greater than the net cash outflow from investing activities.**

① Net cash inflows from financing activities: The Group's Parent Company issued unsecured convertible corporate bonds to generate cash inflows, but also cash outflows, including short-term borrowings reduced by repayment of principal, payment of lease liabilities principal and cash dividends paid, but overall financing activities still generate net cash inflows.

**(3) For related information, please refer to the cash flow statement in the financial statements.****B. Remedy for Cash Deficit and Liquidity Analysis:**

There is no liquidity insufficiency.

**C. Cash Flow Analysis for the Coming Year (2021)**

Unit: NT\$ thousands

Estimated Cash and Cash Equivalents, Beginning of Year (1)	Estimated Net Cash Flow from Operating Activities (2)	Estimated Cash Inflow (Outflow) (3)	Cash Surplus (Deficit) (1)+(2)+(3)	Leverage of Cash Surplus (Deficit)	
				Investment Plans	Financing Plans
2,486,340	(855,059)	495,072	2,126,353	---	---

Analysis of change in cash flow for the coming year:

**(1) Estimated Cash outflow from operating activities: mainly due to the increase in the balance of inventories and accounts receivable.****(2) Estimated Cash inflow: mainly due to cash outflow from investment activities and net cash inflow from financing activities; of which investment activities are mainly intangible assets acquired by Singapore subsidiaries, and net cash inflows from financing activities are due to increase in short-term borrowings, payment of lease liabilities and cash dividend.****(IV) Effect upon Financial Operations of any Major Capital Expenditures during the Most Recent Fiscal Year**

No major capital expenditures in 2020.

**(V) Investment Policy in the Last Year, Main Causes for Profits or Losses, Improvement Plans and Investment Plans for the Coming Year**

A. The Company's reinvestment policy mainly considers the extension and expansion of the semiconductor parts distributor business. Therefore, investing in 100% owned subsidiaries

in Hong Kong, China and Singapore are responsible for the regional markets in Greater China and Southeast Asia respectively, and belong to long-term strategic investment. In the most recent year, the Company recognized investment income by equity method and received management service fees from overseas subsidiaries, which totaled NT \$ 600 million.

B. There are no major reinvestment plans in the coming year.

## **(VI) Analysis of Risk Management**

### **A. Effects of Changes in Interest Rates, Foreign Exchange Rates and Inflation on Corporate Finance, and Future Response Measures**

#### **(A) Changes in Interest rate**

The financial costs of the Company and its subsidiaries for 2019 and 2020 were NT\$424,827 thousand and NT\$251,624 thousand, accounting for 0.88% and 0.43% of net sales revenue, respectively, an increase (decrease) of NT\$46,262 thousand and (NT\$173,203) thousand from the same period last year, the rate of change is 12.22% and(40.77%) respectively.

The Company's and its subsidiaries' financial institution borrowings are mainly due to the fund needs generated by operating turnover, and the debt is mainly in U.S. dollars. Therefore, changes in the U.S. dollar market interest rate will directly affect the financial costs of the Group companies. Due to the impact of the COVID-19 epidemic in 2020, the overall economic outlook is highly uncertain. Therefore, in March 2020, the interest rate was slashed twice in a row by the US Federal Reserve (Fed), a total of 6 quarters, the federal funds rate was reduced to 0 ~ 0.25%, which was almost zero interest rate, and the Quantitative Easing (QE) plan to purchase at least 700 billion US dollars of bonds was launched, and then the Fed strengthened the easing force and announced an unlimited QE again. In August 2020, Jerome Powell, Chairman of the Federal Reserve Committee, pointed out in his speech that the inflation target will be calculated on an "average" basis, and he is willing to tolerate the inflation rate temporarily exceeding the 2% target and will not raise interest rates as soon as it exceeds 2%. Therefore, it should be estimated that the US dollar interest rate may remain low for a longer period of time.

The Fed announced on March 18, 2021 (Taiwan time) the latest interest rate decision decided by the Federal Open Market Committee (FOMC), which pointed out that Federal Reserve is committed to using its full range of tools to support the U.S. economy in this challenging time, thereby promoting its maximum employment and price stability goals.

The Committee seeks to achieve maximum employment and inflation at the rate of 2 percent over the longer run. With inflation running persistently below this longer-run goal, the Committee will aim to achieve inflation moderately above 2 percent for some time so that inflation averages 2 percent over time and longer-term inflation expectations remain well anchored at 2 percent. The Committee expects to maintain an accommodative stance of monetary policy until these outcomes are achieved.

As a result, the Committee decided to keep the target range for the federal funds rate at 0 to 1/4 percent and expects it will be appropriate to maintain this target range until labor market conditions have reached levels consistent with the Committee's assessments of maximum employment and inflation has risen to 2 percent and is on track to moderately exceed 2 percent for some time. In addition, the Federal Reserve will continue to increase its holdings of Treasury securities by at least \$80 billion per month and of agency mortgage-backed securities (MBS) by at least \$40 billion per month until substantial further progress has been made toward the Committee's maximum employment and price stability goals. These asset purchases help foster smooth market functioning and accommodative financial conditions, thereby supporting the flow of credit to households and businesses. In other words, the Fed announced that the interest rate policy will remain unchanged, and the market interpretation implies that interest rates may not be raised until the end of 2023.

The lower interest rate environment will reduce financial costs for the Company; under the loose monetary policy, it is estimated that the interest rate trend of the New Taiwan dollar will remain low, and the US Federal Reserve has no plan to raise interest rates in the first quarter of 2021. Therefore, the future interest rate management strategy will

assess interest rate trends at any time, adjust the proportion of US dollar and Taiwan dollar borrowings through long- term and short-term financing tools, and strengthen the management of working capital to reduce the average capital cost of borrowing.

**(B) Changes in Foreign exchange rates**

The Company and its subsidiaries incurred net foreign currency exchange gains (losses) of NT\$ 12,114 thousand and NT\$ 157,073 thousand in 2019 and 2020, respectively, accounting for 0.03% and 0.27% of net sales revenue, respectively.

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

**(C) Inflation**

The products sold by the Company and its subsidiaries are mainly semiconductor components, and the sales territory is mainly in the Asia-Pacific region. The characteristics and prices of the products sold by the Company and its subsidiaries are maintained in good interaction with the upstream franchising vendors and downstream customers to reflect its market supply and demand situation and the latest trend of technological development in a timely manner. As a result, inflation or deflation has no significant impact on the Company's operating results in 2020.

**B. Policies, Main Causes of Gain or Loss and Future Response Measures with Respect to High-risk, High-leveraged Investments, Lending or Endorsement Guarantees, and Derivatives Transactions**

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

**C. Research and Development Work to be Carried out in the Future, and Further Expenditures Expected for Research and Development Work**

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

applications, industrial AI applications, Internet of Things applications, and 5G applications, which will allow the Group's business opportunities to stand out in time in the future.

The R & D expenditures that will be reinvested in 2021 are mainly continuous investment in applied technical talents, as well as capital expenditure investment in software and hardware in laboratory technology equipment. It is estimated that the total R & D expenditure in 2021 is expected to be NT \$ 104,703 thousands.

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

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

**E. Effects of and Response to Changes in Technology and the Industry Relating to Corporate Finance and Sales**

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

**F. The Impact of Changes in Corporate Image on Corporate Crisis Management, and the Company's Response Measures**

The Company takes "bridging technology and creating value" as its business philosophy, and strives to establish partnerships with customers and vendors; therefore, since its inception, the Company has consistently maintained an ethical business philosophy and fulfilled its social responsibilities. Aside from working to strengthen internal management and conforming to all relevant corporate governance requirements, the Company has also encourages numerous public welfare activities.

**G. Expected Benefits from, Risks Relating to and Response to Merger and Acquisition Plans**

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

**H. Expected Benefits from, Risks Relating to and Response to Factory Expansion Plans**

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

**I. Risks Relating to and Response to Excessive Concentration of Purchasing Sources and Excessive Customer Concentration**

The Company is a distributor of electronic components and peripherals. Purchases are carried out in accordance with the signed distributor agreements. These franchises of product lines are diversified and decentralized. There are no excessive concentration of



purchasing sources and risks. The sales targets for downstream customers are distributed in the Asia-Pacific region. Products sold cover the markets of computers, communications, consumer, industrial and automotive electronics. A single sales customer accounts for less than 10% of total revenue, and there is no such thing as a high concentration of sales and risks.

**J. Effects of, Risks Relating to and Response to Large Share Transfers or Changes in Shareholdings by Directors, Supervisors, or Shareholders with Shareholdings of over 10%**

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

**K. Effects of, Risks Relating to and Response to the Changes in Management Rights**

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

**L. Litigation or Non-litigation Matters**

**(A) Major ongoing lawsuits, non-lawsuits or administrative lawsuit:** None.

**(B) Major ongoing lawsuits, non-lawsuits or administrative lawsuits caused by directors, supervisors or shareholders with over 10% shareholdings:** None.

**M. Other Major Risks**

**(A) Increase in operations risk due to the continuation of trade brinkmanship and the outbreak of COVID-19 epidemic**

The continuation of trade brinkmanship and the outbreak of the COVID-19 epidemic have influenced the normal activities of the global economy, which has suppressed the growth opportunities of the semiconductor industry and increased the Company's operations risk. The countermeasures made by the Company are:

- a. Do a good job of epidemic prevention management to ensure the health of employees, so that the Company can continue to operate normally; and continue to strengthen communication and rewards with employees.
- b. Regularly review the Company's internal operation management, inspect the impact, and establish a rapid response channel for the communications of crisis events. The communication objects include employees, management teams, customers, and business partners to maintain the Company's normal operations.
- c. Being loyal to customers, in the face of severe downturns, can effectively assist customers in solving supply chain problems, or even provide warnings, which will deepen the customer's close relationship.
- d. In light of the technological development trend, the product strategy of continuous development of new product franchising rights and research and development of new product solutions continues to deepen, accumulating subsequent strength to stand out.
- e. Exchange market information with upstream vendors and downstream customers without interruption due to interference factors, so as to grasp the opportunity dynamics.
- f. The decline in economic conditions caused by disturbing factors and the resulting financial variables, such as customer credit and collection management, exchange rate risk management, and inventory risk management. Take the prudent and proactive handling policy as the guiding principle, focus on cash management to enhance liquidity, and reduce the capital consumption rate.
- g. Strengthen IT's ability to distance working, and ensure that both system operation and network security are compatible.

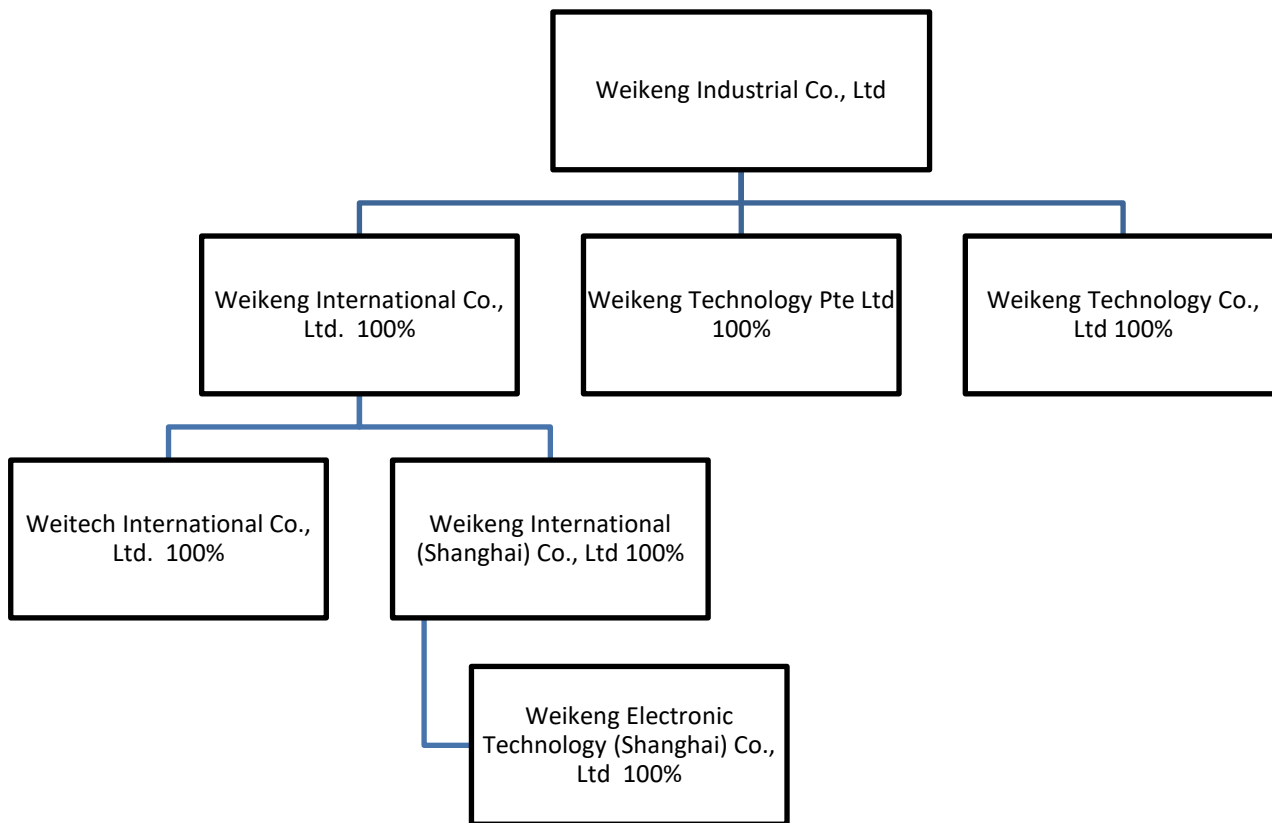
**(VII) Other important matters:** None

**VIII. Special Disclosure**

**(I) Summary of Affiliated Companies**

**A. Overview of Affiliated Companies**

**(A) Organization chart of affiliated companies in accordance with the Article 369-2 of the Company Act**



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

## Information on affiliated companies

As of 2020/12/31

Name of Company	Date of Establishment	Registered Address	Paid- in Capital	Major Business or Products
Weikeng International Co., Ltd.	1997.02.05	Unit A, 17/F., Ever Gain Centre, 28 On Muk Street, Shatin, N.T., Hong Kong	HK\$396,250,000	Electronic Components & Peripheral Products distribution and technical support
Weikeng Technology Co., Ltd.	1988.08.01	11F-1, 308 Sec. 1 Nei Hu Rd., Taipei 11493, TAIWAN	NT\$15,892,750	Electronic Components & Peripheral Products distribution and technical support
Weitech International Co., Ltd.	1998.03.13	Room 901, 9th Floor, Finance Building, 254 Des Voeux Road Central, Sheung Wan, H.K.	HK\$100	Electronic components trading
Weikeng Technology Pte Ltd.	2001.01.26	No 10 Upper Aljunied Link,#02-09, Johnson Controls Building, Singapore 367904	SGD\$16,001,303	Electronic Components & Peripheral Products distribution and technical support
Weikeng International (Shanghai) Co., Ltd.	2002.05.14	Room 1618, no.118 xinling road, China (Shanghai) pilot free trade zone	US\$25,000,000	Electronic Components & Peripheral Products distribution and technical support
Weikeng Electronic Technology (Shanghai) Co., Ltd.	2015.04.08	Room 801, Tower A, no.1068 West Tianshan Road, Changning District, Shanghai,China	CNY1,000,000	Electronic technology development, technical consulting, etc.

**(B) Information on the shareholders of the companies shall be concluded as the existence of the controlling and subordinate relation in accordance with Article 369-3 of the Company Act:** None.

**(C) Industries covered by the operations of all affiliates:** Electronic Components & Peripheral Products distribution and technical support.

**(D) Information on Directors, Supervisors, and Presidents of affiliates:**

As of 2020/12/31

Name of Company	Title	Name or Representative	Holding	
			Shares	%
Weikeng International Co., Ltd.	Director	Hu Chiu Chiang	396,250,000	100%
	Director	Hsu Chung Yueh		
Weikeng Technology Co., Ltd.	Director	Weikeng Industrial Co., Ltd. Representative : Hu Chiu Chiang	1,589,275	100%
	Director	Weikeng Industrial Co., Ltd. Representative : Chi Ting Fang		
	Director	Weikeng Industrial Co., Ltd. Representative : Hsu Chung Yueh		
	Supervisor	Weikeng Industrial Co., Ltd. Representative : Chou Kan Lin		
Weitech International Co., Ltd.	Director	Hu Chiu Chiang	100	100%
	Director	Hsu Chung Yueh		
Weikeng Technology Pte Ltd	Director	Hu Chiu Chiang	12,412,750	100%
	Director	Hsu Chung Yueh		

Name of Company	Title	Name or Representative	Holding	
			Shares	%
	Director	Chi Ting Fang		
	Director	Hung Tung Hui		
Weikeng International (Shanghai) Co., Ltd.	Director	Weikeng International Co., Ltd. Representative : Chang Chin Hao	---	100%
Weikeng Electronic Technology (Shanghai) Co., Ltd.	Director	Weikeng International (Shanghai) Co., Ltd. Representative : Chang Chin Hao	---	100%

## B. Operating Overview of Affiliated Companies

Unit: NT\$ thousands  
As of 2020/12/31

Name of Company	Paid-in Capital	Total Assets	Total Liabilities	Net Worth	Net Sales Revenue	Operating Income (Loss)	Net Income after Tax	EPS (NT\$)
Weikeng International Co., Ltd.	1,595,863	9,969,609	6,219,597	3,750,012	26,898,788	325,015	308,825	0.779
Weikeng Technology Co., Ltd.	15,893	26,170	105	26,593	0	(563)	(528)	---
Weitech International Co., Ltd.	0.417	12,735	10,761	1,975	3,598,105	(48)	221	2,210
Weikeng Technology Pte Ltd	335,459	962,830	631,917	330,913	1,672,740	3,925	13,727	1.106
Weikeng International (Shanghai) Co., Ltd.	786,647	2,371,172	1,713,251	657,921	7,079,923	56,887	78,897	---
Weikeng Electronic Technology (Shanghai) Co., Ltd.	5,067	7,764	2,260	5,504	17,588	246	(3)	---

## C. Consolidated financial declaration statement of affiliated companies and consolidated financial statement:

Please refer to page 147 to page 220 for finding consolidated financial statements, and where is no affiliation report.

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

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

(IV) Other Important Matters: None.

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

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

**Consolidated Financial Statements**

**With Independent Auditors' Report  
For the Years Ended December 31, 2020 and 2019**

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

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

## **Representation Letter**

The entities that are required to be included in the combined financial statements of WEIKENG INDUSTRIAL CO., LTD. as of and for the year ended December 31, 2020 under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with International Financial Reporting Standards No. 10 by the Financial Supervisory Commission, "Consolidated Financial Statements." In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, WEIKENG INDUSTRIAL CO., LTD. and Subsidiaries do not prepare a separate set of combined financial statements.

Company name: WEIKENG INDUSTRIAL CO., LTD.

Chairman: Chiu-Chiang, Hu

Date: March 26, 2021



安侯建業聯合會計師事務所

KPMG

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## Independent Auditors' Report

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

### Opinion

We have audited the consolidated financial statements of Weikeng Industrial Co., Ltd. and its subsidiaries ( "the Group" ), which comprise the consolidated balance sheets as of December 31, 2020 and 2019, the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards ( "IFRSs" ), International Accounting Standards ( "IASs" ), Interpretations developed by the International Financial Reporting Interpretations Committee ( "IFRIC" ) or the former Standing Interpretations Committee ( "SIC" ) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

### Basis for Opinion

We conducted our audit of the consolidated financial statements as of and for the year ended December 31, 2020 in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants, and the auditing standards generally accepted in the Republic of China. Furthermore, we conducted our audit of the Consolidated financial statements as of and for the year ended December 31, 2019 in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants, Rule No. 1090360805 issued by the Financial Supervisory Commission, and the auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China ( "the Code" ), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

### Key Audit Matters

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



## 1. Recognition of Operating Revenue

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

Description of key audit matters:

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

How the matter was addressed in our audit:

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

## 2. Valuation of Inventories

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

Description of key audit matters:

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

How the matter was addressed in our audit:

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

## Other Matter

Weikeng Industrial Co., Ltd. has additionally prepared its parent company only financial statements as of and for the years ended December 31, 2020 and 2019, on which we have issued an unmodified opinion.

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

The management is responsible for the preparation and fair presentation of the consolidated financial statements





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

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

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

### **Auditors' Responsibilities for the Audit of the Consolidated Financial Statements**

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

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

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



6. Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on this consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

KPMG

Taipei, Taiwan (Republic of China)  
March 26, 2021

#### **Notes to Readers**

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

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

Assets		December 31, 2020		December 31, 2019	
		Amount	%	Amount	%
<b>Current assets:</b>					
1100	Cash and cash equivalents (note (6)(a))	\$ 2,486,340	11	2,336,361	10
1110	Financial assets at fair value through profit or loss -current (note (6)(b))	624	-	522	-
1170	Notes and accounts receivable, net (note (6)(d))	10,679,023	47	8,223,453	35
1200	Other receivables (notes (6)(d), (6)(e) and (7))	912,877	4	1,243,839	6
1300	Inventories, net (note (6)(f))	7,855,756	34	10,479,000	45
1470	Prepaid expenses and other current assets	218,979	1	276,752	1
		<u>22,153,599</u>	<u>97</u>	<u>22,559,927</u>	<u>97</u>
<b>Non-current assets:</b>					
1517	Financial assets at fair value through other comprehensive income — non-current (note (6)(c))	44,822	-	45,162	-
1600	Property, plant and equipment (note (6)(g))	134,770	1	149,291	1
1755	Right-of-use assets (note (6)(h))	190,179	1	279,613	1
1780	Intangible assets	53,665	-	57,519	-
1840	Deferred tax assets (note (6)(o))	203,229	1	216,156	1
1900	Other non-current assets	73,566	-	75,782	-
		<u>700,231</u>	<u>3</u>	<u>823,523</u>	<u>3</u>
<b>Total assets</b>		<b>\$ 22,853,830</b>	<b>100</b>	<b>23,383,450</b>	<b>100</b>

Liabilities and Equity		December 31, 2020		December 31, 2019	
		Amount	%	Amount	%
<b>Current liabilities:</b>					
2100	Short-term borrowings (note (6)(i))	\$ 9,745,315	43	9,844,853	42
2120	Financial liabilities at fair value through profit or loss - current (note (6)(b))	-	-	4,040	-
2130	Contract liabilities -current (note (6)(r))	195,013	1	91,026	-
2170	Notes and accounts payable	3,575,860	16	5,316,218	23
2200	Other payables (notes (6)(j) and (7))	1,246,481	5	1,411,607	6
2230	Current tax liabilities	43,793	-	87,361	-
2280	Current lease liabilities (note (6)(l))	112,146	-	127,571	1
2300	Other current liabilities	313,843	1	221,797	1
		<u>15,232,451</u>	<u>66</u>	<u>17,104,473</u>	<u>73</u>
<b>Non-current liabilities:</b>					
2500	Financial liabilities at fair value through profit or loss — non-current (note (6)(b))	9,600	-	-	-
2530	Convertible bonds payable (note (6)(k))	929,322	4	-	-
2570	Deferred tax liabilities (note (6)(o))	408,431	2	332,613	1
2580	Non-current lease liabilities (note (6)(l))	78,793	-	152,221	1
2640	Non-current net defined benefit liabilities (note (6)(n))	120,974	1	129,007	1
2670	Other non-current liabilities	181	-	211	-
		<u>1,547,301</u>	<u>7</u>	<u>614,052</u>	<u>3</u>
	<b>Total liabilities</b>	<b>16,779,752</b>	<b>73</b>	<b>17,718,525</b>	<b>76</b>
<b>Equity (note (6)(p)):</b>					
3100	Ordinary share	3,677,513	16	3,677,513	16
3200	Capital surplus	941,349	4	884,335	4
3310	Legal reserve	890,626	4	864,760	3
3320	Special reserve	229,459	1	138,615	1
3350	Unappropriated retained earnings	700,837	3	329,162	1
Other equity interest:					
3410	Exchange differences on translation of foreign financial statements	(282,193)	(1)	(144,308)	(1)
3420	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	(83,513)	-	(85,152)	-
		<u>(365,706)</u>	<u>(1)</u>	<u>(229,460)</u>	<u>(1)</u>
	<b>Total equity</b>	<b>6,074,078</b>	<b>27</b>	<b>5,664,925</b>	<b>24</b>
<b>Total liabilities and equity</b>		<b>\$ 22,853,830</b>	<b>100</b>	<b>23,383,450</b>	<b>100</b>

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

**Consolidated Statements of Comprehensive Income**

**For the years ended December 31, 2020 and 2019**

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

		<u>2020</u>		<u>2019</u>	
		<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
4100	<b>Net sales revenue (note (6)(r) and note (7))</b>	\$ 58,413,402	100	48,224,086	100
5000	<b>Cost of sales (note (6)(f))</b>	55,345,619	95	45,448,798	94
	<b>Gross profit</b>	<u>3,067,783</u>	<u>5</u>	<u>2,775,288</u>	<u>6</u>
	<b>Operating expenses (notes (6)(l), (6)(m), (6)(n), note (7) and (12)):</b>				
6100	Selling expenses	1,615,273	3	1,599,194	3
6200	Administrative expenses	473,293	-	432,631	1
6450	Expected credit losses (gains) (note (6)(d))	3,014	-	(9,294)	-
		<u>2,091,580</u>	<u>3</u>	<u>2,022,531</u>	<u>4</u>
	<b>Net operating income</b>	<u>976,203</u>	<u>2</u>	<u>752,757</u>	<u>2</u>
	<b>Non-operating income and expenses:</b>				
7100	Interest income	4,668	-	6,621	-
7010	Other income (note (7))	44,872	-	19,601	-
7235	Gains (losses) on financial assets (liabilities) at fair value through profit or loss (note (6)(t))	3,203	-	(8,187)	-
7230	Foreign currency exchange gains (losses), net	157,073	-	12,114	-
7050	Financial costs (note (6)(l))	(251,624)	-	(424,827)	(1)
7590	Miscellaneous disbursements	(1,307)	-	(23)	-
		<u>(43,115)</u>	<u>-</u>	<u>(394,701)</u>	<u>(1)</u>
7900	<b>Profit before tax</b>	933,088	2	358,056	1
7950	Income tax expenses (note (6)(o))	233,779	-	97,662	-
8200	<b>Profit</b>	<u>699,309</u>	<u>2</u>	<u>260,394</u>	<u>1</u>
	<b>Other comprehensive income:</b>				
8310	<b>Items that will not be reclassified to profit or loss</b>				
8311	Gains (losses) on remeasurements of defined benefit plans (note (6)(n))	1,910	-	(2,168)	-
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	1,639	-	(17,921)	-
8349	Less: income tax relating to components of other comprehensive income that will not be reclassified to profit or loss	<u>382</u>	<u>-</u>	<u>(434)</u>	<u>-</u>
		<u>3,167</u>	<u>-</u>	<u>(19,655)</u>	<u>-</u>
8360	<b>Items that may be reclassified subsequently to profit or loss</b>				
8361	Exchange differences on translation of foreign financial statements	(172,356)	-	(91,154)	-
8399	Less: income tax relating to components of other comprehensive income that may be reclassified to profit or loss (note (6)(o))	<u>(34,471)</u>	<u>-</u>	<u>(18,231)</u>	<u>-</u>
		<u>(137,885)</u>	<u>-</u>	<u>(72,923)</u>	<u>-</u>
	<b>Other comprehensive income, net</b>	<u>(134,718)</u>	<u>-</u>	<u>(92,578)</u>	<u>-</u>
8500	<b>Comprehensive income</b>	<u>\$ 564,591</u>	<u>2</u>	<u>167,816</u>	<u>1</u>
	<b>Earnings per share: (note (6)(q))</b>				
9750	<b>Basic earnings per share</b>	<u>\$ 1.90</u>		<u>0.71</u>	
9850	<b>Diluted earnings per share</b>	<u>\$ 1.84</u>		<u>0.70</u>	

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

**Consolidated Statements of Changes in Equity**  
**For the years ended December 31, 2020 and 2019**  
(Expressed in Thousands of New Taiwan Dollars)

	Retained earnings					Other equity interest		Total equity
	Ordinary shares	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	
<b>Balance at January 1, 2019</b>	\$ 3,448,980	872,702	802,354	143,162	690,010	(71,385)	(67,231)	5,818,592
Appropriation and distribution of retained earnings:								
Legal reserve appropriated	-	-	62,406	-	(62,406)	-	-	-
Special reserve reversed	-	-	-	(4,547)	4,547	-	-	-
Cash dividends	-	-	-	-	(354,165)	-	-	(354,165)
Stock dividends	207,484	-	-	-	(207,484)	-	-	-
	207,484	-	62,406	(4,547)	(619,508)	-	-	(354,165)
Consolidated net income for the year ended December 31, 2019	-	-	-	-	260,394	-	-	260,394
Other comprehensive income for the year ended December 31, 2019	-	-	-	-	(1,734)	(72,923)	(17,921)	(92,578)
Total comprehensive income for the year ended December 31, 2019	-	-	-	-	258,660	(72,923)	(17,921)	167,816
Conversion of convertible bonds	21,049	11,633	-	-	-	-	-	32,682
<b>Balance at December 31, 2019</b>	3,677,513	884,335	864,760	138,615	329,162	(144,308)	(85,152)	5,664,925
Appropriation and distribution of retained earnings:								
Legal reserve appropriated	-	-	25,866	-	(25,866)	-	-	-
Special reserve appropriated	-	-	-	90,844	(90,844)	-	-	-
Cash dividends	-	-	-	-	(212,452)	-	-	(212,452)
	-	-	25,866	90,844	(329,162)	-	-	(212,452)
Consolidated net income for the year ended December 31, 2020	-	-	-	-	699,309	-	-	699,309
Other comprehensive income for the year ended December 31, 2020	-	-	-	-	1,528	(137,885)	1,639	(134,718)
Total comprehensive income for the year ended December 31, 2020	-	-	-	-	700,837	(137,885)	1,639	564,591
Issuance of convertible bonds	-	57,014	-	-	-	-	-	57,014
<b>Balance at December 31, 2020</b>	\$ 3,677,513	941,349	890,626	229,459	700,837	(282,193)	(83,513)	6,074,078

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

Consolidated Statements of Cash Flows

For the years ended December 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars)

	2020	2019
<b>Cash flows from (used in) operating activities:</b>		
<b>Profit before tax</b>	\$ 933,088	358,056
<b>Adjustments:</b>		
Adjustments to reconcile profit (loss):		
Depreciation expense	152,828	154,034
Amortization expense	23,841	9,615
Expected credit (gains) losses	3,014	(9,294)
Net (gains) losses on financial assets or liabilities at fair value through profit or loss	(3,203)	8,187
Interest expense	251,624	424,827
Interest income	(4,668)	(6,621)
Others	14	6
	423,450	580,754
Changes in operating assets and liabilities:		
Decrease (increase) in financial assets at fair value through profit or loss	(2,339)	(3,549)
Decrease (increase) in notes and accounts receivable	(2,458,584)	209,706
Decrease (increase) in other receivable	334,794	(27,037)
Decrease (increase) in inventories	2,623,244	2,925,822
Decrease (increase) in prepaid expenses and other current assets	57,773	20,226
	554,888	3,125,168
Increase (decrease) in notes and accounts payable	(1,740,358)	(316,606)
Increase (decrease) in other payable	(130,910)	(69,659)
Increase (decrease) in contract liabilities and other current liabilities	196,033	23,521
Others	(6,123)	(4,711)
	(1,681,358)	(367,455)
Total changes in operating assets and liabilities	(1,126,470)	2,757,713
Total adjustments	(703,020)	3,338,467
Cash flow from (used in) operations	230,068	3,696,523
Interest received	4,668	6,621
Interest paid	(271,398)	(449,144)
Income taxes paid	(157,158)	(203,990)
<b>Net cash flows from (used in) operating activities</b>	(193,820)	3,050,010
<b>Cash flows from (used in) investing activities:</b>		
Acquisition of property, plant and equipment	(3,112)	(11,480)
Decrease (increase) in refundable deposits	(1,918)	1,182
Acquisition of intangible assets	(35,212)	(33,443)
Others	1,979	175
<b>Net cash flows from (used in) investing activities</b>	(38,263)	(43,566)
<b>Cash flows from (used in) financing activities:</b>		
Increase (decrease) in short-term loans	(99,538)	(1,892,622)
Proceeds from issuing bonds	1,000,000	-
Increase (decrease) in guarantee deposits received	(30)	(33)
Payment of lease liabilities	(134,924)	(136,613)
Cash dividends paid	(212,452)	(354,165)
<b>Net cash flows from (used in) financing activities</b>	553,056	(2,383,433)
<b>Effect of exchange rate changes on cash and cash equivalents</b>	(170,994)	(89,551)
<b>Net increase (decrease) in cash and cash equivalents</b>	149,979	533,460
<b>Cash and cash equivalents at beginning of period</b>	2,336,361	1,802,901
<b>Cash and cash equivalents at end of period</b>	\$ 2,486,340	2,336,361

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

**Notes to the Consolidated Financial Statements**

**For the years ended December 31, 2020 and 2019**

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

**(1) Company history**

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

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

These consolidated financial statements were reported to the board of directors and issued on March 26, 2021.

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

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

The Group has initially adopted the following new amendments, which do not have a significant impact on its consolidated financial statements, from January 1, 2020:

- Amendments to IFRS 3 "Definition of a Business"
- Amendments to IFRS 9, IAS39 and IFRS7 "Interest Rate Benchmark Reform"
- Amendments to IAS 1 and IAS 8 "Definition of Material"
- Amendments to IFRS 16 "COVID-19-Related Rent Concessions"

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

The Group assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2021, would not have a significant impact on its consolidated financial statements:

- Amendments to IFRS 4 "Extension of the Temporary Exemption from Applying IFRS 9"
- Amendments to IFRS 9, IAS39, IFRS7, IFRS 4 and IFRS 16 "Interest Rate Benchmark Reform – Phase 2"

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

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

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”
- IFRS 17 “ Insurance Contracts” and amendments to IFRS 17 “ Insurance Contracts”
- Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”
- Amendments to IAS 16 “Property, Plant and Equipment— Proceeds before Intended Use”
- Amendments to IAS 37 “Onerous Contracts— Cost of Fulfilling a Contract”
- Annual Improvements to IFRS Standards 2018-2020
- Amendments to IFRS 3 “Reference to the Conceptual Framework”
- Amendments to IAS 1 “Disclosure of Accounting Policies”
- Amendments to IAS 8 “Definition of Accounting Estimates”

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

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

- (a) Statement of compliance

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

- (b) Basis of preparation

- (i) Basis of measurement

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

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



(ii) Functional and presentation currency

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

(c) Basis of Consolidation

(i) Principle of preparation of the consolidated financial statements

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

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

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

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

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

Name of Investor	Name of Subsidiary	Nature of operation	Shareholding	
			December 31, 2020	December 31, 2019
The Company	Weikeng International Co., Ltd. (WKI)	Electronic components computer peripherals products distribution and technical support	100%	100%
"	Weikeng Technology Co., Ltd. (WTC)	Electronic components and technical support	100%	100%
"	Weikeng Technology Pte. Ltd. (WTP)	"	100%	100%

WKI	Weikeng International (Shanghai) Co., Ltd. (WKS)	Electronic components computer peripherals products distribution and technical support	100%	100%
"	Weitech International Co., Ltd. (Weitech)	Import and export trade of electronic components	100%	100%
WKS	Weikeng Electronic Technology (Shanghai) Co., Ltd. (WKE)	Electronic technology development and technical advisory	100%	100%

(d) Foreign currencies

(i) Foreign currency transactions

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

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

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

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

(ii) Foreign operations

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

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

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

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

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

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

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

An entity shall classify a liability as current when:

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

(f) Cash and cash equivalents

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

(g) Financial instruments

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

(i) Financial assets

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

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

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

1) Financial assets measured at amortized cost

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

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

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

2) Fair value through other comprehensive income (FVOCI )

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

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

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

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

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

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

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

3) Fair value through profit or loss (FVTPL)

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

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

#### 4) Impairment of financial assets

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

#### 5) Derecognition of financial assets

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

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

(ii) Financial liabilities and equity instruments

1) Classification of debt or equity

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

2) Equity instrument

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

3) Compound financial instruments

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

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

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

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

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

4) Financial liabilities

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

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



5) Derecognition of financial liabilities

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

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

6) Offsetting of financial assets and liabilities

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

(iii) Derivative financial instruments and hedge accounting

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

(h) Inventories

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

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

(i) Property, plant and equipment

(i) Recognition and measurement

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

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

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

(ii) Subsequent expenditure

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

(iii) Depreciation

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

Land is not depreciated.

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

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

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

(j) Leases

(i) Identifying a lease

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

- 1) the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified; and
- 2) the customer has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- 3) the customer has the right to direct the use of the asset throughout the period of use only if either:
  - the customer has the right to direct how and for what purpose the asset is used throughout the period of use; or
  - the relevant decisions about how and for what purpose the asset is used are predetermined and:

- the customer has the right to operate the asset throughout the period of use, without the supplier having the right to change those operating instructions; or
- the customer designed the asset in a way that predetermines how and for what purpose it will be used throughout the period of use.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. However, for the leases of land and buildings in which it is a lessee, the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

(ii) As a lessee

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

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

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

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

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

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

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

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

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

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

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

(iii) As a lessor

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

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

(k) Intangible assets

(i) Recognition and measurement

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

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

(ii) Subsequent expenditure

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

(iii) Amortization

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

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

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

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

(l) Impairment of non-financial assets

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

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

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

(m) Revenue recognition

(i) Revenue from contracts with customers

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

1) Sale of goods

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

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

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

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

## 2) Commissions

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

## 3) Financing components

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

## (n) Employee benefits

### (i) Defined contribution plans

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

### (ii) Defined benefit plans

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

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

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

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

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

(iii) Termination benefits

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

(iv) Short-term employee benefits

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

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

(o) Share-based payment

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

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

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

(p) Income Taxes

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

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

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

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

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



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

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

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

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

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

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

(q) Earnings per share

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

(r) Operating segments

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

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

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

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

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

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

(a) Valuation of inventories

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

**(6) Explanation of significant accounts**

(a) Cash and cash equivalents

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Cash on hand	\$ 493	488
Checking accounts and demand deposits	2,485,847	2,335,873
	<b><u>\$ 2,486,340</u></b>	<b><u>2,336,361</u></b>

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

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

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Financial assets measured at fair value through profit or loss – current:		
Non-derivative financial assets		
Stock listed on domestic markets	\$ 624	522
	<b>\$ 624</b>	<b>522</b>
	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Financial liabilities mandatorily measured at fair value through profit or loss – current:		
Derivative instruments not used for hedging		
Forward exchange contracts	\$ -	4,040
Financial liabilities at fair value through profit or loss – non-current:		
Convertible bonds embedded options	<b>\$ 9,600</b>	-

The Group holds derivative instruments to hedge certain foreign currency and interest risk the Group is exposed to arising from its operating, financing and investing activities. The following derivative instruments, without the application of hedge accounting, were classified as mandatorily measured at fair value through profit or loss were as follows:

(in thousands of foreign currency)

	<b>December 31, 2020</b>			<b>December 31, 2019</b>		
	<b>Amount</b>	<b>Currency</b>	<b>Maturity date</b>	<b>Amount</b>	<b>Currency</b>	<b>Maturity date</b>
<b>Financial liabilities</b>						
Forward exchange purchased	-	-	-	USD4,000	USD/TWD	2020.02

As of December 31, 2020 and 2019, the Group did not provide any financial assets and liabilities at fair value through profit or loss as collateral for its loans.

(c) Financial assets at fair value through other comprehensive income – non-current

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Equity investments at fair value through other comprehensive income:		
Domestic emerging market stock	\$ 4,348	2,709
Domestic unlisted stock	17,866	17,866
Foreign unlisted stock	22,608	24,587
	<b>\$ 44,822</b>	<b>45,162</b>

(i) 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 and transfers of any cumulative gain or loss within equity relating to these investments as of December 31, 2020 and 2019.

(ii) The investee companies, Paradigm I Venture Capital Company (Paradigm I) and Feature Integration Technology Inc., classified as financial assets at fair value through other comprehensive income – non-current, refunded capital in 2020 and in 2019, and the Group recorded the receivable amounting to \$1,979 and \$175, respectively. The amounts have been fully received.

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

(iv) As of December 31, 2020 and 2019, the Group did not provide any financial assets at fair value through other comprehensive income as collateral for its loans.

(d) Notes and accounts receivable

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Notes receivable	\$ 266,113	220,659
Accounts receivable-measured as amortized cost	8,994,783	7,183,364
Accounts receivable-fair value through other comprehensive income	<u>1,530,656</u>	<u>990,167</u>
	10,791,552	8,394,190
Less: Loss allowance	<u>(112,529)</u>	<u>(170,737)</u>
	<b><u>\$ 10,679,023</u></b>	<b><u>8,223,453</u></b>

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

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

(i) The Company

<b>December 31, 2020</b>				
<b>Credit rating</b>	<b>Carrying amount</b>	<b>Expected credit loss rate</b>	<b>Loss allowance provision</b>	<b>Credit impaired</b>
Listed company (assessed by group)				
Level A	\$ 2,754,068	0.85%	23,534	No
Level B	988,347	0.96%	9,456	No
Unlisted company	<u>1,118,185</u>	2.42%	<u>27,060</u>	No
	<b><u>\$ 4,860,600</u></b>		<b><u>60,050</u></b>	
<b>December 31, 2019</b>				
<b>Credit rating</b>	<b>Carrying amount</b>	<b>Expected credit loss rate</b>	<b>Loss allowance provision</b>	<b>Credit impaired</b>
Listed company (assessed by group)				
Level A	\$ 1,897,369	0.54%	10,305	No
Level B	1,177,580	1.26%	14,833	No
Unlisted company	<u>706,642</u>	1.30%	<u>9,216</u>	No
	<b><u>\$ 3,781,591</u></b>		<b><u>34,354</u></b>	

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

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Not past due	\$ 4,675,460	3,551,395
Overdue less than 90 days	182,910	224,660
Overdue 91 to 180 days	1,836	4,985
Overdue more than 181 days	<u>394</u>	<u>551</u>
	<b><u>\$ 4,860,600</u></b>	<b><u>3,781,591</u></b>

(ii) Subsidiaries

	<b>December 31, 2020</b>		
	<b>Carrying amount</b>	<b>Expected credit loss rate</b>	<b>Loss allowance provision</b>
Not past due	\$ 5,387,951	0.18%	9,655
Overdue less than 90 days	538,255	6.91%	37,167
Overdue 91 to 180 days	11	72.73%	8
Overdue more than 181 days	4,735	100.00%	4,735
	<b><u>\$ 5,930,952</u></b>		<b><u>51,565</u></b>

	<b>December 31, 2019</b>		
	<b>Carrying amount</b>	<b>Expected credit loss rate</b>	<b>Loss allowance provision</b>
Not past due	\$ 3,998,016	0.01%	464
Overdue less than 90 days	506,448	7.11%	36,032
Overdue 91 to 180 days	15,680	37.70%	5,912
Overdue more than 181 days	92,455	100.00%	92,455
	<b><u>\$ 4,612,599</u></b>		<b><u>134,863</u></b>

For the years ended December 31, 2020 and 2019, the movements in the allowance for notes and accounts receivable were as follows:

	<b>For the years ended December 31,</b>	
	<b>2020</b>	<b>2019</b>
Balance at January 1	\$ 170,737	185,733
Impairment loss recognized (reversed)	3,014	(9,294)
Amounts written off	(58,639)	(950)
Reclassifications	(78)	(1,163)
Effect of changes in foreign exchange rates	(2,505)	(3,589)
Balance at December 31	<b><u>\$ 112,529</u></b>	<b><u>170,737</u></b>

The Group has entered into accounts receivable factoring agreements with banks. According to the factoring agreement, the Group does not bear the loss if the account debtor does not have the ability to make payments upon the transfer of the accounts receivable factoring. The Group has not provided other guarantees except for the promissory notes, which have the same amount with the factoring, used as the guarantee for the sales return and discount. The Group received the proceeds from the discounted accounts receivable on the selling date. Interest is calculated and paid based on the duration and interest rate of the agreement, and the remaining amounts are received when the accounts receivable are paid by the customers. In addition, the Group has to pay a service charge based on a certain rate.

The Group derecognized the above trade receivables 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 trade receivables.

As of December 31, 2020 and 2019, the Group sold its trade receivable without recourse as follows:

<b>December 31, 2020</b>						
<b>Purchaser</b>	<b>Amount Derecognized</b>	<b>Amount Paid</b>	<b>Advanced Unpaid</b>	<b>Amount Recognized in Other Receivables</b>	<b>Range of Interest Rate</b>	<b>Significant Transferring Terms</b>
Financial institutions	\$ 3,053,437	2,749,698	-	303,739	0.64%~1.37%	None

<b>December 31, 2019</b>						
<b>Purchaser</b>	<b>Amount Derecognized</b>	<b>Amount Paid</b>	<b>Advanced Unpaid</b>	<b>Amount Recognized in Other Receivables</b>	<b>Range of Interest Rate</b>	<b>Significant Transferring Terms</b>
Financial institutions	\$ 3,556,406	3,276,346	-	280,060	1.07%~3.2%	None

As of December 31, 2020 and 2019, the Group did not provide any receivables as collaterals for its loans.

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

(e) Other receivables

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Other receivables—the receivables of the Group as an agent (note (6)(r))	\$ 580,597	938,929
Other receivables—accounts receivable factored	303,739	280,060
Tax refund	28,037	22,769
Overdue receivable	22,124	23,313
Others	504	2,081
	<u>935,001</u>	<u>1,267,152</u>
Less: Loss allowance	<u>(22,124)</u>	<u>(23,313)</u>
	<b><u>\$ 912,877</u></b>	<b><u>1,243,839</u></b>

For the years ended December 31, 2020 and 2019, the movements in the allowance for other receivables were as follows:

	<b>For the years ended December 31,</b>	
	<b>2020</b>	<b>2019</b>
Balance at January 1	\$ 23,313	27,643
Amounts written off	(1,245)	(5,493)
Reclassifications	78	1,163
Effect of changes in foreign exchange rates	(22)	-
Balance at December 31	<b><u>\$ 22,124</u></b>	<b><u>23,313</u></b>

As of December 31, 2020 and 2019, the Group did not provide any other receivables as collaterals for its loans.

For further credit risk information, please refer to note (6)(t).

(f) Inventories

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Merchandise inventories	\$ 7,369,025	9,522,408
Goods in transit	486,731	956,592
	<b><u>\$ 7,855,756</u></b>	<b><u>10,479,000</u></b>

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

	<b>2020</b>	<b>2019</b>
Inventory valuation loss and obsolescence (Gain from price recovery of inventory)	\$ (204,578)	171,118
Loss on scrapping of inventory and others	40,659	5,097
	<b><u>\$ (163,919)</u></b>	<b><u>176,215</u></b>

As of December 31, 2020 and 2019, the Group did not provide any inventories as collaterals for its loans.



(g) Property, plant and equipment

The cost, depreciation, and impairment of the property, plant and equipment of the Group for the years ended December 31, 2020 and 2019 were as follows:

	Land	Buildings and construction	Transportation equipment	Machinery equipment	Office and other facilities equipment	Total
<b>Cost or deemed cost:</b>						
Balance on January 1, 2020	\$ 77,377	51,836	16,380	18,067	171,766	335,426
Additions	-	-	-	1,562	1,550	3,112
Disposals	-	-	-	(366)	(3,691)	(4,057)
Effects of changes in exchange rates	-	-	30	52	(2,481)	(2,399)
Balance on December 31, 2020	<u>\$ 77,377</u>	<u>51,836</u>	<u>16,410</u>	<u>19,315</u>	<u>167,144</u>	<u>332,082</u>
Balance on January 1, 2019	\$ 77,377	51,836	15,362	18,274	165,406	328,255
Additions	-	-	1,273	-	10,207	11,480
Disposals	-	-	-	(99)	(1,101)	(1,200)
Effects of changes in exchange rates	-	-	(255)	(108)	(2,746)	(3,109)
Balance on December 31, 2019	<u>\$ 77,377</u>	<u>51,836</u>	<u>16,380</u>	<u>18,067</u>	<u>171,766</u>	<u>335,426</u>
<b>Depreciation and impairment loss:</b>						
Balance on January 1, 2020	\$ -	20,909	10,944	13,489	140,793	186,135
Depreciation for the year	-	862	1,553	1,350	13,415	17,180
Disposals	-	-	-	(366)	(3,661)	(4,027)
Effects of changes in exchange rates	-	-	59	25	(2,060)	(1,976)
Balance on December 31, 2020	<u>\$ -</u>	<u>21,771</u>	<u>12,556</u>	<u>14,498</u>	<u>148,487</u>	<u>197,312</u>
Balance on January 1, 2019	\$ -	20,046	9,450	12,275	129,669	171,440
Depreciation for the year	-	863	1,650	1,373	14,346	18,232
Disposals	-	-	-	(99)	(1,097)	(1,196)
Effects of changes in exchange rates	-	-	(156)	(60)	(2,125)	(2,341)
Balance on December 31, 2019	<u>\$ -</u>	<u>20,909</u>	<u>10,944</u>	<u>13,489</u>	<u>140,793</u>	<u>186,135</u>
<b>Book value:</b>						
Balance on December 31, 2020	<u>\$ 77,377</u>	<u>30,065</u>	<u>3,854</u>	<u>4,817</u>	<u>18,657</u>	<u>134,770</u>
Balance on December 31, 2019	<u>\$ 77,377</u>	<u>30,927</u>	<u>5,436</u>	<u>4,578</u>	<u>30,973</u>	<u>149,291</u>
Balance on January 1, 2019	<u>\$ 77,377</u>	<u>31,790</u>	<u>5,912</u>	<u>5,999</u>	<u>35,737</u>	<u>156,815</u>

For management reasons, the Group has leased its own office building and rented other office building for operation. The purpose of this leasing was not for earning rental income or capital appreciation, so it is classified as property, plant, and equipment.

As of December 31, 2020 and 2019, the Group did not provide any property, plant, and equipment as collaterals for its loans.

(h) Right-of-use assets

The Group leases many assets including buildings and transportation equipment. Information about leases for which the Group as a lessee was presented below:

	<u>Buildings</u>	<u>Transportation equipment</u>	<u>Total</u>
Cost:			
Balance on January 1, 2020	\$ 389,090	7,548	396,638
Additions	44,531	4,241	48,772
Reductions	(23,542)	-	(23,542)
Effect of changes in exchange rates	(2,812)	72	(2,740)
Balance on December 31, 2020	<u>\$ 407,267</u>	<u>11,861</u>	<u>419,128</u>
Balance on January 1, 2019	\$ 394,091	7,548	401,639
Additions	75,039	-	75,039
Reductions	(73,816)	-	(73,816)
Effect of changes in exchange rates	(6,224)	-	(6,224)
Balance on December 31, 2019	<u>\$ 389,090</u>	<u>7,548</u>	<u>396,638</u>
Accumulated depreciation:			
Balance on January 1, 2020	\$ 114,037	2,988	117,025
Depreciation	132,885	2,763	135,648
Reductions	(22,790)	-	(22,790)
Effect of changes in exchange rates	(938)	4	(934)
Balance on December 31, 2020	<u>\$ 223,194</u>	<u>5,755</u>	<u>228,949</u>
Balance on January 1, 2019	\$ -	-	-
Depreciation	132,814	2,988	135,802
Reductions	(16,216)	-	(16,216)
Effect of changes in exchange rates	(2,561)	-	(2,561)
Balance on December 31, 2019	<u>\$ 114,037</u>	<u>2,988</u>	<u>117,025</u>
Carrying amount:			
Balance on December 31, 2020	<u>\$ 184,073</u>	<u>6,106</u>	<u>190,179</u>
Balance on December 31, 2019	<u>\$ 275,053</u>	<u>4,560</u>	<u>279,613</u>
Balance on January 1, 2019	<u>\$ 394,091</u>	<u>7,548</u>	<u>401,639</u>

(i) Short-term borrowings

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Unsecured loans	\$ 9,076,469	9,175,602
Short-term notes and bills payable, net	668,846	669,251
	<b><u>\$ 9,745,315</u></b>	<b><u>9,844,853</u></b>
Unused short-term credit lines	<b><u>\$ 3,678,463</u></b>	<b><u>4,909,723</u></b>
Range of interest rates	<b><u>0.52%~4.57%</u></b>	<b><u>1.02%~4.35%</u></b>

(i) Issuance and repayment of borrowings

The Group's additional amounts in loans for the years ended December 31, 2020 and 2019 were \$38,389,091 and \$31,639,362, respectively, with maturities from January to September, 2021 and from January to September, 2020, respectively; and the repayments were \$38,488,629 and \$33,531,984, respectively.

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

(j) Other payables

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Other payable — the payables of the Group's as an agent (note(6)(r))	\$ 632,478	936,542
Accrued expenses	257,310	235,370
Bonus payable	233,671	154,821
Remuneration to employees and directors	108,755	48,720
Interest payable	14,267	36,154
	<b><u>\$ 1,246,481</u></b>	<b><u>1,411,607</u></b>

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

(k) Convertible bonds payable

(i) Non-guaranteed convertible bonds:

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Aggregate principal amount	\$ 1,000,000	200,000
Bond discount	(70,678)	-
Cumulative converted amount	-	(200,000)
	<u>929,322</u>	<u>-</u>
Less: Convertible bonds payable – could be repaid within one year	-	-
Bonds payable at end of period	<u><b>\$ 929,322</b></u>	<u>-</u>
Embedded derivative – call and put options	<u><b>\$ 9,600</b></u>	<u>-</u>
Equity component – conversion options (included in capital surplus – conversion options)	<u><b>\$ 57,014</b></u>	<u>-</u>

- (ii) The Company issued the fifth and the fourth domestic unsecured convertible bonds, with a face value of \$1,000,000 and \$200,000 on November 3, 2020 and August 22, 2016, respectively. The Company separated its equity and debt components as follows:

	<b><u>The Fifth</u></b>	<b><u>The Forth</u></b>
The compound interest present values of the convertible bonds' face value at issuance	\$ 931,700	189,660
The embedded derivative liabilities at issuance – redemption rights	11,000	2,060
The equity components at issuance	<u>57,300</u>	<u>8,280</u>
The total amounts of the convertible bonds at issuance	<u><b>\$ 1,000,000</b></u>	<u><b>200,000</b></u>

The equity components were accounted for as capital surplus – conversion options. In accordance with IFRSs, the face value of the fifth domestic unsecured convertible bonds was allocated at \$286 to the capital surplus – conversion options.

The gain or loss resulting from changes in fair value of the embedded derivative liabilities were gains of \$1,400 and \$0 for the years ended December 31, 2020 and 2019, respectively.

The effective interest rates of the fifth and the fourth convertible bonds were 1.53% and 2.47%, respectively. The annual interest expenses on convertible bonds payable for the years ended December 31, 2020 and 2019, were \$2,280 and \$290, respectively.

(iii) The significant terms of the fifth convertible bonds were as follows:

- 1) Duration: five years (November 3, 2020 to November 3, 2025)
- 2) Interest rate: 0%
- 3) Redemption at the option of the Company: The Company may redeem the bonds under the following circumstances:
  - a) Within the period between three months after the issuance date and 40 days before the last convertible date, the Company may redeem the bonds at their principal amount if the closing price of the Company's common stock on the Taiwan Stock Exchange for a period of 30 consecutive trading days has been 30% more than the conversion price in effect on each such trading day.
  - b) If at least 90% of the principal amount of the bonds has been converted, redeemed, or purchased and cancelled, the Company may redeem the bonds at their principal amount within the period between three months after the issuance date and 40 days before the last convertible date.
- 4) Redemption at the option of the bondholders:

The bondholders have the right to request the Company to repurchase the bonds at a price equal to the face value, plus, an accrued premium three and four years after the issuance date. The annual interest rate for the redemption, both three and four years after the issuance date, is 0.5%.
- 5) Terms of conversion:
  - a) Bondholders may opt to have the bonds converted into the common stock of the Company from February 4, 2021 to November 3, 2025.
  - b) Conversion price: NT\$18.92(dollars)

(iv) The significant terms of the fourth convertible bonds were as follows:

- 1) Duration: three years (August 22, 2016 to August 22, 2019)
- 2) Interest rate: 0%
- 3) Redemption at the option of the Company: The Company may redeem the bonds under the following circumstances:
  - a) Within the period between one month after the issuance date and 40 days before the last convertible date, the Company may redeem the bonds at their principal amount if the closing price of the Company's common stock on the Taiwan Stock Exchange for a period of 30 consecutive trading days has been 30% more than the conversion price in effect on each such trading day.

- b) If at least 90% of the principal amount of the bonds has been converted, redeemed, or purchased and cancelled, the Company may redeem the bonds at their principal amount within the period between one month after the issuance date and 40 days before the last convertible date.

4) Redemption at the option of the bondholders:

The bondholders have the right to request the Company to repurchase the bonds at a price equal to the face value, plus, an accrued premium two years after the issuance date. The annual interest rate for the redemption, two years after the issuance date, is 1.1%.

5) Terms of conversion:

- a) Bondholders may opt to have the bonds converted into the common stock of the Company from September 23, 2016 to August 22, 2019.

- b) Conversion price: After the adjustment for issuance of common stock for cash on September 19, 2016, the conversion price of common stock was adjusted from NT\$18.66 to NT\$18.29 (dollars) per share. After the adjustment for distributions of retained earnings of 2016, the conversion price of was NT\$17.18 (dollars) on or after July 19, 2017. After adjusting the distributions on retained earnings in 2017, the price of conversion amounted to NT\$15.63 (dollars) on or after August 27, 2018.

- (v) The above convertible bonds had expired on August 22, 2019, and all of them had been transferred into the ordinary shares of the Company before the expiration date.

(l) Lease liabilities

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Current	<b><u>\$ 112,146</u></b>	<b><u>127,571</u></b>
Non-current	<b><u>\$ 78,793</u></b>	<b><u>152,221</u></b>

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

The amounts recognized in profit or loss were as follows:

	<b>2020</b>	<b>2019</b>
Interest on lease liabilities	<b><u>\$ 6,226</u></b>	<b><u>9,591</u></b>
Expenses relating to short-term leases	<b><u>\$ 5,422</u></b>	<b><u>7,382</u></b>

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

	<b>2020</b>	<b>2019</b>
Total cash outflow for leases	<b><u>\$ 146,572</u></b>	<b><u>153,586</u></b>

(i) Real estate leases

The Group leases buildings for its office space, warehouses and dormitories. The leases of office space typically run for a period of 1 to 5 years, of warehouses for 1 to 4 years, and of dormitories for 2 years. Some leases include an option to renew the lease for an additional period of the same duration after the end of the contract term.

Some leases of office buildings contain extension or cancellation options exercisable by the Group before the end of the non-cancellable contract period. These leases are negotiated and monitored by local management, and accordingly, contain a wide range of different terms and conditions. The extension options held are exercisable only by the Group and not by the lessors. In which lease is not reasonably certain to use an optional extended lease term, payments associated with the optional period are not included within lease liabilities.

(ii) Other leases

The Group leases transportation equipment and parking space with lease terms of one year. These leases are short-term. The Group has elected not to recognize right-of-use assets and lease liabilities for these leases.

(m) Operating lease —as lessor

As of December 31, 2020 and 2019, the future minimum lease receivables under non-cancellable leases are as follows:

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Less than one year	\$ 1,451	5,183
Between one and five years	1,531	3,179
	<b><u>\$ 2,982</u></b>	<b><u>8,362</u></b>

For the years ended December 31, 2020 and 2019, the rental revenue under operating leases were \$5,373 and \$5,515, respectively.

The department office leases as combined leases of land and buildings. The Group has classified these leases as operating leases, because it does not transfer substantially all of the risks and rewards incidental to the ownership of the assets.

(n) Employee benefits

(i) Defined benefit plans

The present value of the defined benefit obligations and fair value of plan assets of the Company were as follows:

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Present value of defined benefit obligations	\$ 230,850	227,394
Fair value of plan assets	(109,876)	(98,387)
Net defined benefit liabilities (assets)	<b><u>\$ 120,974</u></b>	<b><u>129,007</u></b>

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

1) Composition of plan assets

The Company allocates pension funds in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, and such funds are managed by the Bureau of Labor Funds, Ministry of Labor. With regard to the utilization of the funds, minimum earnings shall be no less than the earnings attainable from two-year time deposits with interest rates offered by local banks.

The Company's Bank of Taiwan labor pension reserve account balance amounted to \$109,876 at the end of the reporting period. For information on the utilization of the labor pension fund assets including the asset allocation and yield of the fund, please refer to the website of the Labor Pension Fund Supervisory Committee.

2) Movements in present value of the defined benefit obligations

The movements in present value of defined benefit obligations for the Company's were as follows:

	<u>2020</u>	<u>2019</u>
Defined benefit obligation at January 1	\$ 227,394	218,239
Current service costs and interest	2,664	4,007
Remeasurement in net defined benefit liability (assets)	1,000	5,148
Benefits paid by the plan	<u>(208)</u>	<u>-</u>
Defined benefit obligation at December 31	<u><b>\$ 230,850</b></u>	<u><b>227,394</b></u>

3) Movements of defined benefit plan assets

The movements in defined benefit plan assets for the Company were as follows:

	<u>2020</u>	<u>2019</u>
Fair value of plan assets at January 1	\$ 98,387	86,689
Contributions made	7,630	7,596
Expected return on plan assets	948	1,122
Remeasurement of the net defined benefit liability (assets)	<u>2,911</u>	<u>2,980</u>
Fair value of plan assets at December 31	<u><b>\$ 109,876</b></u>	<u><b>98,387</b></u>



4) Expenses recognized in profit or loss

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

	<u>2020</u>	<u>2019</u>
Service cost	\$ 464	1,129
Net interest on net defined benefit liability (assets)	2,200	2,878
Expected return on plan assets	(948)	(1,122)
	<u><b>\$ 1,716</b></u>	<u><b>2,885</b></u>
Selling expenses	\$ 1,233	2,016
Administrative expenses	483	869
	<u><b>\$ 1,716</b></u>	<u><b>2,885</b></u>

5) Actuarial assumptions

The following are the Company's principal actuarial assumptions:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Discount rate	0.625%	1.000%
Future salary increases	3.000%	3.000%

The expected allocation payment made by the Company to the defined benefit plans for the one year period after the reporting date was \$7,700.

The weighted-average duration of the defined benefit obligation is 14.11 years.

6) Sensitivity analysis

As of December 31, 2020 and 2019, if the actuarial assumptions had changed, the impact on the present value of the defined benefit obligation shall be as follows:

	<u>Impact on the defined benefit obligation</u>	
	<u>Increase 0.25%</u>	<u>Decrease 0.25%</u>
December 31, 2020		
Discount Rate	\$ (5,610)	5,820
Future salary increases	5,573	5,401
December 31, 2019		
Discount Rate	(5,922)	6,161
Future salary increases	5,919	(5,726)

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown above. The method used in the sensitivity analysis is consistent with the calculation of pension liabilities in the balance sheets.

There is no change in the method and assumptions used in the preparation of sensitivity analysis for 2020 and 2019.

(ii) Defined contribution plans

The Company and WTC allocates 6% of each employee's monthly wages to the labor pension personal account at the Bureau of the Labor Insurance in accordance with the provisions of the Labor Pension Act. Under this defined contribution plan, the Company and WTC allocates a fixed amount to the Bureau of the Labor Insurance without additional legal or constructive obligations.

The Company and WTC recognized the pension costs under the defined contribution method amounting to \$22,098 and \$21,905 for the years ended December 31, 2020 and 2019, 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 \$38,115 and \$61,123 for the years ended December 31, 2020 and 2019, respectively.

(o) Income taxes

(i) Income tax expenses

1) The components of income tax for the years 2020 and 2019 were as follows:

	<u>2020</u>	<u>2019</u>
Current tax expense		
Current period	\$ 115,449	147,628
Adjustment for prior periods	<u>(4,504)</u>	<u>(2,045)</u>
	<u>110,945</u>	<u>145,583</u>
Deferred tax expense		
Origination and reversal of temporary differences	<u>122,834</u>	<u>(47,921)</u>
Income tax expense	<u>\$ 233,779</u>	<u>97,662</u>

- 2) The amounts of income tax recognized in other comprehensive income for 2020 and 2019 were as follows:

	<u>2020</u>	<u>2019</u>
Items that will not be reclassified subsequently to profit or loss:		
Remeasurement from defined benefit plans	<u>\$ 382</u>	<u>(434)</u>
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign financial statements	<u>\$ (34,471)</u>	<u>(18,231)</u>

- 3) The reconciliation of income tax and profit before tax for 2020 and 2019 was as follows:

	<u>2020</u>	<u>2019</u>
Income tax using each entities of the Group' s legal tax rate	\$ 257,323	71,026
Non-deductible expenses	3,144	4,853
Net investment income and tax-exempt income	(4,600)	(783)
Change in unrecognized temporary differences	(13,430)	14,462
Undistributed earnings additional tax	-	3,525
Under (Over) provision in prior periods	(4,504)	(2,045)
Others	(4,154)	6,624
Income tax expense	<u>\$ 233,779</u>	<u>97,662</u>

(ii) Deferred tax assets and liabilities

- 1) Unrecognized deferred tax assets

Deferred tax assets have not been recognized in respect of the following items:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Tax effect of deductible temporary differences	<u>\$ 31,640</u>	<u>45,522</u>

The Group assessed that the deductible temporary differences which can be offsetted with the taxable income are not probable to be utilized. Hence, such temporary differences are not recognized under deferred tax assets.

2) Recognized deferred tax assets and liabilities

The changes in the amount of deferred tax assets and liabilities for 2020 and 2019 were as follows:

	<b>Defined Benefit Plans</b>	<b>Exchange differences on translation</b>	<b>Bad debt expense over the tax limitation</b>	<b>Loss on valuation of inventory</b>	<b>Allowance for sales discount</b>	<b>Others</b>	<b>Total</b>
Deferred tax assets:							
Balance at January 1, 2020	\$ 3,265	36,076	10,860	98,377	37,676	29,902	216,156
Recognized in profit or loss	-	-	(4,057)	(53,867)	12,916	(2,008)	(47,016)
Recognized in other comprehensive income	(382)	34,471	-	-	-	-	34,089
Balance at December 31, 2020	<b>\$ 2,883</b>	<b>70,547</b>	<b>6,803</b>	<b>44,510</b>	<b>50,592</b>	<b>27,894</b>	<b>203,229</b>
Balance at January 1, 2019	\$ 2,831	17,845	11,419	67,568	23,360	29,285	152,308
Recognized in profit or loss	-	-	(559)	30,809	14,316	617	45,183
Recognized in other comprehensive income	434	18,231	-	-	-	-	18,665
Balance at December 31, 2019	<b>\$ 3,265</b>	<b>36,076</b>	<b>10,860</b>	<b>98,377</b>	<b>37,676</b>	<b>29,902</b>	<b>216,156</b>

	<b>Temporary difference from subsidiary investment</b>	<b>Others</b>	<b>Total</b>
Deferred tax liabilities:			
Balance at January 1, 2020	\$ 329,964	2,649	332,613
Recognized in profit or loss	64,510	11,308	75,818
Balance at December 31, 2020	<b>\$ 394,474</b>	<b>13,957</b>	<b>408,431</b>
Balance at January 1, 2019	328,924	6,427	335,351
Recognized in profit or loss	1,040	(3,778)	(2,738)
Balance at December 31, 2019	<b>\$ 329,964</b>	<b>2,649</b>	<b>332,613</b>

- (iii) The ROC Income Tax Act allows losses for tax purposes, as assessed by the tax authorities, to be offset against the taxable income in the following ten years. WTC' s estimated tax losses which could be used to offset the future taxable income are summarized as follows:

<u>Year of loss</u>	<u>Amount of loss</u>	<u>Deductible amount</u>	<u>Expiry year</u>	<u>Note</u>
2011	\$ 1,902	1,902	2021	Assessed
2012	931	931	2022	Assessed
2013	559	559	2023	Assessed
2014	513	513	2024	Assessed
2015	481	481	2025	Assessed
2016	360	360	2026	Assessed
2017	678	678	2027	Assessed
2018	441	441	2028	Assessed
2019	513	513	2029	Filed
	<u>\$ 6,378</u>	<u>6,378</u>		

- (iv) The income tax return of the Company was authorized through 2018 except for 2017. The income tax return of WTC was authorized through 2018.

(p) Capital and other equities

As of December 31, 2020 and 2019, the total value of nominal ordinary shares amounted to \$4,500,000, each having a par value of \$10 per share, totaling 450,000 thousand ordinary shares, of which 367,751 thousand shares were issued. All issued shares were paid up upon issuance.

(i) Common stock

For the year ended December 31, 2019, 2,105 thousand new common shares, with a par value of \$10, amounting to \$21,049, were issued due to the conversion of convertible bonds. As of reporting date, the related registration procedures were completed.

(ii) Capital surplus

Balances on capital surplus of the Group were as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Additional paid in capital	\$ 845,753	845,753
Treasury share transactions	37,617	37,617
Donation from shareholders	712	712
Convertible bonds– conversion options	57,014	-
Others	253	253
	<u>\$ 941,349</u>	<u>884,335</u>

For the year ended December 31, 2019, the capital surplus deriving from those convertible bonds, which was converted to common stock, amounted to \$11,633. (including the capital surplus-conversion options transferred to the capital surplus-additional paid-in capital of \$1,335).

In accordance with the Company Act, realized capital reserves can only be utilized for issuing new shares or being distributed as cash dividends after offsetting losses. The aforementioned capital reserves include share premiums and donation gains. In accordance with the Securities Offering and Issuance Guidelines, the amount of capital reserves to be utilized for issuing new shares shall not exceed 10 percent of paid-in capital. Capital reserve increased by transferring paid-in capital in excess of par value may not be capitalized until the fiscal year after the competent authority for company registrations approves registration of the capital increase.

(iii) Retained earnings

The Company's Article of Incorporation stipulates that Company's earnings should first be used to pay any taxes, offset the prior years' deficits, be set aside as legal reserve, and then set aside or reverse special reserve, any remaining profit, together with any undistributed retained earnings at the beginning, be distributed according to the distribution plan proposed by the Board of Directors to be submitted during the stockholders' meeting for approval. Before the distribution of dividends, the Board of Directors shall first take into consideration its profitability, plan of capital expenditure, business expansion and capital, requirements for cash flow, regulations, and degree of dilution of earnings per share in determining the proportion of stock and cash dividends to be paid. After the above appropriations, current and prior-period earnings that remain undistributed will be proposed for distribution by the Board of Directors, and a meeting of shareholders will be held to adopt this resolution. The total distribution shall not be less than 50% of the current earnings, and the cash dividends shall not be less than 20% of the total dividends.

The Company authorize dividends, bonus and the legal reserve and capital surplus in whole or in part be paid in cash based on the resolution of the Board of Directors with two-thirds directors present and approved by one-half of the present directors, then shall be reported to shareholders meeting.

1) Legal reverse

When a company incurs no loss, it may, pursuant to a resolution by the shareholders' meeting, distribute its legal reserve by issuing new shares or by distributing cash, and only the portion of the legal reserve which exceeds 25% of capital may be distributed.

2) Special reverse

In accordance with Ruling No. 1010012865 issued by the FSC on April 6, 2012, a portion of current-period earnings and undistributed prior-period earnings shall be reclassified as a special earnings reserve during earnings distribution. The amount to be reclassified should equal the current-period total net reduction of other shareholders' equity. The aforesaid deduction of the shareholders' equity does not include the book value of the treasury stocks repurchased. Amounts of subsequent reversals pertaining to the net reduction of other shareholders' equity shall qualify for unappropriated retained earnings.

3) Earnings distribution

The amount for cash dividends of Company' s earnings distribution for 2019 was decided by the Board of directors held on March 27, 2020, and the Company' s earnings distribution for 2018 was decided via a general meeting of the shareholders held on June 20, 2019.

	2019		2018	
	Amount per share	Total amount	Amount per share	Total amount
Dividends distributed to ordinary shareholders:				
Cash dividends	\$ 0.5777067	<u>212,452</u>	1.02063987	354,165
Stock dividends			0.59793133	<u>207,484</u>
				<u>\$ 561,649</u>

On March 26, 2021, the Company's Board of Directors resolved to appropriate the 2020 earnings. These earnings were appropriated as follows:

	2020	
	Amount per share	Total amount
Dividends distributed to ordinary shareholders		
Cash dividends	\$ 1.34468073	<u>494,508</u>

(q) Earnings per share

(i) Basic earnings per share

The calculation of basic earnings per share at December 31, 2020 and 2019 was based on the profit attributable to ordinary shareholders of the Company and the weighted average number of ordinary shares outstanding as follows:

1) Profit attributable to ordinary shareholders of the Company

	2020	2019
Profit attributable to ordinary shareholders of the Company	<u>\$ 699,309</u>	<u>260,394</u>

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

	2020	2019
Weighted-average number of ordinary share	<u>367,751</u>	<u>366,989</u>

3) Basic earnings per share (TWD)

	2020	2019
	<u>\$ 1.90</u>	<u>0.71</u>

(ii) Diluted earnings per share

The calculation of diluted earnings per share on December 31, 2020 and 2019 was based on profit attributable to ordinary shareholders of the Company, and the weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares calculated as follows.

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

	<u>2020</u>	<u>2019</u>
Profit attributable to ordinary shareholders of the Company (basic)	\$ 699,309	260,394
Convertible bonds payable	880	290
Profit attributable to ordinary shareholders of the Company (diluted)	<u>\$ 700,189</u>	<u>260,684</u>

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

	<u>2020</u>	<u>2019</u>
Weighted-average number of ordinary shares (basic)	367,751	366,989
Effect of convertible bonds	8,376	763
Effect of employee stock remuneration	4,614	2,527
Weighted-average number of ordinary shares (diluted) on December 31	<u>380,741</u>	<u>370,279</u>

	<u>2020</u>	<u>2019</u>
3) Diluted earnings per share (TWD)	<u>\$ 1.84</u>	<u>0.70</u>

(r) Revenue from contracts with customers

(i) Disaggregation of revenue

	<u>2020</u>	<u>2019</u>
Primary geographical markets:		
Taiwan	\$ 5,614,082	4,089,563
China	49,044,599	40,760,398
Others	3,754,721	3,374,125
	<u>\$ 58,413,402</u>	<u>48,224,086</u>
Major products/services lines		
Chipset/memory components	\$ 24,107,788	19,968,605
Assorted and other components	34,232,826	28,240,053
Others	72,788	15,428
	<u>\$ 58,413,402</u>	<u>48,224,086</u>



The Group was determined in some specific transactions as an agent that the other party sold some merchandises to end-customer by delivering them to the Group. In these cases, the Group did not obtain the control of the merchandises, therefore, the Group recognized the remaining sales amounts which have been offset against the payment to the other party from the transactions; or recognized the commission signed with the other party, as revenue.

For the years ended December 31, 2020 and 2019, the Group was determined as an agent in the aforementioned transactions, which revenue amounted to \$72,001 and \$11,383, respectively. Due to the above transactions, the other receivables amounted to \$580,597 and \$938,929 as of December 31, 2020 and 2019, respectively; and the other payables amounted to \$632,478 and \$936,542 as of the years ended December 31, 2020 and 2019, respectively. Please refer to note (6)(e) and (6)(j).

(ii) Contract balance

	<b>December 31, 2020</b>	<b>December 31, 2019</b>	<b>January 1, 2019</b>
Notes and accounts receivable (included related parties)	\$ 10,791,552	8,394,190	8,609,598
Less: allowance for impairment	(112,529)	(170,737)	(185,733)
	<b><u>\$ 10,679,023</u></b>	<b><u>8,223,453</u></b>	<b><u>8,423,865</u></b>
Contract liabilities	<b><u>\$ 195,013</u></b>	<b><u>91,026</u></b>	<b><u>151,723</u></b>

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

The amounts of revenue recognized for the years ended December 31, 2020 and 2019 that were included in the contract liability balance at the beginning of the period were \$68,075 and \$133,240, respectively.

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

(s) Remuneration to employees and directors

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

For the years ended December 31, 2020 and 2019, the accrued remuneration of the Company's employees were \$78,442 and \$29,690, as well as directors were \$19,611 and \$7,422, respectively. These amounts were calculated by using the Company's profit before tax for the period before deducting the amount of remuneration to employees and directors, multiplied by the distribution ratio of remuneration to employees and directors under the Company's articles of Incorporation, and expensed under operating expenses. If the Board of Directors resolved to distribute employees' remuneration in the form of shares, the numbers of shares to be distributed were calculated based on the closing price of the Company's ordinary shares one day before the date of the meeting of the board of directors.

The amounts, as stated in the financial statements, are identical to those of the actual distributions for 2020 and 2019. Related information would be available at the Market Observation Post System website.

(t) Financial Instruments

(i) Credit risk

1) Exposure to credit risk

The carrying amount of financial assets represents the maximum amount exposed to credit risk.

2) Concentration of credit risk

Because the Group caters to a wide variety of customers and has a diverse market distribution, the Group does not concentrate in any single individual customer. Therefore, there is no significant credit risk of concentration in trade receivable. In order to reduce credit risk, the Group monitors the financial conditions of its customers regularly. However, the Group does not require its customers to provide any collateral.

3) Receivables

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

The amount of other financial assets at amortized cost include other receivables which had been impaired. For the loss allowance provision, please refer to the note (6)(e).

(ii) Liquidity risk

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

	<u>Carrying Amount</u>	<u>Contractual cash flows</u>	<u>Within a year</u>	<u>Over 1 year</u>
<b>December 31, 2020</b>				
Non-derivative financial liabilities				
Unsecured loans	\$ 9,076,469	(9,076,469)	(9,076,469)	-
Short-term notes and bill payable	668,846	(670,000)	(670,000)	-
Lease liabilities	190,939	(196,566)	(115,933)	(80,633)
Notes and accounts payables	3,575,860	(3,575,860)	(3,575,860)	-
Other payables	1,246,481	(1,246,481)	(1,246,481)	-
Bonds payable	929,322	(1,000,000)	-	(1,000,000)
Derivative financial liabilities				
Convertible bonds payable embedded derivatives	9,600	-	-	-
	<u>\$ 15,697,517</u>	<u>(15,765,376)</u>	<u>(14,684,743)</u>	<u>(1,080,633)</u>
<b>December 31, 2019</b>				
Non-derivatives financial liabilities				
Unsecured loans	\$ 9,175,602	(9,175,602)	(9,175,602)	-
Short-term notes and bills payable	669,251	(670,000)	(670,000)	-
Lease liabilities	279,792	(289,857)	(133,384)	(156,473)
Notes and accounts payables	5,316,218	(5,316,218)	(5,316,218)	-
Other payables	1,411,607	(1,411,607)	(1,411,607)	-
Derivative financial liabilities				
Forward exchange contracts:	4,040			
Outflow	-	(123,699)	(123,699)	-
Inflow	-	119,659	119,659	-
	<u>\$ 16,856,510</u>	<u>(16,867,324)</u>	<u>(16,710,851)</u>	<u>(156,473)</u>

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

(iii) Market risk

1) Currency risk

The Group's significant exposure to foreign currency risk was as follows:

	December 31, 2020			December 31, 2019		
	Foreign currency	Exchange rate	TWD	Foreign currency	Exchange rate	TWD
Financial assets						
Monetary items						
USD	\$ 257,506	USD/TWD 28.48	7,333,779	226,081	USD/TWD 30.020	6,786,937
USD	540	USD/CNY 6.5142	15,383	1,877	USD/CNY 6.9830	56,349
Non-monetary items						
USD	745	USD/TWD 28.48	21,218	745	USD/TWD 30.020	22,365
Financial liabilities						
Monetary items						
USD	172,907	USD/TWD 28.48	4,924,379	179,097	USD/TWD 30.020	5,376,480
USD	19,077	USD/CNY 6.5142	543,302	39,178	USD/CNY 6.9830	1,176,111

2) Currency risk sensitivity analysis

The Group's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, account receivables, other receivables, financial assets at fair value through other comprehensive income, loans and borrowings, accounts payables and other payables that are denominated in foreign currency. A change of 5% in the exchange rate of TWD or CNY against foreign currency for the years ended December 31, 2020 and 2019 would have increase (decreased) the other comprehensive income (before tax) \$1,061 and \$1,118, respectively. For the years ended December 31, 2020 and 2019 would have increased (decreased) the net profit before tax as follows. The analysis is performed on the same basis for both periods.

	For the years ended December 31,	
	2020	2019
USD (against the TWD)		
Strengthening 5%	\$ 120,470	70,523
Weakening 5%	(120,470)	(70,523)
USD (against the CNY)		
Strengthening 5%	(26,396)	(55,988)
Weakening 5%	26,396	55,988

3) Exchange gains and losses of monetary items

As the Group deals in diverse foreign currencies, gains or losses on foreign exchange were summarized as a single amount. For the years ended December 31, 2020 and 2019, the foreign exchange gain (loss), including both realized and unrealized, amounted to a gain of \$157,073 and a gain of \$12,114, respectively.

4) Equity market price risk

If the price of the fair value of equity instruments (including the stocks listed on domestic market at stock exchange (over-the-counter) market share, domestic emerging market stocks and domestic and foreign unlisted stocks) changed at the report date. (with the same analysis performed for both periods, assuming all other variable factors remain constant), it would have resulted in the change in the comprehensive income as illustrated below.

	2020		2019	
	Other comprehensive income before tax	Net income before tax	Other comprehensive income before tax	Net income before tax
Securities prices at reporting date				
Increasing 5%	\$ 2,241	31	2,258	26
Decreasing 5%	\$ (2,241)	(31)	(2,258)	(26)

(iv) Interest rate analysis

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

	Carrying amount	
	December 31, 2020	December 31, 2019
Variable rate instruments:		
Financial assets	\$ 1,836,291	1,554,199
Financial liabilities	(9,076,469)	(9,175,602)

The following sensitivity analysis is based on the risk exposure to interest rate on the derivative and non-derivative financial instruments on the reporting date. Regarding the assets and liabilities with variable interest rates, the analysis is on the basis of the assumption that the amount of assets and liabilities outstanding at the reporting date were outstanding throughout the year. The rate of change is expressed as the interest rate increase or decrease by 0.25% when reporting to management internally, which also represents the Group's management's assessment of the reasonably possible interest rate change.

If the interest rate had increased or decreased by 0.25%, the Group's net profit before tax would have decreased or increased by \$18,100 and \$19,054 for the years ended December 31, 2020 and 2019, respectively, which would be mainly resulting from demand deposits, and unsecured loans with variable interest rates.

(v) Fair value

1) Categories and the fair value of financial instruments

The fair value of financial assets and liabilities at fair value through profit or loss, and financial assets at fair value through other comprehensive income are measured on a recurring basis. The carrying amount and fair value of the 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:

	<b>December 31, 2020</b>				
	<b>Carrying amount</b>	<b>Fair Value</b>			<b>Total</b>
		<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	
<b>Financial assets mandatorily measured at fair value through profit or loss</b>					
Stocks listed on domestic markets	\$ 624	624	-	-	624
<b>Financial assets at fair value through other comprehensive income</b>					
Notes and accounts receivable, net	1,530,656	-	-	-	-
Emerging market stock	4,348	4,348	-	-	4,348
Stocks unlisted on domestic markets and foreign market	40,474	-	-	40,474	40,474
Subtotal	<u>1,575,478</u>				
<b>Financial assets measured at amortized cost</b>					
Cash and cash equivalents	2,486,340	-	-	-	-
Notes and accounts receivable, net	9,148,367	-	-	-	-
Other receivables	884,840	-	-	-	-
Guarantee deposits paid	73,467	-	-	-	-
Subtotal	<u>12,593,014</u>				
	<b><u>\$ 14,169,116</u></b>				

**Financial liabilities at fair value through profit or loss**

Convertible bonds payable embedded derivative	\$ 9,600	-	9,600	-	9,600
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**Financial liabilities measured at amortized cost**

Bank loans	9,745,315	-	-	-	-
Lease liabilities	190,939	-	-	-	-
Notes and accounts payable	3,575,860	-	-	-	-
Other payables	1,246,481	-	-	-	-
Bonds payable	<u>929,322</u>	-	-	-	-
Subtotal	<u>15,687,917</u>				
	<b><u>\$ 15,697,517</u></b>				

**December 31, 2019**

	Carrying amount	Fair Value			Total
		Level 1	Level 2	Level 3	
<b>Financial assets mandatorily measured at fair value through profit or loss</b>					
Stocks listed on domestic markets	\$ 522	522	-	-	522
<b>Financial assets at fair value through other comprehensive income</b>					
Notes and accounts receivable, net	990,167	-	-	-	-
Emerging market stock	2,709	2,709	-	-	2,709
Stocks unlisted on domestic markets and foreign market	<u>42,453</u>	-	-	42,453	42,453
Subtotal	<u>1,035,329</u>				
<b>Financial assets measured at amortized cost</b>					
Cash and cash equivalents	2,336,361	-	-	-	-
Notes and accounts receivable, net	7,233,286	-	-	-	-
Other receivables	1,221,070	-	-	-	-
Guarantee deposits paid	<u>71,549</u>	-	-	-	-
Subtotal	<u>10,862,266</u>				
	<b><u>\$ 11,898,117</u></b>				

<b>Financial liabilities mandatorily measured at fair value through profit or loss</b>						
Derivative instruments not used for hedging						
Forward exchange contracts	\$	<u>4,040</u>	-	4,040	-	4,040
<b>Financial liabilities measured at amortized cost</b>						
Bank loans		9,844,853	-	-	-	-
Lease liabilities		279,792	-	-	-	-
Notes and accounts payable		5,316,218	-	-	-	-
Other payables		<u>1,411,607</u>	-	-	-	-
Subtotal		<u>16,852,470</u>				
		<u>\$ 16,856,510</u>				

There were no transfers of financial instruments between any levels for the years ended December 31, 2020 and 2019.

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 of financial instruments without an active market. The measurement of fair value of the equity instruments is based on the Guideline Public Company method, which mainly assumes the evaluation by the price value and the price to book value ratio of similar public company and by the discount for lack of marketability. The estimation has been adjusted by the effect resulting from the discount for lack of marketability of the securities.

b) Derivative financial instruments

Measurement of fair value of derivative instruments is based on the valuation techniques that are generally accepted by the market participants. For instance, discount method or option pricing models. Fair value of forward currency exchange is usually determined by using the forward currency rate.

4) Reconciliation of Level 3 fair values

	<b>Fair value through other comprehensive income</b>
	<b>Unquoted equity instruments</b>
Opening balance, January 1, 2020	\$ 42,453
Capital refunded	<u>(1,979)</u>
Ending Balance, December 31, 2020	<b><u>\$ 40,474</u></b>
Opening balance, January 1, 2019	\$ 60,883
Total gains and losses recognized:	
In other comprehensive income	<u>(18,430)</u>
Ending Balance, December 31, 2019	<b><u>\$ 42,453</u></b>

5) Quantified information on significant unobservable inputs (Level 3) used in fair value measurement

The Group's financial instruments that use Level 3 inputs to measure fair value include "financial assets measured at fair value through other comprehensive income - equity investments" .

Quantified information of significant unobservable inputs was as follows:

<b>Item</b>	<b>Valuation technique</b>	<b>Significant unobservable inputs</b>	<b>Inter-relationships between significant unobservable inputs and fair value measurement</b>
Financial assets at fair value through other comprehensive income	Guideline Public Company method	<ul style="list-style-type: none"> <li>• Price-Sales ratio (1.44 and 0.7 at December 31, 2020 and 2019, respectively)</li> <li>• Price-Book ratio (0.88 and 0.9 at December 31, 2020 and 2019, respectively)</li> <li>• Lack-of-Marketability discount rate (17.25% and 12.93% on December 31, 2020 and 2019, respectively)</li> </ul>	<p>The estimated fair value would increase (decrease) if:</p> <ul style="list-style-type: none"> <li>• The Price-Sales ratio were higher (lower);</li> <li>• The Price-Book ratio were higher (lower); or</li> <li>• The Lack-of-Marketability discount rate were lower (higher)</li> </ul>
Financial assets at fair value through profit or loss	Net Asset Value Method	<ul style="list-style-type: none"> <li>• Net asset value</li> </ul>	<ul style="list-style-type: none"> <li>• Not applicable</li> </ul>

(u) Financial risk management

(i) Briefings

The Group is exposed to the following risks arising from financial instruments:

- 1) Credit risk
- 2) Liquidity risk
- 3) Market risk

In this note expressed the information on risk exposure and objectives, policies and procedures of risk measurement and management. For detailed information, please refer to the related notes of each risk.

(ii) Structure of risk management

The Group's finance department provides business services for the overall internal department. It sets the objectives, policies and processes for managing the risk and the methods used to measure the risk arising from both the domestic and international financial market operations. The Group minimizes the risk exposure through derivative financial instruments. The board of directors regulated the use of derivative and non-derivative financial instruments in accordance with the Group's policy about risks arising from financial instruments such as currency risk, interest rate risk, credit risk, the use of derivative and non-derivative financial instruments and the investments of excess liquidity. The internal auditors of the Group continue with the review of the amount of the risk exposure in accordance with the Group's policies and the risk management policies and procedures. The Group has no transactions in financial instruments (including derivative financial instruments) for the purpose of speculation.

(iii) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investment securities.

1) Accounts receivable and other receivables

The Group has established a credit policy under which each new customer is analyzed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. The Group's review includes external ratings, when available, and in some cases bank references. Purchase limits are established for each customer, and these limits are reviewed periodically. The customers evaluated as low credit rating by the Group only have prepayment transactions with the Group.

Trade and other receivables mainly relate to a wide range of customers from different industries and geographic regions. The Group continued to assess the financial condition and credit risk of its customers, by grouping trade and other receivables based on their characteristics and will purchase credit guarantee insurance contracts if necessary.

Because the Group caters to a wide variety of customers and has a diverse market distribution, the Group does not concentrate in any single individual customer. Therefore, there is no significant credit risk of concentration in trade receivable. In order to reduce the credit risk, the Group monitors the financial conditions of its customers regularly. However, the Group does not require its customers to provide any collateral.

2) Investments

The credit risks exposure in the bank deposits, investments with fixed income and other financial instruments are measured and monitored by the Group's finance department. Since the Group's transaction counterparties and the contractually obligated counterparties are banks, financial institutes and corporate organizations with good credits, there are no compliance issues, and therefore, no significant credit risk. The finance department evaluates the counterparty's credit condition when investing in bond investment without an active market, and do not expect to have any significant credit risk.

(iv) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

The Group manages sufficient cash and cash equivalents so as to cope with its operations and mitigate the effects of fluctuations in cash flows. The Group's management supervises the banking facilities and ensures in compliance with the terms of the loan agreements.

Borrowings from the banks and accounts receivable factoring are important sources of liquidity for the Group. Please refer to note (6)(d) and note (6)(i) for unused short-term bank facilities and factoring amount as of December 31, 2020 and 2019.

(v) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

1) Currency risk

The Group is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the functional currencies of the Group, primarily the USD, CNY and HKD.

When short-term assets and liabilities denominated in a foreign currency are unbalanced, the Group uses exchange rate to buy or sell about foreign currency to ensure that the net risk is maintained at an acceptable level.

2) Interest rate risk

As the Group's borrowings position are based on USD and NTD, the Group's capital cost will result in an decrease (increase) when Federal Reserve ( "Fed" ) and Central Bank of the Republic of China (Taiwan) decrease (increase) the interest rate of USD and NTD. The Group adjusts the proportion of the USD and NTD borrowings to minimize the cost of capital, in order to reduce interest rate risk to an acceptable level.

3) Other price risk

The management of the Group monitors the listed or OTC share investments and open-end mutual funds based on the market price.

(v) Capital management

The policy of the board of directors is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Capital consists of ordinary shares, capital surplus, and retained earnings.

The Group monitors the capital structure by way of periodical review on the liability ratio. As of December 31, 2020 and 2019 the liability ratios were as follows:

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Total liabilities	\$ 16,779,752	17,718,525
Total assets	22,853,830	23,383,450
Liability ratio	73%	76%

As of December 31, 2020, there were no changes in the Group's approach to capital management.

(w) Investing and financing activities not affecting current cash flow

The Group's investing and financing activities which did not affect the current cash flow for the years ended December 31, 2020 and 2019, were as follows:

- (i) For the acquisition of right-of-use assets from leases, please refer to note (6)(h).
- (ii) For conversion of convertible bonds to ordinary shares, please refer to note (6)(k).

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

	<b>January 1, 2020</b>	<b>Non-cash changes</b>				<b>December 31, 2020</b>
		<b>Cash flows</b>	<b>Acquisition</b>	<b>Reduction</b>	<b>Foreign exchange movement</b>	
Short-term loans	\$ 9,844,853	(99,538)	-	-	-	9,745,315
Lease liabilities	279,792	(134,924)	48,772	(769)	(1,932)	190,939
Bonds payable	-	1,000,000	-	(70,678)	-	929,322
Total liabilities from financing activities	<b>\$ 10,124,645</b>	<b>765,538</b>	<b>48,772</b>	<b>(71,447)</b>	<b>(1,932)</b>	<b>10,865,576</b>

	<b>January 1, 2019</b>	<b>Non-cash changes</b>				<b>December 31, 2019</b>
		<b>Cash flows</b>	<b>Acquisition</b>	<b>Reduction</b>	<b>Foreign exchange movement</b>	
Short-term loans	\$ 11,737,475	(1,892,622)	-	-	-	9,844,853
Lease liabilities	401,639	(136,613)	17,439	-	(2,673)	279,792
Total liabilities from financing activities	<b>\$ 12,139,114</b>	<b>(2,029,235)</b>	<b>17,439</b>	<b>-</b>	<b>(2,673)</b>	<b>10,124,645</b>

**(7) Related-party transactions**

(a) Name and relationship with related parties

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

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

(b) Other related party transactions

(i) Sale of goods to related parties

The amounts of sales transactions between the Group and related parties were as follows:

	<u>2020</u>	<u>2019</u>
Other related parties	<u>\$ 14</u>	<u>18</u>

There were no significant differences in terms of collection and pricing on sales to related parties and other customers. The collection period was approximately 30 days after the sales date.

(ii) Processing fee and consultancy fees from related Parties

Other related parties were commissioned to provide processing services and consulting services to the Group. The amounts were as follows:

	<u>2020</u>	<u>2019</u>
Other related parties	<u>\$ 9,554</u>	<u>10,870</u>

(iii) Lease

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

	<u>2020</u>	<u>2019</u>
Other related parties	<u>\$ 1,191</u>	<u>1,306</u>

(iv) Receivables from related parties

The receivables from related parties were as follows:

<u>Account</u>	<u>Relationship</u>	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Notes and accounts receivables	Other related parties	<u>\$ 12</u>	<u>-</u>

(v) Payable to related parties

<u>Account</u>	<u>Related party categories</u>	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Other payables	Other related parties	<u>\$ 460</u>	<u>963</u>

(c) Key management personnel compensation

Key management personnel compensation comprised:

	<u>2020</u>	<u>2019</u>
Short-term employee benefits	\$ 162,560	100,912
Post-employment benefits	830	798
	<u>\$ 163,390</u>	<u>101,710</u>

(8) Pledged assets: None.

(9) Commitments and contingencies:

As of December 31, 2020 and 2019 the balances of L/Cs for deferred payment of import value added tax and the purchase of merchandise were as follows:

<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>\$ 167,400</u>	<u>171,100</u>

(10) Losses Due to Major Disasters: None

(11) Subsequent Events: None

(12) Other:

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

By item	By function	For the years ended December 31,	
		2020	2019
		Operating expense	Operating expense
Employee benefits			
Salary		1,177,031	1,047,269
Labor and health insurance		88,085	95,165
Pension		61,929	85,913
Remuneration of directors		30,625	8,627
Others		41,431	38,302
Depreciation		152,828	154,034
Amortization		23,841	9,615

**(13) Other disclosures:**

(a) Information on significant transactions:

The following is the information on significant transactions required by the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” for the Group for the year ended December 31, 2020:

(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	9,111,117	6,628,688	6,610,888	4,310,313	-	108.8%	18,222,234	Y	-	-
"	"	WTP	100% owned subsidiary	9,111,117	690,960	683,520	446,585	-	11.3%	18,222,234	Y	-	-
"	"	WKS	100% owned subsidiary	9,111,117	1,545,918	786,200	343,417	-	12.9%	18,222,234	Y	-	Y

Note 1 : The total amount of the guarantee provided by the Company shall not exceed three hundred percent (300%) of the higher amount between the Company' s capital amount and net worth. However, for any individual entity whose voting shares are 50% or more owned, directly or indirectly, by the Company shall not exceed fifty percent (50%) of the maximum amount for guarantee on recent audited or reviewed financial statements.

Note 2 : For those entities as the guarantor to the subsidiary, subsidiary as the guarantor to the company, or the guarantor that located in China, please fill in “Y” .

(iii) Securities held as of December 31, 2020 (excluding investment in subsidiaries, associates and joint ventures):

(Shares/units (thousands))

Name of holder	Category and name of security	Relationship with company	Account title	Ending balance				Highest balance during the year		Note
				Shares/Units (thousands)	Carrying amount	Percentage of ownership (%)	Fair value	Shares/Units (thousands)	Percentage of ownership (%)	
The Company	Securities of listed companies EBM Technologies Inc.	-	Financial assets mandatorily measured at fair value through profit or loss-current	34	\$ 624	-	\$ 624	34	-	
"	Feature Integration Technology Inc.	-	Financial assets at fair value through other comprehensive income-noncurrent	158	\$ 4,085	0.53	\$ 4,085	158	0.53	
"	Clientron Corp.	-	"	15	263	0.02	263	15	0.02	
"	Paradigm I Venture Capital Company (Paradigm I)	-	"	750	\$ 7,458	6.79	\$ 7,458	750	6.79	
"	Paradigm Venture Capital Corporation (PVC Corp.)	-	"	271	3,226	10.49	3,226	271	10.49	
"	InnoBridge Venture Fund ILP. (InnoBridge)	-	"	-	15,150	9.90	15,150	-	9.90	
"	Shin Kong Global Venture Capital Corp.	-	"	3,000	4,800	12.00	4,800	3,000	12.00	
"	Vision Wide Technology Co., Ltd. (VTEC)	-	"	800	9,840	1.70	9,840	800	1.70	
					<u>\$ 40,474</u>		<u>\$ 40,474</u>			



- (iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20% of the capital stock: None
- (v) Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None
- (vi) Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None
- (vii) Related-party transactions for purchases and sales with amounts exceeding the lower of NT\$100 million or 20% of the capital stock:

(in thousands of foreign currency)

Name of company	Related party	Nature of relationship	Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		Note
			Purchases/(Sales)	Amount	Percentage of total purchases/(sales)	Payment terms	Unit price	Payment terms	Ending balance	Percentage of total notes/accounts receivable (payable)	
The Company	WKI	100%owned subsidiary	(Sales)	(350,472) (USD(11,767))	(1.26) %	OA30	No significant difference with other customer	-	Accounts Receivable 5,100 (USD179)	0.11%	
"	"	"	Purchases	640,755 (USD21,779)	2.48 %	"	"	-	-	-%	
WKI	The Company	Parent company	Purchases	350,472 (USD11,767)	1.41 %	"	"	-	Accounts Payable (5,100) (USD(179))	(0.33)%	
"	"	"	(Sales)	(640,755) (USD(21,779))	(2.39) %	"	"	-	-	-%	
"	WKS	Subsidiary	(Sales)	(3,645,298) (USD(123,347))	(13.55) %	OA60	"	-	Accounts Receivable 554,889 (USD19,483)	12.21%	
WKS	WKI	Parent company	Purchases	3,645,298 (USD123,347)	65.80 %	"	"	-	Accounts Payable (554,889) (USD(19,483))	(55.58)%	

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

- (viii) Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of the capital stock:

(in thousands of foreign currency)

Name of company	Counter-party	Nature of relationship	Ending balance	Turnover rate	Overdue		Amounts received in subsequent period (Note)	Allowance for bad debts	Note
					Amount	Action taken			
WKI	WKS	Subsidiary	554,889 (USD19,483)	4.22	-	-	USD 16,910	-	The transactions have been eliminated in the consolidated financial statement

Note: Information as of Mar. 18, 2021.

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

(x) Business relationships and significant intercompany transactions:

No. (Note 1)	Name of company	Name of counter-party	Nature of relationship (Note 2)	Intercompany transactions			Percentage of the consolidated net revenue or total assets
				Account name	Amount	Trading terms	
0	The Company	WKI	1	Sales Revenue	350,472	The price is marked up based on operating cost, and the receivables depend on OA30 after offsetting the accounts payable.	0.60%
"	"	"	"	Accounts Receivable	5,100	"	0.02%
"	"	"	"	Management and Credit Service Revenue	263,050	The price is set by percentage of the contract and is received quarterly.	0.45%
"	"	"	"	Other Receivables	72,032	"	0.32%
"	"	WKS	"	Sales Revenue	1,546	The price is marked up based on operating cost, OA60.	-%
"	"	"	"	Management and Credit Service Revenue	10,941	The price is set by percentage of the contract and is received quarterly.	0.02%
"	"	WTP	"	Sales Revenue	28,453	The price is marked up based on operating cost, and the receivables depend on OA30 after offsetting the accounts payable.	0.05%
"	"	"	"	Accounts Receivable	8,289	"	0.04%
"	"	"	"	Other Receivables	1,172	"	-%
1	WKI	The Company	2	Sales Revenue	640,755	"	1.10%
"	"	WKS	3	Sales Revenue	3,645,298	The price is marked up based on operating cost, and the receivables depend on funding demand and OA60.	6.24%
"	"	"	"	Accounts Receivable	554,889	"	2.43%
2	WKS	WKI	"	Service Revenue	253,655	The price is set by percentage of the contract, OA30.	0.43%
"	"	"	"	Accounts Receivable	4,627	"	0.02%

--	--	--	--	--	--	--	--	--	--

Note 1: The numbers filled in as follows:

1. 0 represents the Company.
2. Subsidiaries are sorted in a numerical order starting from 1.

Note 2: Relationship with the transactions labeled as follows:

- 1 represents the transactions from the parent company to its subsidiaries.
- 2 represents the transactions from the subsidiaries to the parent company.
- 3 represents the transactions between subsidiaries.

(b) Information on investees:

The following is the information on investees for the year ended December 31, 2020 (excluding information on investees in Mainland China):

(in thousands of foreign currency)

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Highest			The highest holdings in the period		Net income (losses) of investee	Investment income (losses) of investor	Note
				December 31, 2020	December 31, 2019	Shares (In Thousands)	Percentage of Ownership	Carrying amount	Shares (In Thousands)	Percentage of Ownership			
The Company	WKI	Hong Kong	Electronic components computer peripherals products distribution and technical support	\$ 1,044,995	774,275	396,250	100%	\$ 3,750,012	396,250	100%	308,825	308,825	Subsidiary
"	WTC	Taipei	Electronic components and technical support	12,983	12,983	1,589	100%	26,065	1,589	100%	(528)	(528)	"
"	WTP	Singapore	"	293,327	293,327	12,413	100%	330,913	12,413	100%	13,727	13,727	"
				<b>\$ 1,351,305</b>	<b>1,080,585</b>			<b>\$ 4,106,990</b>				<b>\$ 322,024</b>	
WKI	Weitech	Hong Kong	Import and export trade of electronic components	0.41 (HKD0.1)	0.41 (HKD0.1)	-	100%	1,975 (USD69)	-	100%	221 (USD7)	221 (USD7)	Subsidiary's subsidiary

(c) Information on investment in mainland China:

(i) The names of investees in Mainland China, the main businesses and products, and other information:

(in thousands of foreign currency)

Name of investee	Main businesses and products	Total amount of paid-in capital	Method of investment	Accumulated outflow of investment from Taiwan as of January 1, 2020	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2020	Net income (losses) of the investee	Percentage of ownership	Highest balance during the year		Investment income (losses) of investor (Note 2)	Book value	Accumulated remittance of earnings in current period
					Outflow (Note 3)	Inflow				Shares/ Units	Highest Percentage of ownership			
WKS	Electronic components computer peripherals products distribution and technical support	786,647 (USD25,000)	Note 1 ~ 4	304,594 (USD9,800)	-	-	304,594 (USD9,800)	78,897 (USD2,670) (Note 2)	100%	-	100%	78,897 (USD2,670) (Note 2)	657,921 (USD23,101)	-
WKE	Electronic technology development and technical advisory	5,067 (RMB1,000)	Note 1 ~ 5	-	-	-	(3) (USD0)	100%	-	100%	(3) (USD0)	5,504 (USD193)	-	

(ii) Limitation on investment in Mainland China:

Accumulated Investment in Mainland China as of December 31, 2020	Investment Amounts Authorized by Investment Commission, MOEA (note 3)	Upper Limit on Investment
304,594 (USD9,800)	712,000 (USD25,000)	3,644,447

Note 1: Investment in Mainland China was through a company in the third area.

Note 2: The investment gains and losses of the current period are recognized according to the financial statements, which have been reviewed by the Company's independent auditors, and were translated into New Taiwan Dollars at the average exchange rates.

Note 3: The currency was translated into New Taiwan Dollars at the exchange rates at the end of reporting period.

Note 4: The difference was due to Weikeng International Co. Ltd.'s investment of US15,200 thousand dollars on Weikeng International (Shanghai) Co. Ltd. using its own funds.

Note 5: The difference was due to Weikeng International (Shanghai) Co. Ltd.'s investment of RMB1,000 thousand dollars on Weikeng Electronic Technology (Shanghai) Co. Ltd. using its own funds.

(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 2020.

(d) Major shareholders:

Shareholder' s Name	Shareholding	Shares	Percentage
Weiji Investment Co., Ltd.		31,426,876	8.27%

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

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

**(14) Segment information:**

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

(b) Product and service information

The Group operates in a single industry, the main industry for the trading of electronic components and computer peripheral products. Please refer to notes (6)(r).

(c) Geographic information

Please refer to notes 6(r) for the geographic information on the Group's sales presented by destination of customer and the stated below is the geographic information on the Group's non-current assets presented by location.

Non-current Assets:

<b>Area</b>	<b>2020</b>	<b>2019</b>
Taiwan	\$ 240,510	276,076
China	169,356	219,911
Singapore	42,216	66,119
	<b><u>\$ 452,082</u></b>	<b><u>562,106</u></b>

Non-current assets include property, plant and equipment, intangible assets, right-of-use assets and other assets, not including deferred tax assets and pension fund assets.

(d) Information about major customers

There were no individual customers who accounted for over 10% of consolidated net sales in 2020 and 2019.

**WEIKENG INDUSTRIAL CO., LTD.**  
**Parent Company Only Financial Statements**  
**With Independent Auditors' Report**  
**For the Years Ended December 31, 2020 and 2019**

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

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



安侯建業聯合會計師事務所

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## Independent Auditors' Report

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

### Opinion

We have audited the financial statements of Weikeng Industrial Co., Ltd. ( "the Company" ), which comprise the balance sheets as of December 31, 2020 and 2019, the statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

### Basis for Opinion

We conducted our audit of the financial statements as of and for the year ended December 31, 2020 in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants, and the auditing standards generally accepted in the Republic of China. Furthermore, we conducted our audit of the financial statements as of and for the year ended December 31, 2019 in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants, Rule No. 1090360805 issued by the Financial Supervisory Commission, and the auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China ( "the Code" ), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

### Key Audit Matters

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

#### 1. Recognition of Operating Revenue

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





Description of key audit matters:

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

How the matter was addressed in our audit:

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

2. Valuation of Inventories

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

Description of key audit matters:

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

How the matter was addressed in our audit:

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

3. The share of profit (loss) of subsidiaries and investments accounted for using equity method

Please refer to note (4)(h) "Investments of subsidiaries" for the accounting policies; note (6)(g) "Investments accounted for using equity method" for explanatory notes about the investments under equity method.

Description of key audit matters:

The subsidiaries, which are recognized under equity method, are distributors for the sale of electronic components and computer peripheral equipment with holding material assets, such as accounts receivable and inventories. Therefore, the share of profit of subsidiaries and investments accounted for using equity method which is one of the material items in the financial statements is considered a key matter in our audit.



How the matter was addressed in our audit:

Our main audit procedures for the aforementioned key audit matters include understanding the related control over investments accounted for using equity method; testing the changes of the investment under equity method within the year, including the recognition of investments gains (losses) and the share of comprehensive income; as well as assessing whether the Company's recognition of investments are in accordance with the related standards.

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

The management is responsible for the preparation and fair presentation of the financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

### **Auditor's Responsibilities for the Audit of the Financial Statements**

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

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

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material



uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of the investments in other entities accounted for using the equity method to express an opinion on this financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

KPMG

Taipei, Taiwan (Republic of China)  
March 26, 2021

#### **Notes to Readers**

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

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



(English Translation of Financial Statements Originally Issued in Chinese)

**WEIKENG INDUSTRIAL CO., LTD.**

**Statements of Comprehensive Income**

**For the years ended December 31, 2020 and 2019**

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

	<u>2020</u>		<u>2019</u>		
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>	
4100	Net sales revenue (notes (6)(s) and note (7))	\$ 27,706,010	100	22,377,731	100
5000	Cost of sales (note (6)(f) and note (7))	26,467,370	96	21,320,941	95
	<b>Gross profit</b>	<u>1,238,640</u>	<u>4</u>	<u>1,056,790</u>	<u>5</u>
	<b>Operating expenses (notes (6)(n), (6)(o), note (7) and (12)):</b>				
6100	Selling expenses	656,547	2	597,662	3
6200	Administrative expenses	271,854	1	246,930	1
6450	Expected credit losses (gains) (note (6)(d))	25,090	-	(13,876)	-
		<u>953,491</u>	<u>3</u>	<u>830,716</u>	<u>4</u>
	<b>Net operating income</b>	<u>285,149</u>	<u>1</u>	<u>226,074</u>	<u>1</u>
	<b>Non-operating income and expenses:</b>				
7010	Other income (notes (6)(n) and note (7))	286,479	1	263,447	1
7230	Foreign currency exchange gains (losses), net (note (6)(u))	112,975	-	41,627	-
7235	Gains (losses) on financial assets (liabilities) at fair value through profit or loss	3,203	-	(8,187)	-
7375	Share of profit of associates accounted for using equity method (note (6)(g))	322,024	1	4,876	-
7050	Financial costs (note (6)(m) and note (7))	(126,777)	-	(193,831)	(1)
7590	Miscellaneous disbursements (note 6(e))	(571)	-	-	-
		<u>597,333</u>	<u>2</u>	<u>107,932</u>	<u>-</u>
7900	<b>Profit before tax</b>	<u>882,482</u>	<u>3</u>	<u>334,006</u>	<u>1</u>
7950	<b>Less: Income tax expenses (note (6)(p))</b>	<u>183,173</u>	<u>1</u>	<u>73,612</u>	<u>-</u>
	<b>Profit</b>	<u>699,309</u>	<u>2</u>	<u>260,394</u>	<u>1</u>
	<b>Other comprehensive income:</b>				
	<b>Items that will not be reclassified to profit or loss</b>				
8310					
8311	Gains (losses) on remeasurements of defined benefit plans (note (6)(o))	1,910	-	(2,168)	-
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	1,639	-	(17,921)	-
8349	Less: Income tax related to components of other comprehensive income that will not be reclassified to profit or loss (note (6)(p))	382	-	(434)	-
		<u>3,167</u>	<u>-</u>	<u>(19,655)</u>	<u>-</u>
	<b>Items that may be reclassified to profit or loss</b>				
8360					
8361	Exchange differences on translation of foreign financial statements	(172,356)	-	(91,154)	-
8399	Less: Income tax related to components of other comprehensive income that may be reclassified to profit or loss (note (6)(p))	(34,471)	-	(18,231)	-
	Components of other comprehensive income that will be reclassified to profit or loss	<u>(137,885)</u>	<u>-</u>	<u>(72,923)</u>	<u>-</u>
8300	<b>Other comprehensive income</b>	<u>(134,718)</u>	<u>-</u>	<u>(92,578)</u>	<u>-</u>
8500	<b>Comprehensive income</b>	<u>\$ 564,591</u>	<u>2</u>	<u>167,816</u>	<u>1</u>
	<b>Earnings per share: (note (6)(r))</b>				
9750	<b>Basic earnings per share</b>	<u>\$ 1.90</u>		<u>0.71</u>	
9850	<b>Diluted earnings per share</b>	<u>\$ 1.84</u>		<u>0.70</u>	

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

Statements of Changes in Equity

For the years ended December 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars)

	Retained earnings					Other equity interest	Unrealized gains (losses) on financial assets at fair value through other	Total equity
	Ordinary shares	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Exchange differences on translation of foreign financial statements		
<b>Balance at January 1, 2019</b>	\$ 3,448,980	872,702	802,354	143,162	690,010	(71,385)	(67,231)	5,818,592
Appropriation and distribution of retained earnings:								
Legal reserve appropriated	-	-	62,406	-	(62,406)	-	-	-
Special reserve reversed	-	-	-	(4,547)	4,547	-	-	-
Cash dividends	-	-	-	-	(354,165)	-	-	(354,165)
Stock dividends	207,484	-	-	-	(207,484)	-	-	-
	207,484	-	62,406	(4,547)	(619,508)	-	-	(354,165)
Net income	-	-	-	-	260,394	-	-	260,394
Other comprehensive income	-	-	-	-	(1,734)	(72,923)	(17,921)	(92,578)
Total comprehensive income	-	-	-	-	258,660	(72,923)	(17,921)	167,816
Conversion of convertible bonds	21,049	11,633	-	-	-	-	-	32,682
Balance at December 31, 2019	3,677,513	884,335	864,760	138,615	329,162	(144,308)	(85,152)	5,664,925
Appropriation and distribution of retained earnings:								
Legal reserve appropriated	-	-	25,866	-	(25,866)	-	-	-
Special reserve appropriated	-	-	-	90,844	(90,844)	-	-	-
Cash dividends	-	-	-	-	(212,452)	-	-	(212,452)
	-	-	25,866	90,844	(329,162)	-	-	(212,452)
Net income	-	-	-	-	699,309	-	-	699,309
Other comprehensive income	-	-	-	-	1,528	(137,885)	1,639	(134,718)
Total comprehensive income	-	-	-	-	700,837	(137,885)	1,639	564,591
Issuance of convertible bonds	-	57,014	-	-	-	-	-	57,014
<b>Balance at December 31, 2020</b>	\$ <b>3,677,513</b>	<b>941,349</b>	<b>890,626</b>	<b>229,459</b>	<b>700,837</b>	<b>(282,193)</b>	<b>(83,513)</b>	<b>6,074,078</b>

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

Statements of Cash Flows

For the years ended December 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars)

	2020	2019
<b>Cash flows from (used in) operating activities:</b>		
<b>Profit before tax</b>	\$ 882,482	334,006
<b>Adjustments:</b>		
Adjustments to reconcile profit (loss):		
Depreciation expense	58,474	59,528
Amortization expense	5,291	2,988
Expected credit losses (gains)	25,090	(13,876)
Net losses (gains) on financial assets or liabilities at fair value through profit or loss	(3,203)	8,187
Interest expense	126,777	193,831
Interest income	(1,796)	(3,763)
Share of loss (profit) of subsidiaries, associates and joint ventures accounted for using equity method	(322,024)	(4,876)
	(111,391)	242,019
Changes in operating assets and liabilities:		
Decrease (increase) in financial assets at fair value through profit or loss	(2,339)	(3,549)
Decrease (increase) in notes and accounts receivable	(1,084,054)	756,556
Decrease (increase) in other receivable	341,624	(41,792)
Decrease (increase) in inventories	648,806	2,628,114
Decrease (increase) in prepaid expenses and other current assets	3,875	17,295
	(92,088)	3,356,624
Increase (decrease) in accounts payable	(486,402)	(1,235,973)
Increase (decrease) in other payable	(220,087)	(46,556)
Increase (decrease) in contract liabilities and other current liabilities	44,760	19,107
Increase (decrease) in net defined benefit liability – non-current	(6,123)	(4,711)
	(667,852)	(1,268,133)
Total changes in operating assets and liabilities	(759,940)	2,088,491
Total adjustments	(871,331)	2,330,510
Cash flow from (used in) operations	11,151	2,664,516
Interest received	1,796	3,763
Interest paid	(131,257)	(208,895)
Income taxes paid	(108,177)	(197,949)
<b>Net cash flows from (used in) operating activities</b>	(226,487)	2,261,435
<b>Cash flows from (used in) investing activities:</b>		
Acquisition of investment accounted for using equity method	(270,720)	(231,833)
Acquisition of property, plant and equipment	(1,492)	(2,730)
Acquisition of intangible assets	(14,483)	(2,500)
Others	917	175
<b>Net cash flows from (used in) investing activities</b>	(285,778)	(236,888)
<b>Cash flows from (used in) financing activities:</b>		
Increase (decrease) in short-term loans	(98,563)	(1,138,887)
Proceeds from issuing bonds	1,000,000	-
Increase (decrease) in guarantee deposits received	(30)	(33)
Payment of lease liabilities	(52,871)	(52,873)
Cash dividends paid	(212,452)	(354,165)
<b>Net cash flows from (used in) financing activities</b>	636,084	(1,545,958)
<b>Net increase (decrease) in cash and cash equivalents</b>	123,819	478,589
<b>Cash and cash equivalents at beginning of period</b>	1,355,639	877,050
<b>Cash and cash equivalents at end of period</b>	\$ 1,479,458	1,355,639

(English Translation of Financial Statements and Report Originally Issued in Chinese)  
**WEIKENG INDUSTRIAL CO., LTD.**

**Notes to the Financial Statements**

**For the years ended December 31, 2020 and 2019**

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

**(1) Company history**

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

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

The accompanying parent company only financial statements were authorized for issuance by the board of directors on March 26, 2021.

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

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

The Company has initially adopted the following new amendments, which do not have a significant impact on its financial statements, from January 1, 2020:

- Amendments to IFRS 3 "Definition of a Business"
- Amendments to IFRS 9, IAS39 and IFRS7 "Interest Rate Benchmark Reform"
- Amendments to IAS 1 and IAS 8 "Definition of Material"
- Amendments to IFRS 16 "COVID-19-Related Rent Concessions"

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

The Company assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2021, would not have a significant impact on its financial statements:

- Amendments to IFRS 4 "Extension of the Temporary Exemption from Applying IFRS 9"
- Amendments to IFRS 9, IAS39, IFRS7, IFRS 4 and IFRS 16 "Interest Rate Benchmark Reform – Phase 2"



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

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

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”
- IFRS 17 “ Insurance Contracts” and amendments to IFRS 17 “ Insurance Contracts”
- Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”
- Amendments to IAS 16 “Property, Plant and Equipment – Proceeds before Intended Use”
- Amendments to IAS 37 “Onerous Contracts – Cost of Fulfilling a Contract”
- Annual Improvements to IFRS Standards 2018-2020
- Amendments to IFRS 3 “Reference to the Conceptual Framework”
- Amendments to IAS 1 “Disclosure of Accounting Policies”
- Amendments to IAS 8 “Definition of Accounting Estimates”

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

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

- (a) Statement of compliance

These annual financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (hereinafter referred to as the Regulations).

- (b) Basis of preparation

- (i) Basis of measurement

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

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

(ii) Functional and presentation currency

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

(c) Foreign currencies

(i) Foreign currency transactions

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

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

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

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

(ii) Foreign operations

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

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

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

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

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

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

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

An entity shall classify a liability as current when:

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

(e) Cash and cash equivalents

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

(f) Financial instruments

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

(i) Financial assets

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

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

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

1) Financial assets measured at amortized cost

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

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

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

2) Fair value through other comprehensive income (FVOCI)

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

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

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

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

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

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

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

3) Fair value through profit or loss (FVTPL)

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

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

4) Impairment of financial assets

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

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

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

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

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

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

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

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

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

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

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

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

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

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;

- it is probable that the borrower will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for a security because of financial difficulties.

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

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

#### 5) Derecognition of financial assets

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

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

#### (ii) Financial liabilities and equity instruments

##### 1) Classification of debt or equity

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

##### 2) Equity instrument

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

3) Compound financial instruments

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

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

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

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

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

4) Financial liabilities

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

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

5) Derecognition of financial liabilities

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

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



6) Offsetting of financial assets and liabilities

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

(iii) Derivative financial instruments and hedge accounting

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

(g) Inventories

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

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

(h) Investment in subsidiaries

The subsidiaries in which the Company holds controlling interest are accounted for using equity method in the parent-company-only financial statements. Under equity method, the net income, other comprehensive income and equity in the parent-company-only financial statements are the same as those attributable to the owners of parent in the consolidated financial statements.

Changes in the Company's ownership of subsidiaries which have not resulted in the loss of control are treated as equity transactions with the owner.

(i) Property, plant and equipment

(i) Recognition and measurement

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

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

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

(ii) Subsequent expenditure

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

(iii) Depreciation

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

Land is not depreciated.

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

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

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

(j) Leases

(i) Identifying a lease

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

- 1) the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified; and
- 2) the customer has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- 3) the customer has the right to direct the use of the asset throughout the period of use only if either:
  - the customer has the right to direct how and for what purpose the asset is used throughout the period of use; or
  - the relevant decisions about how and for what purpose the asset is used are predetermined and:

- the customer has the right to operate the asset throughout the period of use, without the supplier having the right to change those operating instructions; or
- the customer designed the asset in a way that predetermines how and for what purpose it will be used throughout the period of use.

At inception or on reassessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. However, for the leases of land and buildings in which it is a lessee, the Company has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

(ii) As a lessee

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

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

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

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

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

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

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

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

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

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

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

(iii) As a lessor

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

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

(k) Intangible assets

(i) Other intangible assets

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

(ii) Subsequent expenditure

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

(iii) Amortization

Amortization is calculated over the cost of the asset, less its residual value, and is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use. Computer software costs are amortized, on the average, by 1 to 3 years.

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

(l) Impairment of non-financial assets

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

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

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

(m) Revenue recognition

(i) Revenue from contracts with customers

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

1) Sale of goods

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

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

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

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

## 2) Commissions

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

## 3) Financing components

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

## (n) Employee benefits

### (i) Defined contribution plans

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

### (ii) Defined benefit plans

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

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

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

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

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

(iii) Termination benefits

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

(iv) Short-term employee benefits

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

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

(o) Share-based payment

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

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

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

(p) Income Taxes

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

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

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

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

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



(iii) taxable temporary differences arising on the initial recognition of goodwill.

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

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

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

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

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

(q) Earnings per share

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

(r) Operating segments

The operating segment information is disclosed within the consolidated financial statements but not disclosed in the parent company only financial statement.

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

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

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

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

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

**(a) Valuation of inventories**

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

**(6) Explanation of significant accounts**

**(a) Cash and cash equivalents**

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Cash on hand	\$ 134	134
Checking accounts and demand deposits	1,479,324	1,355,505
	<b><u>\$ 1,479,458</u></b>	<b><u>1,355,639</u></b>

Please refer to note (6)(u) for the exchange risk, interest rate risk and the sensitivity analysis of the financial assets of the Company.

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

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Financial assets measured at fair value through profit or loss – current:		
Non-derivative financial assets		
Stock listed on domestic markets	\$ 624	522
	<b>\$ 624</b>	<b>522</b>
	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Financial liabilities mandatorily measured at fair value through profit or loss – current:		
Derivative instruments not used for hedging		
Foreign exchange contracts	\$ -	4,040
Financial liabilities at fair value through profit or loss – non-current:		
Convertible bonds embedded options	\$ 9,600	-

The Company holds derivative instruments to hedge certain foreign currency and interest risk the Company is exposed to arising from its operating, financing and investing activities. The following derivative instruments, without the application of hedge accounting, were classified as mandatorily measured at fair value through profit or loss were as follows:

(in thousands of foreign currency)

	<b>December 31, 2020</b>			<b>December 31, 2019</b>		
	<b>Amount</b>	<b>Currency</b>	<b>Maturity date</b>	<b>Amount</b>	<b>Currency</b>	<b>Maturity date</b>
<b>Financial liabilities</b>						
Forward exchange purchased	-	-	-	USD4,000	USD/TWD	2020.02

As of December 31, 2020 and 2019, the Company did not provide any financial assets and liabilities at fair value through profit or loss as collateral for its loans.

(c) Financial assets at fair value through other comprehensive income – non-current

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Equity investments at fair value through other comprehensive income:		
Domestic emerging market stock	\$ 4,348	2,709
Domestic unlisted stock	17,866	17,866
Foreign unlisted stock	22,608	24,587
	<b>\$ 44,822</b>	<b>45,162</b>

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

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

There were no disposals of strategic investments and transfers of any cumulative gain or loss within equity relating to these investments as of December 31, 2020 and 2019.

(ii) The investee companies, Paradiam I Venture Capital Company (PIVC Corp.) and Feature Integration Technology Inc., classified as financial assets at fair value through other comprehensive income – non-current, refunded capital in 2020 and 2019, and the Company recorded the receivable amounting to \$1,979 and \$175, respectively. The amounts have been fully received.

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

(iv) As of December 31, 2020 and 2019, the Company did not provide any financial assets at fair value through other comprehensive income as collateral for its loans.

(d) Notes and accounts receivable

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Notes receivable	\$ 14,284	13,503
Accounts receivable-measured as amortized cost	3,430,740	2,940,324
Accounts receivable-fair value through other comprehensive income	<u>1,429,348</u>	<u>836,491</u>
	4,874,372	3,790,318
Less: Loss allowance	<u>(60,964)</u>	<u>(35,874)</u>
	<u><b>\$ 4,813,408</b></u>	<u><b>3,754,444</b></u>

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

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

<b>December 31, 2020</b>				
<b>Credit rating</b>	<b>Carrying amount</b>	<b>Expected credit loss rate</b>	<b>Loss allowance provision</b>	<b>Credit impaired</b>
Listed company (assessed by group)				
Level A	\$ 2,754,068	0.85%	23,534	No
Level B	988,347	0.96%	9,456	No
Unlisted company	1,118,185	2.42%	27,060	No
(Related-party) subsidiaries and sub-subsidiaries	<u>13,772</u>	-%	<u>-</u>	No
	<b><u>\$ 4,874,372</u></b>		<b><u>60,050</u></b>	
<b>December 31, 2019</b>				
<b>Credit rating</b>	<b>Carrying amount</b>	<b>Expected credit loss rate</b>	<b>Loss allowance provision</b>	<b>Credit impaired</b>
Listed company (assessed by group)				
Level A	\$ 1,897,369	0.54%	10,305	No
Level B	1,177,580	1.26%	14,833	No
Unlisted company	706,642	1.30%	9,216	No
(Related-party) subsidiaries and sub-subsidiaries	<u>8,727</u>	-%	<u>-</u>	No
	<b><u>\$ 3,790,318</u></b>		<b><u>34,354</u></b>	

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

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Not past due	\$ 4,685,025	3,560,122
Overdue less than 90 days	187,117	224,660
Overdue 91 to 180 days	1,836	4,985
Overdue more than 181 days	<u>394</u>	<u>551</u>
	<b><u>\$ 4,874,372</u></b>	<b><u>3,790,318</u></b>

For the years ended December 31, 2020 and 2019, the movement in the allowance for notes and accounts receivable were as follows:

	<b>For the years ended December 31,</b>	
	<b>2020</b>	<b>2019</b>
Balance at January 1	\$ 35,874	49,750
Impairment loss recognized (reversed)	25,090	(13,876)
Balance at December 31	<b><u>\$ 60,964</u></b>	<b><u>35,874</u></b>

The Company has entered into accounts receivable factoring agreements with banks. According to the factoring agreement, the Company does not bear the loss if the account debtor does not have the ability to make payments upon the transfer of the accounts receivable factoring. The Company has not provided other guarantee except for the promissory notes, which have the same amount with the factoring used as the guarantee for the sales return and discount. The Company received the proceeds from the discounted accounts receivable on the selling date. Interest is calculated and paid based on the duration and interest rate of the agreement, and the remaining amounts are received when the accounts receivable are paid by the customers. In addition, the Company has to pay a service charge based on a certain rate.

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

As of December 31, 2020 and 2019, the Company sold its trade receivable without recourse as follows:

<b>December 31, 2020</b>						
<b>Purchaser</b>	<b>Amount Derecognized</b>	<b>Amount Paid</b>	<b>Advanced Unpaid</b>	<b>Amount Recognized in Other Receivables</b>	<b>Range of Interest Rate</b>	<b>Significant Transferring Terms</b>
Financial institutions	\$ 2,776,227	2,500,209	-	276,018	0.64%~1.37%	None

<b>December 31, 2019</b>						
<b>Purchaser</b>	<b>Amount Derecognized</b>	<b>Amount Paid</b>	<b>Advanced Unpaid</b>	<b>Amount Recognized in Other Receivables</b>	<b>Range of Interest Rate</b>	<b>Significant Transferring Terms</b>
Financial institutions	\$ 2,942,097	2,670,231	-	271,866	1.07%~3.20%	None

As of December 31, 2020 and 2019, the Company did not provide any receivables as collaterals for its loans.

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

(e) Other receivables

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Other receivables — the receivables of the Company as an agent (note (6)(s))	\$ 580,597	938,929
Other receivables — accounts receivable factored	276,018	271,866
Other receivables — related parties	73,204	61,182
Tax refund	28,037	22,769
Overdue receivable	22,016	22,150
Others	322	1,224
	<u>980,194</u>	<u>1,318,120</u>
Less: Loss allowance	<u>(22,016)</u>	<u>(22,150)</u>
	<b><u>\$ 958,178</u></b>	<b><u>1,295,970</u></b>

For the years ended December 31, 2020 and 2019, the movement in the allowance for other receivables were as follows:

	<b>2020</b>	<b>2019</b>
Balance at January 1	\$ 22,150	27,643
Amounts written off	<u>(134)</u>	<u>(5,493)</u>
Balance at December 31	<b><u>\$ 22,016</u></b>	<b><u>22,150</u></b>

As of December 31, 2020 and 2019, the Company did not provide any other receivables as collaterals for its loans.

For further credit risk information, please refer to note (6)(u).

(f) Inventories

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Merchandise inventories	\$ 2,760,252	3,390,014
Goods in transit	<u>178,935</u>	<u>197,979</u>
	<b><u>\$ 2,939,187</u></b>	<b><u>3,587,993</u></b>

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

	<b>2020</b>	<b>2019</b>
Inventory valuation loss and obsolescence (Gain from price recovery of inventory)	\$ (267,317)	154,043
Loss on scrapping of inventory and others	<u>1,202</u>	<u>3,657</u>
	<b><u>\$ (266,115)</u></b>	<b><u>157,700</u></b>

As of December 31, 2020 and 2019, the Company did not provide any inventories as collaterals for its loans.

(g) Investments accounted for using equity method

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Subsidiaries	<b><u>\$ 4,106,990</u></b>	<b><u>3,686,602</u></b>

- (i) For the financial statements of the subsidiaries, please refer to the consolidated financial statements.
- (ii) For the years ended December 31, 2020 and 2019, the profits of the subsidiaries and related parties recognized by the Company were \$322,024 and \$4,876, respectively.
- (iii) In order to enrich its subsidiaries working capital and improve its financial structure, the Company subscribed for the cash increase stocks of its subsidiaries, Weikeng International Company Limited (WKI), with the amount of \$270,720 and 154,070, respectively, with the shareholding ratio of 100%, in 2020 and 2019; and Weikeng Technology Pte. Ltd. (WTP), with the amount of \$77,763, with the shareholding ratio of 100%, in 2019.
- (iv) The relevant information on major foreign currency equity investments of the reporting date is as follows:

	<b>December 31, 2020</b>			<b>December 31, 2019</b>		
	<b>Foreign currency</b>	<b>Exchange rate</b>	<b>TWD</b>	<b>Foreign currency</b>	<b>Exchange rate</b>	<b>TWD</b>
USD	\$ 143,291	28.48	4,080,925	121,919	30.020	3,660,009

- (v) As of December 31, 2020 and 2019, the Company did not provide any investments accounted for using equity method as collaterals for its loan.

(h) Property, plant and equipment

The cost, depreciation, and impairment of the property, plant and equipment of the Company for the years ended December 31, 2020 and 2019 were as follows:

	<b>Land</b>	<b>Buildings and construction</b>	<b>Transportation equipment</b>	<b>Machinery equipment</b>	<b>Office and other facilities equipment</b>	<b>Total</b>
<b>Cost or deemed cost:</b>						
Balance on January 1, 2020	\$ 60,526	48,540	8,516	14,741	72,133	204,456
Additions	-	-	-	849	643	1,492
Disposals	-	-	-	-	(2,512)	(2,512)
Balance on December 31, 2020	<b><u>\$ 60,526</u></b>	<b><u>48,540</u></b>	<b><u>8,516</u></b>	<b><u>15,590</u></b>	<b><u>70,264</u></b>	<b><u>203,436</u></b>
Balance on January 1, 2019	\$ 60,526	48,540	8,516	14,742	69,760	202,084
Additions	-	-	-	-	2,730	2,730
Disposals	-	-	-	(1)	(357)	(358)
Balance on December 31, 2019	<b><u>\$ 60,526</u></b>	<b><u>48,540</u></b>	<b><u>8,516</u></b>	<b><u>14,741</u></b>	<b><u>72,133</u></b>	<b><u>204,456</u></b>



**Depreciation and impairment loss:**

Balance on January 1, 2020	\$	-	19,502	6,450	11,832	65,887	103,671
Depreciation for the year		-	809	745	888	3,283	5,725
Disposals		-	-	-	-	(2,512)	(2,512)
Balance on December 31, 2020	<b>\$</b>	<b>-</b>	<b>20,311</b>	<b>7,195</b>	<b>12,720</b>	<b>66,658</b>	<b>106,884</b>
Balance on January 1, 2019	\$	-	18,693	5,515	10,937	62,612	97,757
Depreciation for the year		-	809	935	896	3,632	6,272
Disposals		-	-	-	(1)	(357)	(358)
Balance on December 31, 2019	<b>\$</b>	<b>-</b>	<b>19,502</b>	<b>6,450</b>	<b>11,832</b>	<b>65,887</b>	<b>103,671</b>
<b>Book value:</b>							
Balance on December 31, 2020	<b>\$</b>	<b>60,526</b>	<b>28,229</b>	<b>1,321</b>	<b>2,870</b>	<b>3,606</b>	<b>96,552</b>
Balance on December 31, 2019	<b>\$</b>	<b>60,526</b>	<b>29,038</b>	<b>2,066</b>	<b>2,909</b>	<b>6,246</b>	<b>100,785</b>
Balance on January 1, 2019	<b>\$</b>	<b>60,526</b>	<b>29,847</b>	<b>3,001</b>	<b>3,805</b>	<b>7,148</b>	<b>104,327</b>

For management reasons, the Company has leased its own office building and rented other office building for operation. The purpose of this leasing was not for earning rental income or capital appreciation, so it is classified as property, plant, and equipment.

As of December 31, 2020 and 2019, the Company did not provide any property, plant, and equipment as collaterals for its loans.

## (i) Right-of-use assets

The Company leases many assets including buildings and transportation equipment. Information about leases for which the Company as a lessee was presented below:

		<b>Buildings</b>	<b>Transportation equipment</b>	<b>Total</b>
Cost:				
Balance on January 1, 2020	\$	175,894	7,548	183,442
Additions		11,215	-	11,215
Balance on December 31, 2020	<b>\$</b>	<b>187,109</b>	<b>7,548</b>	<b>194,657</b>
Balance on January 1, 2019 (Balance on December 31, 2019)	<b>\$</b>	<b>175,894</b>	<b>7,548</b>	<b>183,442</b>
Accumulated depreciation:				
Balance on January 1, 2020	\$	50,268	2,988	53,256
Depreciation		50,222	2,527	52,749
Balance on December 31, 2020	<b>\$</b>	<b>100,490</b>	<b>5,515</b>	<b>106,005</b>
Balance on January 1, 2019	\$	-	-	-
Depreciation		50,268	2,988	53,256
Balance on December 31, 2019	<b>\$</b>	<b>50,268</b>	<b>2,988</b>	<b>53,256</b>
Carrying amount:				
Balance on December 31, 2020	<b>\$</b>	<b>86,619</b>	<b>2,033</b>	<b>88,652</b>
Balance on December 31, 2019	<b>\$</b>	<b>125,626</b>	<b>4,560</b>	<b>130,186</b>
Balance on January 1, 2019	<b>\$</b>	<b>175,894</b>	<b>7,548</b>	<b>183,442</b>

(j) Short-term borrowings

The details of Company' s short-term borrowings were as follows:

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Unsecured loans	\$ 3,978,260	4,076,418
Short-term notes and bills payable, net	668,846	669,251
	<b><u>\$ 4,647,106</u></b>	<b><u>4,745,669</u></b>
Unused short-term credit lines	<b><u>\$ 2,467,301</u></b>	<b><u>2,354,022</u></b>
Range of interest rates	<b><u>0.52%~1.12%</u></b>	<b><u>1.02%~2.87%</u></b>

(i) Issuance and repayment of borrowings

The Company' s additional amounts in loans for the years ended December 31, 2020 and 2019 were \$21,781,774 and \$18,203,421, respectively, with maturities from January, to September, 2021 and from January to September 2020, respectively; and the repayments were \$21,880,337 and \$19,342,308, respectively.

(ii) For information on the Company' s interest risk, exchange rate, foreign currency risk and liquidity risk, please refer to note (6)(u).

(k) Other payables

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Other payable — the payables of the Company' s as an agent (note(6)(s))	\$ 632,478	936,542
Accrued expenses	106,178	103,755
Bonus payable	105,486	78,374
Remuneration to employees and directors	98,053	38,667
Interest payable	7,388	14,144
	<b><u>\$ 949,583</u></b>	<b><u>1,171,482</u></b>

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

(l) Convertible bonds payable

(i) Non-guaranteed convertible bonds:

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Aggregate principal amount	\$ 1,000,000	200,000
Bond discount	(70,678)	-
Cumulative converted amount	<u>-</u>	<u>(200,000)</u>
	929,322	-
Less: Convertible bonds payable – could be repaid within one year	<u>-</u>	<u>-</u>
Bonds payable at end of period	<b><u>\$ 929,322</u></b>	<b><u>-</u></b>
Embedded derivative – call and put options	<b><u>\$ 9,600</u></b>	<b><u>-</u></b>
Equity component – conversion options (included in capital surplus – conversion options)	<b><u>\$ 57,014</u></b>	<b><u>-</u></b>

(ii) The Company issued the fifth and the fourth domestic unsecured convertible bonds, with a face value of \$1,000,000 and \$200,000 on November 3, 2020 and August 22, 2016, respectively. The Company separated its equity and debt components as follows:

	<b><u>The Forth</u></b>	<b><u>The third</u></b>
The compound interest present values of the convertible bonds' face value at issuance	\$ 931,700	189,660
The embedded derivative liabilities at issuance – redemption rights	11,000	2,060
The equity components at issuance	<u>57,300</u>	<u>8,280</u>
The total amounts of the convertible bonds at issuance	<b><u>\$ 1,000,000</u></b>	<b><u>200,000</u></b>

The equity components were accounted for as capital surplus – conversion options. In accordance with IFRSs, the face value of the fifth domestic unsecured convertible bonds was allocated at \$286 to the capital surplus – conversion options.

The gain or loss resulting from changes in fair value of the embedded derivative liabilities were gains of \$1,400 and \$0 for the years ended December 31, 2020 and 2019, respectively.

The effective interest rates of the fifth and the fourth convertible bonds were 1.53% and 2.47%, respectively. The annual interest expenses on convertible bonds payable for the years ended December 31, 2020 and 2019, were \$2,280 and \$290, respectively.

(iii) The significant terms of the fifth convertible bonds were as follows:

- 1) Duration: five years (November 3, 2020 to November 3, 2025)
- 2) Interest rate: 0%

- 3) Redemption at the option of the Company: The Company may redeem the bonds under the following circumstances:
  - a) Within the period between three months after the issuance date and 40 days before the last convertible date, the Company may redeem the bonds at their principal amount if the closing price of the Company's common stock on the Taiwan Stock Exchange for a period of 30 consecutive trading days has been 30% more than the conversion price in effect on each such trading day.
  - b) If at least 90% of the principal amount of the bonds has been converted, redeemed, or purchased and cancelled, the Company may redeem the bonds at their principal amount within the period between three months after the issuance date and 40 days before the last convertible date.

- 4) Redemption at the option of the bondholders:

The bondholders have the right to request the Company to repurchase the bonds at a price equal to the face value, plus, an accrued premium three and four years after the issuance date. The annual interest rate for the redemption, both three and four years after the issuance date, is 0.5%.

- 5) Terms of conversion:

- a) Bondholders may opt to have the bonds converted into the common stock of the Company from February 4, 2021 to November 3, 2025.
- b) Conversion price: NT\$18.92 (dollars)

- (iv) The significant terms of the forth convertible bonds were as follows:

- 1) Duration: three years (August 22, 2016 to August 22, 2019)
- 2) Interest rate: 0%
- 3) Redemption at the option of the Company: The Company may redeem the bonds under the following circumstances:
  - a) Within the period between one month after the issuance date and 40 days before the last convertible date, the Company may redeem the bonds at their principal amount if the closing price of the Company's common stock on the Taiwan Stock Exchange for a period of 30 consecutive trading days has been 30% more than the conversion price in effect on each such trading day.
  - b) If at least 90% of the principal amount of the bonds has been converted, redeemed, or purchased and cancelled, the Company may redeem the bonds at their principal amount within the period between one month after the issuance date and 40 days before the last convertible date.

4) Redemption at the option of the bondholders:

The bondholders have the right to request the Company to repurchase the bonds at a price equal to the face value, plus, an accrued premium two years after the issuance date. The annual interest rate for the redemption, two years after the issuance date, is 1.1%.

5) Terms of conversion:

a) Bondholders may opt to have the bonds converted into the common stock of the Company from September 23, 2016 to August 22, 2019.

b) Conversion price: After the adjustment for issuance of common stock for cash on September 19, 2016, the conversion price of common stock was adjusted from NT\$18.66 to NT\$18.29 (dollars) per share. After the adjustment for distributions of retained earnings of 2016, the conversion price of was NT\$17.18 (dollars) on or after July 19, 2017. After adjusting the distributions on retained earnings in 2017, the price of conversion amounted to NT\$15.63 (dollars) on or after August 27, 2018.

(v) The above convertible bonds had expired on August 22, 2019, and all of them had been transferred into the ordinary shares of the Company before the expiration date.

(m) Lease liabilities

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Current	<b>\$ 49,297</b>	<b>50,818</b>
Non-current	<b>\$ 39,788</b>	<b>79,927</b>

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

The amounts recognized in profit or loss were as follows:

	<b>2020</b>	<b>2019</b>
Interest on lease liabilities	<b>\$ 1,746</b>	<b>2,572</b>
Expenses relating to short-term leases	<b>\$ 1,095</b>	<b>1,047</b>

The amounts recognized in the statement of cash flows for the Company was as follows:

	<b>2020</b>	<b>2019</b>
Total cash outflow for leases	<b>\$ 55,712</b>	<b>56,492</b>

(i) Real estate leases

The Company leases buildings for its office space and warehouses. The leases of office space typically run for a period of 1 to 5 years, and warehouses for 1 to 4 years. Some leases include an option to renew the lease for an additional period of the same duration after the end of the contract term.

Some leases of office buildings contain extension or cancellation options exercisable by the Company before the end of the non-cancellable contract period. These leases are negotiated and monitored by local management, and accordingly, contain a wide range of different terms and conditions. The extension options held are exercisable only by the Company and not by the lessors. In which leasee is not reasonably certain to use an optional extended lease term, payments associated with the optional period are not included within lease liabilities.

(ii) Other leases

The Company leases transportation equipment and parking space with lease terms of one year. These leases are short-term. The Company has elected not to recognize right-of-use assets and lease liabilities for these leases.

(n) Operating lease

As of December 31, 2020 and 2019, the future minimum lease receivables under non-cancellable leases are as follows:

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Less than one year	\$ 1,474	5,205
Between one and five years	1,554	3,225
	<b><u>\$ 3,028</u></b>	<b><u>8,430</u></b>

For the years ended December 31, 2020 and 2019, the rental revenue under operating leases were \$5,366 and \$5,509, respectively.

The department office leases were combined leases of land and buildings. The Company has classified these leases as operating leases, because it does not transfer substantially all of the risks and rewards incidental to the ownership of the assets.

(o) Employee benefits

(i) Defined benefit plans

The present value of the defined benefit obligations and fair value of plan assets of the Company were as follows:

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Present value of defined benefit obligations	\$ 230,850	227,394
Fair value of plan assets	(109,876)	(98,387)
Net defined benefit liabilities (assets)	<b><u>\$ 120,974</u></b>	<b><u>129,007</u></b>

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

1) Composition of plan assets

The Company allocates pension funds in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, and such funds are managed by the Bureau of Labor Funds, Ministry of Labor. With regard to the utilization of the funds, minimum earnings shall be no less than the earnings attainable from two-year time deposits with interest rates offered by local banks.

The Company's Bank of Taiwan labor pension reserve account balance amounted to \$109,876 at the end of the reporting period. For information on the utilization of the labor pension fund assets including the asset allocation and yield of the fund, please refer to the website of the Labor Pension Fund Supervisory Committee.

2) Movements in present value of the defined benefit obligations

The movements in present value of defined benefit obligations for the Company's were as follows:

	<u>2020</u>	<u>2019</u>
Defined benefit obligation at January 1	\$ 227,394	218,239
Current service costs and interest	2,664	4,007
Remeasurement in net defined benefit liability (assets)	1,000	5,148
Benefits paid by the plan	<u>(208)</u>	<u>-</u>
Defined benefit obligation at December 31	<u><b>\$ 230,850</b></u>	<u><b>227,394</b></u>

3) Movements of defined benefit plan assets

The movements in defined benefit plan assets for the Company were as follows:

	<u>2020</u>	<u>2019</u>
Fair value of plan assets at January 1	\$ 98,387	86,689
Contributions made	7,630	7,596
Expected return on plan assets	948	1,122
Remeasurement of the net defined benefit liability (assets)	<u>2,911</u>	<u>2,980</u>
Fair value of plan assets at December 31	<u><b>\$ 109,876</b></u>	<u><b>98,387</b></u>

4) Expenses recognized in profit or loss

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

	<u>2020</u>	<u>2019</u>
Service cost	\$ 464	1,129
Net interest on net defined benefit liability (assets)	2,200	2,878
Expected return on plan assets	(948)	(1,122)
	<u><b>\$ 1,716</b></u>	<u><b>2,885</b></u>
Selling expenses	\$ 1,233	2,016
Administrative expenses	483	869
	<u><b>\$ 1,716</b></u>	<u><b>2,885</b></u>

5) Actuarial assumptions

The following are the Company's principal actuarial assumptions:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Discount rate	0.625%	1.000%
Future salary increases	3.000%	3.000%

The expected allocation payment made by the Company to the defined benefit plans for the one year period after the reporting date was \$7,700.

The weighted-average duration of the defined benefit obligation is 14.11 years.

6) Sensitivity analysis

As of December 31, 2020 and 2019, if the actuarial assumptions had changed, the impact on the present value of the defined benefit obligation shall be as follows:

	<u>Impact on the defined benefit obligation</u>	
	<u>Increase 0.25%</u>	<u>Decrease 0.25%</u>
December 31, 2020		
Discount Rate	\$ (5,610)	5,820
Future salary increases	5,573	(5,401)
December 31, 2019		
Discount Rate	(5,922)	6,161
Future salary increases	5,919	(5,726)



Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown above. The method used in the sensitivity analysis is consistent with the calculation of pension liabilities in the balance sheets.

There is no change in the method and assumptions used in the preparation of sensitivity analysis for 2020 and 2019.

(ii) Defined contribution plans

The Company allocates 6% of each employee's monthly wages to the labor pension personal account at the Bureau of the Labor Insurance in accordance with the provisions of the Labor Pension Act. Under this defined contribution plan, the Company allocates a fixed amount to the Bureau of the Labor Insurance without additional legal or constructive obligations.

The Company recognized the pension costs under the defined contribution method amounting to \$22,081 and \$21,888 for the years ended December 31, 2020 and 2019, respectively. Payment was made to the Bureau of Labor Insurance.

(p) Income taxes

(i) Income tax expenses

1) The components of income tax in the years 2020 and 2019 were as follows:

	<u>2020</u>	<u>2019</u>
Current tax expense		
Current period	\$ 64,395	121,239
Adjustment for prior periods	<u>(4,209)</u>	<u>70</u>
	<u>60,186</u>	<u>121,309</u>
Deferred tax expense		
Origination and reversal of temporary differences	<u>122,987</u>	<u>(47,697)</u>
Income tax expense	<u>\$ 183,173</u>	<u>73,612</u>

2) The amounts of income tax recognized in other comprehensive income for 2020 and 2019 were as follows:

	<u>2020</u>	<u>2019</u>
Items that will not be reclassified subsequently to profit or loss:		
Remeasurement from defined benefit plans	<u>\$ 382</u>	<u>(434)</u>
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign financial statements	<u>\$ (34,471)</u>	<u>(18,231)</u>

- 3) The reconciliation of income tax and profit before tax for 2020 and 2019 was as follows:

	<u>2020</u>	<u>2019</u>
Profit before tax	\$ 882,482	334,006
Income tax using each entities of the Company' s legal tax rate	176,496	66,801
Net investment income and tax-exempt income	(8)	28
Undistributed earnings additional tax	-	3,525
Under (Over) provision in prior periods and others	6,685	3,258
Income tax expense	<u>\$ 183,173</u>	<u>73,612</u>

- (ii) Deferred tax assets and liabilities

- 1) Unrecognized deferred tax assets

Deferred tax assets have not been recognized in respect of the following items:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Tax effect of deductible temporary differences	<u>\$ 19,814</u>	<u>19,814</u>

The Company assessed that the income tax deductible items which can be offsetted with the taxable income are not probable to be utilized. Hence, such temporary differences are not recognized under deferred tax assets.

- 2) Recognized deferred tax assets and liabilities

The changes in the amount of deferred tax assets and liabilities for 2020 and 2019 were as follows:

	<u>Defined Benefit Plans</u>	<u>Exchange differences on translation</u>	<u>Bad debt expense over the tax limitation</u>	<u>Loss on valuation of inventory</u>	<u>Allowance for sales discount</u>	<u>Others</u>	<u>Total</u>
Deferred tax assets:							
Balance at January 1, 2020	\$ 3,265	36,076	10,860	98,377	37,676	28,528	214,782
Recognized in profit or loss	-	-	(4,057)	(53,867)	12,916	(2,120)	(47,128)
Recognized in other comprehensive income	(382)	34,471	-	-	-	-	34,089
Balance at December 31, 2020	<u>\$ 2,883</u>	<u>70,547</u>	<u>6,803</u>	<u>44,510</u>	<u>50,592</u>	<u>26,408</u>	<u>201,743</u>
Balance at January 1, 2019	\$ 2,831	17,845	11,419	67,568	23,360	28,116	151,139
Recognized in profit or loss	-	-	(559)	30,809	14,316	412	44,978
Recognized in other comprehensive income	434	18,231	-	-	-	-	18,665
Balance at December 31, 2019	<u>\$ 3,265</u>	<u>36,076</u>	<u>10,860</u>	<u>98,377</u>	<u>37,676</u>	<u>28,528</u>	<u>214,782</u>

	<b>Temporary difference from subsidiary investment</b>	<b>Others</b>	<b>Total</b>
Deferred tax liabilities:			
Balance at January 1, 2020	\$ 329,964	1,843	331,807
Recognized in profit or loss	<u>64,510</u>	<u>11,349</u>	<u>75,859</u>
Balance at December 31, 2020	<b><u>\$ 394,474</u></b>	<b><u>13,192</u></b>	<b><u>407,666</u></b>
Balance at January 1, 2019	328,924	5,602	334,526
Recognized in profit or loss	<u>1,040</u>	<u>(3,759)</u>	<u>(2,719)</u>
Balance at December 31, 2019	<b><u>\$ 329,964</u></b>	<b><u>1,843</u></b>	<b><u>331,807</u></b>

(iii) The income tax return of the Company was authorized through 2018 except for 2017.

(q) Capital and other equities

As of December 31, 2020 and 2019, the total value of nominal ordinary shares amounted to \$4,500,000, each having a par value of \$10 per share, totaling 450,000 thousand ordinary shares, of which 367,751 thousand shares were issued. All issued shares were paid up upon issuance.

(i) Common stock

For the year ended December 31, 2019, 2,105 thousand new common shares, with a par value of \$10, amounting to \$21,049, were issued due to the conversion of convertible bonds. As of reporting date, the related registration procedures were completed.

(ii) Capital surplus

Balance on capital surplus of the Company were as follows:

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Additional paid in capital	\$ 845,753	845,753
Treasury share transactions	37,617	37,617
Donation from shareholders	712	712
Convertible bonds–conversion options	57,014	-
Others	<u>253</u>	<u>253</u>
	<b><u>\$ 941,349</u></b>	<b><u>884,335</u></b>

For the year ended December 31, 2019, the capital surplus deriving from those convertible bonds, which were converted to common stock, amounted to \$11,633. (Including the capital surplus-conversion options transferred to the capital surplus-additional paid-in capital of \$1,335).

In accordance with the Company Act, realized capital reserves can only be utilized for issuing new shares or being distributed as cash dividends after offsetting losses. The aforementioned capital reserves include share premiums and donation gains. In accordance with the Securities Offering and Issuance Guidelines, the amount of capital reserves to be utilized for issuing new shares shall not exceed 10 percent of paid-in capital. Capital reserve increased by transferring paid-in capital in excess of par value can only be capitalized until the fiscal year after the competent authority for company registrations approves registration of the capital increase.

(iii) Retained earnings

The Company's Article of Incorporation stipulates that Company's earnings should first be used to pay any taxes, offset the prior years' deficits, be set aside as legal reserve, and then set aside or reverse special reserve, any remaining profit, together with any undistributed retained earnings at the beginning, be distributed according to the distribution plan proposed by the Board of Directors to be submitted during the stockholders' meeting for approval. Before the distribution of dividends, the Board of Directors shall first take into consideration its profitability, plan of capital expenditure, business expansion and capital, requirements for cash flow, regulations, and degree of dilution of earnings per share in determining the proportion of stock and cash dividends to be paid. After the above appropriations, current and prior-period earnings that remain undistributed will be proposed for distribution by the Board of Directors, and a meeting of shareholders will be held to adopt this resolution. The total distribution shall not be less than 50% of the current earnings, and the cash dividends shall not be less than 20% of the total dividends.

The Company authorize dividends, bonus and the legal reserve and capital surplus in whole or in part be paid in cash based on the resolution of the Board of Directors with two-thirds directors present and approved by one-half of the present directors, then shall be reported to shareholders meeting.

1) Legal reverse

When a company incurs no loss, it may, pursuant to a resolution by the shareholders' meeting, distribute its legal reserve by issuing new shares or by distributing cash, and only the portion of the legal reserve which exceeds 25% of capital may be distributed.

2) Special reverse

In accordance with Ruling No. 1010012865 issued by the FSC on April 6, 2012, a portion of current-period earnings and undistributed prior-period earnings shall be reclassified as a special earnings reserve during earnings distribution. The amount to be reclassified should equal the current-period total net reduction of other shareholders' equity. The aforesaid deduction of the shareholders' equity does not include the book value of the treasury stocks repurchased. Amounts of subsequent reversals pertaining to the net reduction of other shareholders' equity shall qualify for unappropriated retained earnings.

3) Earnings distribution

The amount for cash dividends of Company' s earnings distribution for 2019 was decided by the Board of directors held on March 27, 2020, and the Company' s earnings distribution for 2018 was decided via a general meeting of the shareholders held on June 20, 2019.

	2019		2018	
	Amount per share	Total amount	Amount per share	Total amount
Dividends distributed to ordinary shareholders:				
Cash dividends	\$ 0.5777067	<u>212,452</u>	1.02063987	354,165
Stock dividends			0.59793133	<u>207,484</u>
				<u>\$ 561,649</u>

On March 26, 2021, the Company's Board of Directors resolved to appropriate the 2020 earnings. These earnings were appropriated as follows:

	2020	
	Amount per share	Total amount
Dividends distributed to ordinary shareholders		
Cash dividends	\$ 1.34468073	<u>494,508</u>

(r) Earnings per share

(i) Basic earnings per share

The calculation of basic earnings per share at December 31, 2020 and 2019 was based on the profit attributable to ordinary shareholders of the Company and the weighted average number of ordinary shares outstanding as follows:

1) Profit attributable to ordinary shareholders of the Company

	2020	2019
Profit attributable to ordinary shareholders of the Company	<u>\$ 699,309</u>	<u>260,394</u>

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

	2020	2019
Weighted-average number of ordinary shares	<u>367,751</u>	<u>366,989</u>

3) Basic earnings per share (TWD)

	2020	2019
Basic earnings per share (TWD)	<u>\$ 1.90</u>	<u>0.71</u>

(ii) Diluted earnings per share

The calculation of diluted earnings per share on December 31, 2020 and 2019 was based on profit attributable to ordinary shareholders of the Company, and the weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares calculated as follows.

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

	<u>2020</u>	<u>2019</u>
Profit attributable to ordinary shareholders of the Company (basic)	\$ 699,309	260,394
Convertible bonds payable	880	290
Profit attributable to ordinary shareholders of the Company (diluted)	<u>\$ 700,189</u>	<u>260,684</u>

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

	<u>2020</u>	<u>2019</u>
Weighted-average number of ordinary shares (basic)	367,751	366,989
Effect of convertible bonds	8,376	763
Effect of employee stock remuneration	4,614	2,527
Weighted-average number of ordinary shares (diluted) on December 31	<u>380,741</u>	<u>370,279</u>

	<u>2020</u>	<u>2019</u>
3) Diluted earnings per share (TWD)	<u>\$ 1.84</u>	<u>0.70</u>

(s) Revenue from contracts with customers

(i) Disaggregation of revenue

	<u>2020</u>	<u>2019</u>
Primary geographical markets:		
Taiwan	\$ 5,614,084	4,089,563
China	19,978,884	16,438,975
Others	2,113,042	1,849,193
	<u>\$ 27,706,010</u>	<u>22,377,731</u>
Major products/services lines		
Chipset/memory components	\$ 12,550,321	10,557,182
Assorted and other components	15,082,925	11,809,107
Others	72,764	11,442
	<u>\$ 27,706,010</u>	<u>22,377,731</u>

For the years ended December 31, 2020 and 2019, the Company was determined in some specific transactions as an agent that the other party sold some merchandises to end-customer by delivering them to the Company. In these cases, the Company did not obtain the control of the merchandises, therefore, the Company recognized the remaining sales amounts which have been offset against the payment to the other party from the transactions; or recognized the commission signed with the other party, as revenue.

For the years ended December 31, 2020 and 2019, the Company was determined as an agent in the aforementioned transactions which revenue amounted to \$72,001 and \$11,383, respectively. Due to the above transactions, the other receivables amounted to \$580,597 and \$938,929 as of December 31, 2020 and 2019, respectively; and the other payables amounted to \$632,478 and \$936,542 as of the years then ended respectively. Please refer to note (6)(e) and (6)(k).

(ii) Contract balance

	<b>December 31, 2020</b>	<b>December 31, 2019</b>	<b>January 1, 2019</b>
Notes and accounts receivable (included related parties)	\$ 4,874,372	3,790,318	4,546,874
Less: allowance for impairment	(60,964)	(35,874)	(49,750)
	<b><u>\$ 4,813,408</u></b>	<b><u>3,754,444</u></b>	<b><u>4,497,124</u></b>
Contract liabilities	<b><u>\$ 8,489</u></b>	<b><u>20,173</u></b>	<b><u>67,943</u></b>

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

The amounts of revenue recognized for the years ended December 31, 2020 and 2019 that were included in the contract liability balance at the beginning of the period were \$12,920 and \$60,833, respectively.

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

(t) Remuneration to employees and directors

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

For the years ended December 31, 2020 and 2019, the accrued remuneration of the Company's employees were \$78,442 and \$29,690, as well as directors were \$19,611 and \$7,422, respectively. These amounts were calculated by using the Company's profit before tax for the period before deducting the amount of remuneration to employees and directors, multiplied by the distribution ratio of remuneration to employees and directors under the Company's articles of Incorporation, and expensed under operating expenses. If the Board of Directors resolved to distribute employees' remuneration in the form of shares, the numbers of shares to be distributed were calculated based on the closing price of the Company's ordinary shares one day before the date of the meeting of the board of directors.

The amounts, as stated in the financial statements, are identical to those of the actual distributions for 2020 and 2019. Related information would be available at the Market Observation Post System website.

(u) Financial Instruments

(i) Credit risk

1) Exposure to credit risk

The carrying amount of financial assets represents the maximum amount exposed to credit risk.

2) Concentration of credit risk

Because the Company caters to a wide variety of customers and has a diverse market distribution, the Company does not concentrate in any single individual customer. Therefore, there is no significant credit risk of concentration in trade receivable. In order to reduce credit risk, the Company monitors the financial conditions of its customers regularly. However, the Company does not require its customers to provide any collateral.

3) Receivables

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

The amount of other financial assets at amortized cost include other receivables which had been impaired. For the loss allowance provision, please refer to the note (6)(e).



(ii) Liquidity risk

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

	Carrying Amount	Contractual cash flows	Within a year	Over 1 year
<b>December 31, 2020</b>				
Non-derivative financial liabilities				
Unsecured loans	\$ 3,978,260	(3,978,260)	(3,978,260)	-
Short-term notes and bill payable	668,846	(670,000)	(670,000)	-
Lease liabilities	89,085	(91,188)	(51,034)	(40,154)
Notes and accounts payables	1,438,566	(1,438,566)	(1,438,566)	-
Other payables	949,583	(949,583)	(949,583)	-
Bonds payable	929,322	(1,000,000)	(1,000,000)	-
Derivative financial liabilities				
Convertible bonds payable embedded derivatives	9,600	-	-	-
	<b>\$ 8,063,262</b>	<b>(8,127,597)</b>	<b>(8,087,443)</b>	<b>(40,154)</b>
<b>December 31, 2019</b>				
Non-derivative financial liabilities				
Unsecured loans	\$ 4,076,418	(4,076,418)	(4,076,418)	-
Short-term notes and bill payable	669,251	(670,000)	(670,000)	-
Lease liabilities	130,745	(133,898)	(52,694)	(81,204)
Notes and accounts payables	1,924,968	(1,924,968)	(1,924,968)	-
Other payables	1,171,482	(1,171,482)	(1,171,482)	-
Derivative financial liabilities				
Forward exchange contracts:	4,040			
Outflow	-	(123,699)	(123,699)	-
Inflow	-	119,659	119,659	-
	<b>\$ 7,976,904</b>	<b>(7,980,806)</b>	<b>(7,899,602)</b>	<b>(81,204)</b>

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

(iii) Market risk

1) Currency risk

The Company's significant exposure to foreign currency risk was as follows:

	December 31, 2020			December 31, 2019		
	Foreign currency	Exchange rate	TWD	Foreign currency	Exchange rate	TWD
Financial assets						
Monetary items						
USD	\$ 257,434	28.48	7,331,728	225,545	30.020	6,770,861
Non-monetary items						
USD	745	28.48	21,218	745	30.020	22,365
Financial liabilities						
Monetary items						
USD	172,906	28.48	4,924,379	179,097	30.020	5,376,492

2) Currency risk sensitivity analysis

The Company's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, notes and account receivables, other receivables, financial assets at fair value through other comprehensive income, loans and borrowings, notes and accounts payables and other payables that are denominated in foreign currency. A change of 5% in the exchange rate of TWD or USD against foreign currency for the years ended December 31, 2020 and 2019 would have increase (decreased) the other comprehensive income (before tax) \$1,061 and \$1,118, respectively. For the years ended December 31, 2020 and 2019 would have increased (decreased) the net profit before tax as follows. The analysis is performed on the same basis for both periods.

	<u>2020</u>	<u>2019</u>
USD (against the TWD)		
Strengthening 5%	\$ 120,367	69,718
Weakening 5%	(120,367)	(69,718)

3) Exchange gains and losses of monetary items

As the Company deals in diverse foreign currencies, gains or losses on foreign exchange were summarized as a single amount. For the years ended December 31, 2020 and 2019, the foreign exchange gain (loss), including both realized and unrealized, amounted to a gain of \$112,975 and \$41,627, respectively.

4) Equity market price risk

If the price of the fair value of equity instruments (including the stocks listed on domestic market at stock exchange (over-the-counter) market share, domestic emerging market stocks and domestic and foreign unlisted stocks) changed at the report date. (with the same analysis performed for both periods, assuming all other variable factors remain constant), it would have resulted in the change in the comprehensive income as illustrated below.

<u>Securities prices at reporting date</u>	<u>2020</u>		<u>2019</u>	
	<u>Other comprehensive income before tax</u>	<u>Net income before tax</u>	<u>Other comprehensive income before tax</u>	<u>Net income before tax</u>
Increasing 5%	<u>\$ 2,241</u>	<u>31</u>	<u>2,258</u>	<u>26</u>
Decreasing 5%	<u>\$ (2,241)</u>	<u>(31)</u>	<u>(2,258)</u>	<u>(26)</u>

(iv) Interest rate analysis

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

	<b>Carrying amount</b>	
	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Variable rate instruments:		
Financial assets	\$ 1,341,919	1,162,064
Financial liabilities	(3,978,260)	(4,076,418)

The following sensitivity analysis is based on the risk exposure to interest rate on the derivative and non-derivative financial instruments on the reporting date. Regarding the assets and liabilities with variable interest rates, the analysis is on the basis of the assumption that the amount of assets and liabilities outstanding at the reporting date were outstanding throughout the year. The rate of change is expressed as the interest rate increase or decrease by 0.25% when reporting to management internally, which also represents the Company's management's assessment of the reasonably possible interest rate change.

If the interest rate had increased or decreased by 0.25%, the Company's net profit before tax would have decreased or increased by \$6,591 and \$7,286 for the years ended December 31, 2020 and 2019, respectively, which would be mainly resulting from demand deposits, and unsecured loans with variable interest rates.

(v) Fair value

1) Categories and the fair value of financial instruments

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

December 31, 2020					
	Carrying amount	Fair Value			Total
		Level 1	Level 2	Level 3	
<b>Financial assets mandatorily measured at fair value through profit or loss</b>					
Stocks listed on domestic markets	\$ 624	624	-	-	624
<b>Financial assets at fair value through other comprehensive income</b>					
Notes and accounts receivable, net	1,429,143	-	-	-	-
Emerging market stock	4,348	4,348	-	-	4,348
Stocks unlisted on domestic markets and foreign market	40,474	-	-	40,474	40,474
Subtotal	<u>1,473,965</u>				
<b>Financial assets measured at amortized cost</b>					
Cash and cash equivalents	1,479,458	-	-	-	-
Notes and accounts receivable, net	3,384,265	-	-	-	-
Other receivables	930,141	-	-	-	-
Guarantee deposits paid	22,719	-	-	-	-
Subtotal	<u>5,816,583</u>				
	<u>\$ 7,291,172</u>				
<b>Financial liabilities measured at fair value through profit or loss</b>					
Convertible bonds embedded options	\$ 9,600	-	9,600	-	9,600
<b>Financial liabilities measured at amortized cost</b>					
Bank loans	4,647,106	-	-	-	-
Lease liabilities	89,085	-	-	-	-
Accounts payable	1,438,566	-	-	-	-
Other payables	949,583	-	-	-	-
Bonds payable	929,322	-	-	-	-
Subtotal	<u>8,053,662</u>				
	<u>\$ 8,063,262</u>				

	December 31, 2019				
	Carrying amount	Fair Value			Total
		Level 1	Level 2	Level 3	
<b>Financial assets mandatorily measured at fair value through profit or loss</b>					
Stocks listed on domestic markets	\$ 522	522	-	-	522
<b>Financial assets at fair value through other comprehensive income</b>					
Notes and accounts receivable, net	836,491	-	-	-	-
Emerging market stock	2,709	2,709	-	-	2,709
Stocks unlisted on domestic markets and foreign market	42,453	-	-	42,453	42,453
Subtotal	<u>881,653</u>				
<b>Financial assets measured at amortized cost</b>					
Cash and cash equivalents	1,355,639	-	-	-	-
Notes and accounts receivable, net	2,917,953	-	-	-	-
Other receivables	1,273,201	-	-	-	-
Guarantee deposits paid	21,657	-	-	-	-
Subtotal	<u>5,568,450</u>				
	<u>\$ 6,450,625</u>				
<b>Financial liabilities mandatorily measured at fair value through profit or loss</b>					
Forward exchange contracts	\$ 4,040	-	4,040	-	4,040
<b>Financial liabilities measured at amortized cost</b>					
Bank loans	4,745,669	-	-	-	-
Lease liabilities	130,745	-	-	-	-
Accounts payable	1,924,968	-	-	-	-
Other payables	1,171,482	-	-	-	-
Subtotal	<u>7,972,864</u>				
	<u>\$ 7,976,904</u>				

There were no transfers of financial instruments between any levels for the years ended December 31, 2020 and 2019.

2) Valuation techniques for financial instruments not measured at fair value

The Company's valuation techniques and assumptions used for financial instruments not measured at fair value are as follows:

a) Financial assets measured at amortized cost

If there is quoted price generated by transactions, the recent transaction price and quoted price data is used as the basis for fair value measurement. However, if no quoted prices are available, the discounted cash flows are used to estimate fair values.

3) Valuation technique of financial instruments measured at fair value

a) Non-derivative financial instruments

If the financial instrument has a public quoted price in an active market, the public quoted price will be determined as the fair value. The measurements on fair value of the financial instruments without an active market are determined using the valuation technique or the quoted market price of its counterparty. Fair value measured using the valuation technique can be extrapolated from similar financial instruments, discounted cash flow method, or other valuation techniques which include the model used in calculating the observable market data at the balance sheet date.

The Company holds the unquoted equity investments of financial instruments without an active market. The measurement of fair value of the equity instruments is based on the Guideline Public Company method, which mainly assumes the evaluation by the price to book value ratio of similar public company and by the discount for lack of marketability. The estimation has been adjusted by the effect resulting from the discount for lack of marketability of the securities.

b) Derivative financial instruments

Measurement of fair value of derivative instruments is based on the valuation techniques that are generally accepted by the market participants. For instance, discount method or option pricing models. Fair value of forward currency exchange is usually determined by using the forward currency rate.

4) Reconciliation of Level 3 fair values

	<b>Fair value through other comprehensive income</b>
	<b>Unquoted equity instruments</b>
Opening balance, January 1, 2020	\$ 42,453
Capital refunded	(1,979)
Ending Balance, December 31, 2020	<b>\$ 40,474</b>
Opening balance, January 1, 2019	\$ 60,883
Total gains and losses recognized:	
In other comprehensive income	(18,430)
Ending Balance, December 31, 2019	<b>\$ 42,453</b>

- 5) Quantified information on significant unobservable inputs (Level 3) used in fair value measurement

The Company's financial instruments that use Level 3 inputs to measure fair value include "financial assets measured at fair value through other comprehensive income - equity investments".

Quantified information of significant unobservable inputs was as follows:

<u>Item</u>	<u>Valuation technique</u>	<u>Significant unobservable inputs</u>	<u>Inter-relationships between significant unobservable inputs and fair value measurement</u>
Financial assets at fair value through other comprehensive income	Guideline Public Company method	<ul style="list-style-type: none"> <li>• Price-Sales ratio (1.44 and 0.7 at December 31, 2020 and 2019, respectively)</li> <li>• Price-Book ratio (0.88 and 0.9 at December 31, 2020 and 2019, respectively)</li> <li>• Lack-of-Marketability discount rate (17.25% and 12.93% on December 31, 2020 and 2019, respectively)</li> </ul>	<p>The estimated fair value would increase (decrease) if:</p> <ul style="list-style-type: none"> <li>• The Price-Sales ratio were higher (lower);</li> <li>• The Price-Book ratio were higher (lower); or</li> <li>• The Lack-of-Marketability discount rate were lower (higher)</li> </ul>
Financial assets at fair value through profit or loss	Net Asset Value Method	<ul style="list-style-type: none"> <li>• Net asset value</li> </ul>	<ul style="list-style-type: none"> <li>• Not applicable</li> </ul>

(v) Financial risk management

(i) Briefings

The Company is exposed to the following risks arising from financial instruments:

- 1) Credit risk
- 2) Liquidity risk
- 3) Market risk

In this note expressed the information on risk exposure and objectives, policies and procedures of risk measurement and management. For detailed information, please refer to the related notes of each risk.

(ii) Structure of risk management

The Company's finance department provides business services for the overall internal department. It sets the objectives, policies and processes for managing the risk and the methods used to measure the risk arising from both the domestic and international financial market operations. The Company minimizes the risk exposure through derivative financial instruments. The board of directors regulated the use of derivative and non-derivative financial instruments in accordance with the Company's policy about risks arising from financial instruments such as currency risk, interest rate risk, credit risk, the use of derivative and non-derivative financial instruments and the investments of excess liquidity. The internal auditors of the Company continue with the review of the amount of the risk exposure in accordance with the Company's policies and the risk management policies and procedures. The Company has no transactions in financial instruments (including derivative financial instruments) for the purpose of speculation.

(iii) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers and investment securities.

1) Accounts receivable and other receivables

The Company has established a credit policy under which each new customer is analyzed individually for creditworthiness before the Company's standard payment and delivery terms and conditions are offered. The Company's review includes external ratings, when available, and in some cases bank references. Purchase limits are established for each customer, and these limits are reviewed periodically. The customers evaluated as low credit rating by the Company only have prepayment transactions with the Company.

Trade and other receivables mainly relate to a wide range of customers from different industries and geographic regions. The Company continued to assess the financial condition and credit risk of its customers, by grouping trade and other receivables based on their characteristics and will purchase credit guarantee insurance contracts if necessary.

Because the Company caters to a wide variety of customers and has a diverse market distribution, the Company does not concentrate in any single individual customer. Therefore, there is no significant credit risk of concentration in trade receivable. In order to reduce the credit risk, the Company monitors the financial conditions of its customers regularly. However, the Company does not require its customers to provide any collateral.



2) Investments

The credit risks exposure in the bank deposits, investments with fixed income and other financial instruments are measured and monitored by the Company's finance department. Since the Company's transaction counterparties and the contractually obligated counterparties are banks, financial institutes and corporate organizations with good credits, there are no compliance issues, and therefore, no significant credit risk. The finance department evaluates the counterparty's credit condition when investing in bond investment without an active market, and do not expect to have any significant credit risk.

(iv) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

The Company manages sufficient cash and cash equivalents so as to cope with its operations and mitigate the effects of fluctuations in cash flows. The Company's management supervises the banking facilities and ensures in compliance with the terms of the loan agreements.

Borrowings from the banks and accounts receivable factoring are important sources of liquidity for the Company. Please refer to note (6)(d) and note (6)(j) for unused short-term bank facilities and factoring amount as of December 31, 2020 and 2019.

(v) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

1) Currency risk

The Company is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the functional currencies of the Company, primarily the USD, CNY and HKD.

When short-term assets and liabilities denominated in a foreign currency are unbalanced, the Company uses exchange rate to buy or sell about foreign currency to ensure that the net risk is maintained at an acceptable level.

2) Interest rate risk

As the Company's borrowings position are based on USD and NTD, the Company's capital cost will result in a decrease (increase) when Federal Reserve ( "Fed" ) and Central Bank of the Republic of China (Taiwan) decrease (increase) the interest rate of USD and NTD. The Company adjusts the proportion of the USD and NTD borrowings to minimize the cost of capital, in order to reduce interest rate risk to an acceptable level.

3) Other price risk

The management of the Company monitors the listed or OTC share investments and open-end mutual funds based on the market price.

(w) Capital management

The policy of the board of directors is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Capital consists of ordinary shares, capital surplus, and retained earnings.

The Company monitors the capital structure by way of periodical review on the liability ratio. As of December 31, 2020 and 2019 the liability ratios were as follows:

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Total liabilities	\$ 8,858,456	8,703,701
Total assets	14,932,534	14,368,626
Liability ratio	59%	61%

As of December 31, 2020, there were no changes in the Company's approach to capital management.

(x) Investing and financing activities not affecting current cash flow

The Company's investing and financing activities which did not affect the current cash flow for the years ended December 31, 2020 and 2019, were as follows:

- (i) For the acquisition of right-of-use assets from leases, please refer to note (6)(i).
- (ii) For conversion of convertible bonds to ordinary shares, please refer to note (6)(l).

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

	<b>January 1, 2020</b>	<b>Cash flows</b>	<b>Non-cash changes</b>			<b>December 31, 2020</b>
			<b>Acquisition</b>	<b>Decrease</b>	<b>Foreign exchange movement</b>	
Short-term loans	\$ 4,745,669	(98,563)	-	-	-	4,647,106
Lease liabilities	130,745	(52,871)	11,215	-	(4)	89,085
Bonds payable	-	1,000,000	-	(70,678)	-	929,322
Total liabilities from financing activities	<b>\$ 4,876,414</b>	<b>848,566</b>	<b>11,215</b>	<b>(70,678)</b>	<b>(4)</b>	<b>5,665,513</b>

	January 1, 2019	Cash flows	Non-cash changes		December 31, 2019
			Acquisition	Foreign exchange movement	
Short-term loans	\$ 5,884,556	(1,138,887)	-	-	4,745,669
Lease liabilities	183,442	(52,873)	-	176	130,745
Total liabilities from financing activities	<b>\$ 6,067,998</b>	<b>(1,191,760)</b>	-	<b>176</b>	<b>4,876,414</b>

(7) **Related-party transactions**

(a) Name and relationship with related parties

The following are entities that have had transactions with the Company and its Subsidiaries during the period covered in the financial report were as follows:

Related-party	Relationship
Weikeng International Co., Ltd. (WKI)	Subsidiary
Weitech Technology Co., Ltd. (WTC)	Subsidiary
Weikeng Technology Pte. Ltd. (WTP)	Subsidiary
Weikeng International (Shanghai) Co., Ltd. (WKS)	Sub-Subsidiary
Weitech International Co., Ltd. (Weitech)	Sub-Subsidiary
Weikeng Electronic Technology (Shanghai) Co., Ltd. (WKE)	Sub-Subsidiary
Weiji Investment Co., Ltd.	The same chairman
Yang Sheng Education Foundation	The same chairman
Genlog Industrial Co., Ltd.	Substantive related-party

(b) Other related party transactions

(i) Sale of goods to related parties

The amounts of significant sales transactions between the Company and related parties were as follows:

	2020	2019
Subsidiaries	\$ 378,925	159,674
Sub-subsidiaries	1,546	2,811
Other related parties	14	18
	<b>\$ 380,485</b>	<b>162,503</b>

There was no significant difference in the pricing on sales to related parties and general customers, except for the sales to the subsidiaries and sub-subsidiaries, whose prices are based on the price, plus, cost. The collection period for certain subsidiaries is based on their accounts receivable which depend on OA30 days after offsetting the accounts payable generated from their purchase and sales; and the collection period for other related parties ranges from 30 to 60 days after delivery.

(ii) Purchase of goods from related parties

The amounts of significant purchase transactions between the Company and related parties were as follows:

	<u>2020</u>	<u>2019</u>
Subsidiaries	<u>\$ 641,718</u>	<u>110,214</u>

There was no significant difference in pricing on purchase from related parties and general suppliers, except for the purchase from subsidiaries and sub-subsidiaries, whose prices are based on the purchase, plus, cost. The payment period for certain subsidiaries is based on their accounts payable which depend on OA30 days after offsetting the accounts receivable generated from their purchase and sales; and the payment period for other related parties ranges from 30 to 60 days after the arrival date.

(iii) Processing fee and consultancy fees from related Parties

Other related parties were commissioned to provide processing services and consulting services to the Company, as well as the payment for the commission to subsidiaries. For the years ended December 31, 2020 and 2019, the amounts were as follows:

	<u>2020</u>	<u>2019</u>
Other related parties	<u>\$ 9,554</u>	<u>10,870</u>

(iv) Lease

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

	<u>2020</u>	<u>2019</u>
Subsidiaries	\$ 23	23
Other related parties	<u>1,191</u>	<u>1,306</u>
	<u>\$ 1,214</u>	<u>1,329</u>

The Company signed a 2-3year lease contract with its subsidiaries to lease the office and warehouse, at a total value of the \$47,117 and \$43,805, respectively, for the years ended December 31, 2020 and 2019, and the interest expenditure of \$703 and \$1,107 in 2020 and 2019, respectively. As of December 31, 2020 and 2019, the balance of lease liability amounted to \$17,513 and \$24,702, respectively.

(v) Management and credit service income

As of December 31, 2020 and 2019, the Company incurred the management and credit service income of \$278,748 and \$252,585, respectively, from its subsidiaries and sub-subsidiaries, recognized in non-operating income – other.

(vi) Receivables from relate parties

<u>Account</u>	<u>Related party categories</u>	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Notes and accounts receivables	Subsidiaries	\$ 13,389	8,259
Notes and accounts receivables	Sub-subsidiaries	383	468
Notes and accounts receivables	Other related parties	12	-
Other receivables	Subsidiaries	73,204	61,182
		<u>\$ 86,988</u>	<u>69,909</u>

(vii) Payable to related parties

<u>Account</u>	<u>Related party categories</u>	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Account payables	Subsidiaries	\$ -	722
Other payables	Subsidiaries	83	121
Other payables	Other related parties	460	963
		<u>\$ 543</u>	<u>1,806</u>

(viii) Guarantee

As of December 31, 2020 and 2019, the Company's endorsement guarantees for subsidiaries were \$8,080,608 and \$9,225,622, respectively.

(c) Key management personnel compensation

Key management personnel compensation comprised:

	<u>2020</u>	<u>2019</u>
Short-term employee benefits	\$ 118,030	71,789
Post-employment benefits	830	798
	<u>\$ 118,860</u>	<u>72,587</u>

(8) Pledged assets: None.

(9) Commitments and contingencies:

As of December 31, 2020 and 2019 the balance of L/Cs for deferred payment of import value added tax and the purchase of merchandise were as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
	<u>\$ 167,400</u>	<u>171,100</u>

(10) Losses Due to Major Disasters: None

(11) Subsequent Events: None

(12) Other:

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

By item	By function	2020	2019
		Operating expense	Operating expense
Employee benefits			
Salary		583,272	504,867
Labor and health insurance		38,590	40,643
Pension		23,797	24,773
Remuneration of directors		19,611	7,422
Others		29,353	25,182
Depreciation		58,474	59,528
Amortization		5,291	2,988

For the years ended December 31, 2020 and 2019, the information on the number of employees and employee benefit expense of the Company is as follows:

	2020	2019
Number of employees	<u>465</u>	<u>461</u>
Number of directors who were not employees	<u>5</u>	<u>5</u>
The average employee benefit	<u>\$ 1,467</u>	<u>1,306</u>
The average salaries and wages	<u>\$ 1,268</u>	<u>1,107</u>
The adjustment of the average salaries and wages adjustment	<u>14.54%</u>	<u>(12.90)%</u>
Remuneration for supervisors	<u>\$ -</u>	<u>-</u>

The Company's salary and remuneration policy (including directors, managers and employees) are as follows:

- (i) The remunerations to employees and managers is divided into two parts: fixed salary and variable salary. Fixed salary (including principal salary, job allowance and food expenses) is based on the education, experience, skills, and the degree of responsibility for decision-making of business risks. Factors such as the degree, contribution to the Company, and payment levels in the same industry, etc., are subject to verification. Variable salaries include performance bonuses, year-end bonuses and employee compensation. Among them, performance bonuses are mainly paid to business and technical application personnel, and bonuses are issued based on product operating performance and personal performance; The year-end bonus is based on the achievement of the budget profit target, and considers the annual bonus, and the performance, education, skills of employees and managers, the degree of responsibility for

decision making of business risks, the contribution to the company, and the level of payment in the same industry. Employee remuneration is the total amount of remuneration expenses in the employee's remuneration set in accordance with the Company's articles of association. After the approval of shareholders' meeting, factors such the performance, education, experience, skills of employees and managers, the degree of responsibility for decision-making of business risks, the contribution to the Company, and the level of payment in the same industry shall be considered. Then the payment will be paid in cash or stocks.

- (ii) The remuneration paid by the company to the directors shall be the remuneration and business execution expenses provided in accordance with Article 22 of the Company's Article of Incorporation (only the fees for attending the meeting).
- (iii) The Company's cautiously evaluates the payments of salary and remuneration. The remuneration and salary of managers and directors shall be approved by the Salary and Remuneration Committee and the Board of Directors.

### (13) Other disclosures:

- (a) Information on significant transactions:

The following is the information on significant transactions required by the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" for the Company for the year ended December 31, 2020:

- (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	9,111,117	6,628,688	6,610,888	4,310,313	-	108.8%	18,222,234	Y	-	-
"	"	WTP	100% owned subsidiary	9,111,117	690,960	683,520	446,585	-	11.3%	18,222,234	Y	-	-
"	"	WKS	100% owned subsidiary	9,111,117	1,545,918	786,200	343,417	-	12.9%	18,222,234	Y	-	Y

Note 1 : The total amount of the guarantee provided by the Company shall not exceed three hundred percent (300%) of the higher amount between the Company's capital amount and net worth. However, for any individual entity whose voting shares are 50% owned or more, directly or indirectly, by the Company shall not exceed fifty percent (50%) of the maximum amount for guarantee on recent audited or reviewed financial statements.

Note 2 : For those entities as the guarantor to the subsidiary, subsidiary as the guarantor to the company, or the guarantor that located in China, please fill in "Y" .

- (iii) Securities held as of December 31, 2020 (excluding investment in subsidiaries, associates and joint ventures):

(Shares/units (thousands))

Name of holder	Category and name of security	Relationship with company	Account title	Ending balance				Note
				Shares/Units (thousands)	Carrying amount	Percentage of ownership (%)	Fair value	
The Company	Securities of listed companies EBM Technologies Inc.	-	Financial assets mandatorily measured at fair value through profit or loss-current	34	\$ 624	-	\$ 624	

The Company	Feature Integration Technology Inc.	-	Financial assets at fair value through other comprehensive income-noncurrent	158	\$ 4,085	0.53	\$ 4,084
"	Clientron Corp.	-	"	15	263	0.02	264
					<u>\$ 4,348</u>		<u>\$ 4,348</u>
"	Paradigm I Venture Capital Company (Paradigm I)	-	"	750	\$ 7,458	6.79	\$ 7,458
"	Paradigm Venture Capital Corporation (PVC Corp.)	-	"	271	3,226	10.49	3,226
"	InnoBridge Venture Fund ILP. (InnoBridge)	-	"	-	15,150	9.90	15,150
"	Shin Kong Global Venture Capital Corp.	-	"	3,000	4,800	12.00	4,800
"	Vision Wide Technology Co., Ltd. (VTEC)	-	"	800	9,840	1.70	9,840
					<u>\$ 40,474</u>		<u>\$ 40,474</u>

- (iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20% of the capital stock: None
- (v) Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None
- (vi) Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None
- (vii) Related-party transactions for purchases and sales with amounts exceeding the lower of NT\$100 million or 20% of the capital stock:

Name of company	Related party	Nature of relationship	Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		Note
			Purchases/ (Sales)	Amount	Percentage of total purchases/ (sales)	Payment terms	Unit price	Payment terms	Ending balance	Percentage of total notes/accounts receivable (payable)	
The Company	WKI	100%owned subsidiary	(Sales)	(350,472) (USD(11,767))	(1.26) %	OA30	No significant difference with other customer	-	Accounts Receivable 5,100 (USD179)	0.11%	
"	"	"	Purchases	640,755 (USD21,779)	2.48 %	"	"	-	-	-%	
WKI	The Company	Parent company	Purchases	350,472 (USD11,767)	1.41 %	"	"	-	Accounts Payable (5,100) (USD(179))	(0.33)%	
"	"	"	(Sales)	(640,755) (USD(21,779))	(2.39) %	"	"	-	-	-%	
"	WKS	Subsidiary	(Sales)	(3,645,298) (USD(123,347))	(13.55) %	OA60	"	-	Accounts Receivable 554,889 (USD19,483)	12.21%	
WKS	WKI	Parent company	Purchases	3,645,298 (USD123,347)	65.80 %	"	"	-	Accounts Payable (554,889) (USD(19,483))	(55.58)%	

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



- (viii) Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of the capital stock:

(in thousands of foreign currency)

Name of company	Counter-party	Nature of relationship	Ending balance	Turnover rate	Overdue		Amounts received in subsequent period (Note)	Allowance for bad debts	Note
					Amount	Action taken			
WKI	WKS	Subsidiary	554,889 (USD19,483)	4.22	-	-	USD 16,910	-	The transactions have been eliminated in the consolidated financial statement.

Note: Information as of Mar. 18, 2021.

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

- (b) Information on investees:

The following is the information on investees for the year ended December 31, 2020 (excluding information on investees in Mainland China):

(in thousands of foreign currency)

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Highest			Net income (losses) of investee	Investment income (losses) of investor	Note
				December 31, 2020	December 31, 2019	Shares (In Thousands)	Percentage of Ownership	Carrying amount			
The Company	WKI	Hong Kong	Electronic components computer peripherals products distribution and technical support	\$ 1,044,995	774,275	396,250	100%	\$ 3,750,012	308,825	308,825	Subsidiary
"	WTC	Taipei	Electronic components and technical support	12,983	12,983	1,589	100%	26,065	(528)	(528)	"
"	WTP	Singapore	"	293,327	293,327	12,413	100%	330,913	13,727	13,727	"
				<u>\$ 1,351,305</u>	<u>1,080,585</u>			<u>\$ 4,106,990</u>		<u>\$ 322,024</u>	
WKI	Weitech	Hong Kong	Import and export trade of electronic components	0.41 (HKD0.1)	0.41 (HKD0.1)	-	100%	1,975 (USD69)	221 (USD7)	221 (USD7)	Subsidiary's subsidiary

- (c) Information on investment in mainland China:

- (i) The names of investees in Mainland China, the main businesses and products, and other information:

(in thousands of foreign currency)

Name of investee	Main businesses and products	Total amount of paid-in capital	Method of investment	Accumulated outflow of investment from Taiwan as of January 1, 2020	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2020	Net income (losses) of the investee	Percentage of ownership	Investment income (losses) of investor (Note 2)	Book value	Accumulated remittance of earnings in current period
					Outflow (Note 3)	Inflow						
WKS	Electronic components computer peripherals products distribution and technical support	786,647 (USD25,000)	Note 1 - 4	304,594 (USD9,800)	-	-	304,594 (USD9,800)	78,897 (USD2,670) (Note 2)	100%	78,897 (USD2,670) (Note 2)	657,921 (USD23,101)	-
WKE	Electronic technology development and technical advisory	5,067 (RMB1,000)	Note 1 - 5	-	-	-	-	(3) (USD0)	100%	(3) (USD0)	5,504 (USD193)	-

- (ii) Limitation on investment in Mainland China:

Accumulated Investment in Mainland China as of December 31, 2020	Investment Amounts Authorized by Investment Commission, MOEA (note 3)	Upper Limit on Investment
304,594(USD9,800)	712,000(USD25,000)	3,644,447

- Note 1: Investment in Mainland China was through a company in the third area.
- Note 2: The investment gains and losses of the current period are recognized according to the financial statements, which have been reviewed by the Company's independent auditors, and were translated into New Taiwan Dollars at the average exchange rates.
- Note 3: The currency was translated into New Taiwan Dollars at the exchange rates at the end of reporting period.
- Note 4: The difference was due to Weikeng International Co. Ltd.'s investment of US15,200 thousand dollars on Weikeng International (Shanghai) Co. Ltd. using its own funds.
- Note 5: The difference was due to Weikeng International (Shanghai) Co. Ltd.'s investment of RMB1,000 thousand dollars on Weikeng Electronic Technology (Shanghai) Co. Ltd. using its own funds.

(iii) Significant transactions:

Please refer to Information on significant transactions of the consolidated financial statements for the information on significant direct or indirect transactions, which were eliminated in the preparation of consolidated financial statements, between the Company and the investee companies in Mainland China in 2020.

(d) Major shareholders:

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

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

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

**(14) Segment information:**

Please refer the consolidated financial statements.

**WEIKENG INDUSTRIAL CO., LTD.**

**Statement of cash and cash equivalents**

**December 31, 2020**

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

<u>Item</u>	<u>Description</u>	<u>Amount</u>
Cash on hand		\$ 134
Checking accounts and demand deposits		206,957
Foreign currency in banks	Foreign currency(USD44,138、HKD665 and CNY2,943)	<u>1,272,367</u>
		<b><u>\$ 1,479,458</u></b>

Note : Exchange rate: USD/TWD 28.48; HKD/TWD3.673; CNY/TWD4.372.

**Statement of trade receivables**

<u>Customer names</u>	<u>Description</u>	<u>Amount</u>
Notes receivable	Revenue from non-related parties	<u>\$ 14,284</u>
Accounts receivable		
Related Parties :		
Other ( Note )	Revenue from related parties	13,784
Non-related parties :		
TC045	Revenue from non-related parties	347,704
TC022	''	345,629
Other ( Note )		<u>4,152,971</u>
		4,860,088
Less: Loss allowance		<u>60,964</u>
		<u>4,799,124</u>
Notes and accounts receivable, net.		<b><u>\$ 4,813,408</u></b>

Note: The amount of individual client included in others does not exceed 5% of the account balance.

**WEIKENG INDUSTRIAL CO., LTD.**

**Statement of inventories**

**December 31, 2020**

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

<u>Item</u>	<u>Amount</u>	
	<u>Cost</u>	<u>Net realizable value</u>
Merchandise inventories	\$ 2,760,252	3,307,687
Goods in transit	178,935	187,309
	<u>\$ 2,939,187</u>	<u>3,494,996</u>

Note : The market price of inventories was determined by the net realizable value.

**Statement of prepayments**

<u>Item</u>	<u>Description</u>	<u>Amount</u>
Net Input VAT	Business tax	\$ 139,683
Other (Note)	Includes prepaid expenses, prepayments to suppliers and temporary payments, etc.	26,619
		<u>\$ 166,302</u>

Note: The amount of individual client included in others does not exceed 5% of the account balance.

**WEIKENG INDUSTRIAL CO., LTD.**

**Statement of changes in investments accounted for using the equity method**

**December 31, 2020**

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

Company name	Opening balance		Increase		Decrease		Recognized revenue	Ending balance			Market price or net value	Provided guarantee or pledge
	Shares	Amount	Shares	Amount	Shares	Amount	Amount	Shares		Amount		
WKI	326,250	\$ 3,482,225	70,000	270,720	-	-	308,825	396,250	100%	4,061,770	3,750,012	None
WTC	1,589	26,593	-	-	-	-	(528)	1,589	100%	26,065	26,065	"
WTP	12,413	358,167	-	-	-	-	13,727	12,413	100%	371,894	330,913	"
Exchange differences on translation of foreign financial statements		<u>(180,383)</u>		<u>-</u>		<u>172,356</u>	<u>-</u>			<u>(352,739)</u>	<u>-</u>	
		<u>\$ 3,686,602</u>		<u>270,720</u>		<u>172,356</u>	<u>322,024</u>			<u>4,106,990</u>	<u>4,106,990</u>	

**WEIKENG INDUSTRIAL CO., LTD.**

**Statement of financial assets measured at fair value through other  
comprehensive income - non-current**

**December 31, 2020**

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

Name of investee	Beginning balance		Increase		Decrease (Note)		Value of financial assets after value adjustment	Ending balance		Collateral
	Shares	Amount	Shares	Amount	Shares	Amount		Shares	Amount	
Share:										
Feature Integration Technology Inc.	158	\$ 2,361	-	-	-	-	1,724	158	4,085	None
Pavadigam I	750	9,437	-	-	-	1,979	-	750	7,458	"
PVC Corp.	271	3,226	-	-	-	-	-	271	3,226	"
InnoBridge	-	15,150	-	-	-	-	-	-	15,150	"
Clientron Corp.	15	348	-	-	-	-	(85)	15	263	"
Shin Kong Global Venture Capital Corp.	3,000	4,800	-	-	-	-	-	3,000	4,800	"
VTEC	800	9,840	-	-	-	-	-	800	9,840	"
		<u>\$ 45,162</u>		<u>-</u>		<u>1,979</u>	<u>1,639</u>		<u>44,822</u>	

Note: Investee reduced capital and refund \$1,979.

**WEIKENG INDUSTRIAL CO., LTD.**

**Statement of short-term borrowings**

**December 31, 2020**

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

<u>Type</u>	<u>Description</u>	<u>Contract period</u>	<u>Interest rate</u>	<u>Financing amount</u>	<u>Ending balance</u>	<u>Collateral</u>
Financial institution Loans	unsecured loans	109.11.11~110.5.18	0.85%~1%	400,000	\$ 381,356	None
"	"	109.7.28~110.5.31	0.80%~1.05%	427,200	300,904	"
"	"	109.12.10~110.1.22	1%	284,800	283,773	"
"	"	109.10.16~110.5.18	1.05%~1.09%	300,000	272,806	"
"	"	109.10.30~110.3.25	1%	300,000	270,000	"
"	"	109.10.27~110.3.12	1.03%~1.04%	284,800	235,224	"
Others (Note)					<u>2,903,043</u>	"
					<u><b>\$ 4,647,106</b></u>	

Note: The amount of each institution included in others does not exceed 5% of the account balance.

**WEIKENG INDUSTRIAL CO., LTD.**

**Statement of trade payables**

**December 31, 2020**

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

<u>Account</u>	<u>Description</u>	<u>Amount</u>
Accounts payable:		
TV001	Operating expense for non related party	\$ 132,138
TV004	"	109,295
TV007	"	145,588
TV008	"	580,524
TV010	"	96,036
TV018	"	150,013
TV040	"	92,140
Others (Note)	"	132,832
		<u>\$ 1,438,566</u>

Note: The amount of individual supplier included in others does not exceed 5% of the account balance.

**Statement of other non-current liabilities**

<u>Item</u>	<u>Description</u>	<u>Amount</u>
Refund liabilities	Allowance for sales refund	\$ 240,319
Other (Note)	Collect labor insurance and advance rent etc.	3,700
		<u>\$ 244,019</u>

Note: The amount of each item included in others does not exceed 5% of the account balance.



**WEIKENG INDUSTRIAL CO., LTD.**

**Statement of lease liabilities**

**December 31, 2020**

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

<u>Item</u>	<u>Rental period</u>	<u>Discount rate</u>	<u>Current</u>	<u>Non-current</u>
Buildings	1~4.3 years	1.08%~3.36%	\$ 47,588	39,439
Transportation equipment	1~3.6 years	1.20%	1,709	349
			<u>\$ 49,297</u>	<u>39,788</u>

Note: For right-of-use-asset, please refer note 6(i).

**Statement of operating revenue**

**For the year ended December 31, 2020**

<u>Item</u>	<u>Amount (thousand)</u>	<u>Amount</u>
Sale revenue:		
Chipset/memory components	173,546	\$ 12,550,321
Assorted and other components	4,136,987	15,082,925
Others		<u>72,764</u>
Net operating revenue		<u>\$ 27,706,010</u>

(Continued)

**WEIKENG INDUSTRIAL CO., LTD.**

**Statement of operating costs**

**For the year ended December 31, 2020**

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

Item	Amount
Inventory, January, 1	\$ 4,077,861
Add: Purchase	25,776,274
Outsourcing purchase	42,290
Less: Inventory, December, 31	(3,161,738)
Inventory obsolescence	<u>(1,202)</u>
Cost of goods sold	26,733,485
Add: Allowance for inventory valuation and obsolescence losses	(267,317)
Allowance for inventory obsolescence	<u>1,202</u>
Operating costs	<b><u>\$ 26,467,370</u></b>

**Statement of sales and administration expenses**

Item	Sales expense	Administration expense
Salary and expense	\$ 407,171	176,101
Depreciation expense	48,064	10,410
Export expense	40,773	-
Insurance expense	37,539	11,697
Entertainment	9,754	16,618
Remuneration of directors	-	19,611
Other (Note)	<u>113,246</u>	<u>37,417</u>
Total	<b><u>\$ 656,547</u></b>	<b><u>271,854</u></b>

Note: The amount of each item in others does not exceed 5% of the account balance.