



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

2022 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.

2022 Annual Report is available at:

Taiwan Stock Exchange Market Observation Post System:

<https://mops.twse.com.tw>

Corporate Website

<https://www.weikeng.com.tw>

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I. Report to Shareholders

2022 Business Report & Report to Shareholders

2022 Business Performance

In 2022, the global political and economic situation changed dramatically, including the Russia-Ukraine War, price inflation of major economies, etc., which led to a sharp increase in interest rates by the US Federal Reserve Bank and tightening of monetary policies in European countries. In particular, because the global economic was in recession in the second half of the year, and many countries faced a risk of stagflation, in combination with the decline in demand for terminal electronic products in the post-pandemic era, semiconductor supply chains entered an inventory adjustment period due to the previous over-ordering of downstream manufacturers. However, the application scope of semiconductors has not decreased but is still increasing, so basic demand can be maintained and is supported by emerging application demands. The Group continued to make efforts to serve upstream and downstream manufacturers in the industry chain. Because the Group not only faced continuous pressure from supply chain destocking, but also faced pressure from inflation and financial cost rising after the dividend era of the previous stay-at-home economy and once chip shortage had passed, the Group's consolidated sales revenue and net profit before tax reached approximately NTD 70.2 billion and NTD 2.3 billion in 2022, respectively, representing a decrease of 2.93% and 4.94% year-on-year, respectively, and the gross margin of 7.81% and the operating income margin of 3.88% increased by 0.68% and 0.39% year-on-year, respectively.

Commitment to Sustainable Development

With the 45th anniversary of our establishment, facing the uncertainty of climate change, economic turbulence in 2022, and geopolitical and other factors, Weikeng Group will continue to actively study and improve its sustainable operation, hoping to maintain its business performance and take into account the needs of all stakeholders in this uncertain market. As a member of the semiconductor industry chain, Weikeng hopes to continue to contribute to the Group's resources, work with upstream and downstream partners to jointly build a green and sustainable supply chain for semiconductors, and strive to reduce environmental impacts and comply with social laws and regulations.

In 2022, through the risk management team under the Sustainable Development Committee, the Company began to promote the TCFD project plan. The Company referred to the structure disclosed in the TCFD to strengthen the governance structure of opportunities and risks associated with climate change, hoping to take a deep look at and grasp the opportunities and risks brought to the business by climate change. At the same time, with the trend of global net zero emissions, Weikeng introduced the ISO-14064 Greenhouse Gas Accounting and

Verification Standards, and established an internal greenhouse gas accounting and verification team, and will successively establish a complete greenhouse gas accounting and verification management procedure and optimize the organization's internal processes and systems to facilitate the planning of sustainability-related investment and disclosure standards in the mid-long term.

In addition to strengthening the risk management and governance structure of climate change, the Company considers climate change as an important strategy to maintain its economic performance. Because energy conservation and carbon reduction have become the main demand for electronic and electrical products, the Company will continue to pay attention to the potential risks and opportunities of climate change for an enterprise at present and in the future, actively cooperate with the upstream vendors, and understand the demand of downstream manufacturers at the application end, continue to invest more resources in demand creation for relevant application solutions, such as power management, electric vehicle charging piles, smart grid, wind power generation, solar power generation inverters, etc., all of which are green business opportunities. In recent years, upstream vendors have more actively expanded research and development resources invested in compound/group III semiconductor products. The Company will also continue to invest resources into the automotive/electric vehicle and industrial energy-related markets to develop product solutions with low energy consumption and high power. It is expected that the Company will make its own efforts to develop energy-saving and carbon reduction products to support the development of the green energy industry.

In the past year, more Weikeng colleagues devoted themselves to work related to sustainability and actively participated in public welfare activities, which not only enhanced the centripetal force of the organization and team, but also connected the ESG strength within the organization, so that colleagues can make their own efforts to give back to the community. In addition to the participation of colleagues, the Company continues to sponsor environmental protection issues, education, sports resources, research institutions, etc., to cultivate scientific and technological talents in response to the United Nations Sustainable Development Goals (SDGs). In January 2023, the Board of Directors adopted a revision to the Company's "Directors and Employees (including Executive Officers) Emolument Policy", and established reasonable guidance on the connection between the individual salary and compensation arrangements of directors and employees (including executive officers) and the Company's operation and financial performance, investment in and contribution to sustainable development, and risk management, etc., so as to carry out business with ethical corporate management, corporate governance, and promotion for sustainable development.

The Company is committed to fulfilling its corporate social responsibility and following international trends. In addition to actively addressing the

concerns of our stakeholders regarding environmental, social, and corporate governance issues, we furthermore carry out practical risk assessment and undertake countermeasures in order to strengthen the goals of corporate governance and sustainable operations.

2023 Business Outlook

In 2023, the world will still face the risk of stagflation. It is predicted that the overall semiconductor industry will decline slightly, and the problem of destocking in the industry chain will continue. In addition, geopolitical factors and aggravated inflation will adversely affect the demand for terminal electronic products, and the rising of interest rates will lead to an increase in financing costs, etc. However, 2023 will also be the starting year of the "Post-COVID Pandemic Era". Governments of all countries have launched various policies to stimulate consumption, and hope to stir up a rebooting of the economy, so Weikeng will still adhere to stable operation and risk management strengthening as the primary issue in 2023. In the aspect of business development, as geopolitics also promote regionalized division of the supply chain, the Company will review and adjust its strategies of business development, continuously grasp the needs of and provide technical support to vendors and customers, and expects the management team to lead all colleagues to strictly abide by the risk management system, optimize operation and capital efficiency, and adhere to the goals of integrity, sustainable operation, and stable operation under a stable operation mode, to create higher value for all stakeholders.

At present, Weikeng has been franchised many brands of semiconductor components, including many brands of semiconductor integrated device manufacturers (IDMs) or IC design companies, such as AMD, Amazon, Cypress, Infineon, Lattice, Microchip, Molex, NXP, Sinopower, Vishay, Western Digital, etc. In 2022, the Group obtained new franchises for a total of 9 vendors. In 2023, we will continue to develop and find new products and new application solutions in the semiconductor market, continue to seek new cooperation opportunities for franchises, and in the face of legal restrictions on the supply of products from European and American systems to China, continue to strengthen the product portfolio, expand the product portfolio involved in the supply chain, improve the core competitiveness of the Group, create new customer needs, and expect to assist customers in responding to geopolitical adjustments. At present, in the application fields of industrial electronics, automotive electronics, mobile communications, consumer electronics, computer peripheral equipment, AI/5G, etc., all regional companies affiliated with the Group have the ability to provide customers with competitive spare parts, technical support services, and efficient supply chain management services, so as to achieve a technology connection between the upstream vendors and downstream customers through the Group as an intermediary, and create value with a three-win situation.

1. Annual Business Report for 2022

(1) Implementation Results of the Business Plan

| Item | Amount (in thousands of NT\$) | Increase (decrease)% |
|-----------------------|----------------------------------|----------------------|
| Sales Revenue | 70,281,179 | (2.93) |
| Operating margin | 5,489,993 | 6.34 |
| Operating profit | 2,728,183 | 8.02 |
| Net profit before tax | 2,330,154 | (4.94) |
| Net profit after tax | 1,699,134 | (1.28) |

(2) Budget Execution in 2022

In 2022, for the Group's implementation of its operating budget, although the scale of sales revenue was affected by adverse external factors, the achievement rate of sales revenue was still approximately 84%, and the achievement rate of net profit after tax rate was still 95%.

(3) Analysis of Financial Income, Costs, and Profitability

| | Item | % |
|---------------------|----------------------------------------------------------|----------|
| Financial structure | Debt Ratio | 72.38 |
| | Long-term Capital to Property, Plant and Equipment Ratio | 9,407.12 |
| Solvency | Current Ratio | 154.32 |
| | Quick Ratio | 76.81 |
| Profitability | Return on Assets | 6.77 |
| | Return on Shareholders' Equity | 19.75 |
| | Net Profit Margin | 2.42 |
| | Basic EPS (in NT\$) | 4.03 |

(4) Research and Development Status

Under the planning and active efforts of the "Marketing Development Division", the Company has successfully represented the product lines of domestic and foreign well-known semiconductor manufacturers, and even successfully maintained or expanded the franchises granted by the upstream vendors after consolidation. In addition to continuing to establish a firm foothold in 3C electronic applications, the "FAE Division" also actively technically supports IC products from original manufacturers and customers in emerging applications to increase the Company's business territory, provide customers with technical support for product applications, help customers save R&D expenses, shorten time-to-market, and enhance service levels to strengthen the cooperative relationship with original manufacturers and customers.

In the "Solution Division", we are moving into the field of R&D and design, specializing in overall product reference solutions. The semiconductor industry is widely used and its application scheme is continuously updated. In addition to acting as a franchisee for the

product lines of domestic and well-known foreign semiconductor manufacturers, the Company will direct the "Marketing Development Division" to take the lead in finding new product lines to be franchised, pay close attention to and evaluate the application and development of a start-up company's products, including the applications and development related to the green economy, timely input the development resources of the "Marketing Development Division", and then introduce the technical support and services created from demand of the "FAE Division".

At this stage, the Group's companies are developing the product solutions for 5G (smartphones, Customer Premise Equipment (CPE), Open Radio Access Network (O-RAN), small cell station, etc.), artificial intelligence/Internet of Things (AIoT), WiFi 6, automotive electronics (including electric vehicles, electric locomotives, charging piles, etc.), consumer electronics (PC, TV, Smartphone), industrial control, Type C-Power Delivery (PD), and various types of power supply applications. At the same time, we also devote various resources to the development of relevant application product solutions for servers/data centers, motor control, battery energy storage management systems, in-vehicle infotainment systems, car radar, tire pressure monitoring systems (TPMS), and human-machine interfaces for Center Information Displays (CID), in order to provide customers with immediate product reference solutions. All of these solutions are now available to customers in succession.

2. Annual Business Plan in 2023

(1) Operating Principles

- ① To prudently face the situation of destocking in the industry chain, actively manage and evaluate the speed of purchasing and sales, carefully prevent the loss of inventory depreciation, strengthen the efficiency of working capital, and enhance control measures for the prevention of dead inventory and improvement measures for the disposal of dead inventory.
- ② To timely grasp the dynamic adjustment of suppliers and customers due to trade policies or geopolitical factors, such as the "China+1" layout of semiconductor application electronics manufacturers. In order to relocate a production base, move, or adjust the production lines according to its plan, the Company must also be able to build transnational and trans-regional capacity and flexibility of strategy establishment, and expand its product portfolio on the premise of compliance with the provisions of the United States' (various countries) import and export laws and regulations.

- ③ In the face of a changing market and uncertainty, to continue to pay attention to the price and demand changes of each item, master the development trends of application-end technology products, invest appropriate R&D resources, and cooperate with industry partners to continue to create added value and competitiveness.
- ④ To attach importance to the green economy and sustainable development in the long term, continue to provide customers with competitive components, and through technical support services and research and development projects, achieve technological link in the industry chain, support the industry chain to promote the carbon reduction operation mode, and grasp business opportunities from the green energy industry, as well as work with upstream and downstream partners to build a green and sustainable industry chain.
- ⑤ To continue to comply with the risk management system and ethical corporate management best practice principles, strengthen the operational efficiency, pay attention to the needs and feelings of employees, take a stable business model as the principle, analyze the profitability of revenue growth, and take appropriate measures to grasp market opportunities.

(2) Production and Sales Policy

- ① Pricing Strategy: In the face of the high cost environment, to carefully evaluate the product pricing strategy and profit analysis, maintain good communication with the franchising vendors and downstream manufacturers, and through the mechanism of negotiation with customers and on the premise of improving the quality of product services, timely adjust product pricing to ensure the maintenance of the profit of each product line.
- ② New Business Development: To continue to grasp the development trend of "new technology", "green economy", and "regionalization" division of the supply chain, expand business cooperation opportunities, and consolidate customer structure.
- ③ Resilience: In the face of the cross-border movement of upstream and downstream manufacturers among the Asia-Pacific region, North American region, and European region, as well as the adjustment of production line planning made by the customers due to marginalization of trade policies, the Group must strengthen its support, service momentum and resilience, assess its cost-effectiveness, and improve its capability of strategy establishment at any time.

- ④ Compliance with laws and regulations: To pay attention to and implement laws and regulations on the export and import of strategic high-tech products, including whether a transaction or service object is set forth in the control list of the United States' regulatory authority for export, re-export, or transfer.
 - ⑤ With the continuous expansion of operation scale and franchises, to prudently review risk and profitability.
- (3) Expected sales volume and its basis in 2023

The Company classifies the franchising products into chipsets/special application standard ICs, mixed signals, and discrete components according to product characteristics. In 2023, the external business environment will continue to be affected by the supply chain restructuring derived from disputes of marginalization of trade policies, pressure of the United States Federal Reserve Bank to continue to raise interest rates, shrouded by the global economic inflation, inventory adjustment of the supply chain faced in the semiconductor market, and the coming of the post-COVID pandemic era. After considering the sales forecast of the semiconductor industry estimated by relevant institutions, the goal and internal business plans set by the upstream vendors, and the 2023 forecast goals for operation and sales, the Company's management team still sets a challenging goal for growth in order to encourage the operation team to continue to create operational value for all the stakeholders.

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 good health and all the best!

Weikeng Industrial Co., Ltd.

Chairman: HU, CHIU-CHIANG (@Douglas Hu)

General Manager: CHI, TING-FANG (@Stan Chi)

Chief Accountant: HUANG, LI-HSIANG (@Alice Huang)

II. Company Profile

i. **Date of Incorporation: January 20, 1977**

ii. **Company History: The most recent year (2022) and the date of publication of the annual report**

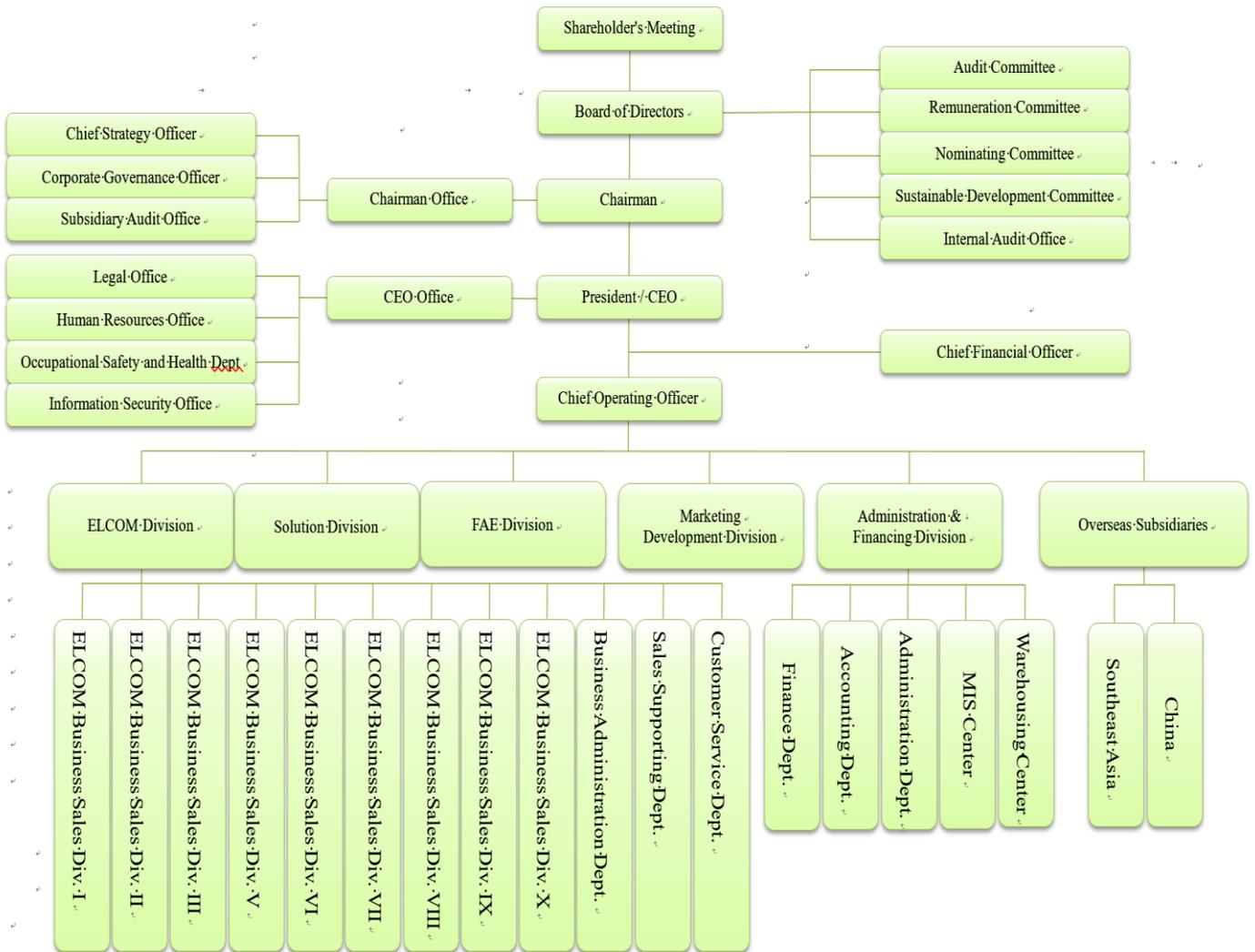
| Year | Milestones |
|--------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 2022/1 | The 5 th domestic unsecured convertible corporate bonds issued by the Company, the bondholders exercised the conversion from October 1, 2021 to December 29, 2021 (i.e. the 4 th quarter of 2021), resulting in an increase in the number of issued ordinary shares 16,716,826 shares, and the paid-in capital amounted to NT\$ 4,157,722,690. |
| | Navitas Semiconductor Limited authorized the Company as a distributor of electronic components. |
| 2022/2 | AONDevices, Inc. authorized the Company as a distributor of electronic components. |
| 2022/3 | Morse Micro, Inc. authorized the Company as a distributor of electronic components. |
| | The 5 th domestic unsecured convertible corporate bonds issued by the Company, the bondholders exercised the conversion from December 30, 2021 to March 24, 2022 (i.e. the 1 st quarter of 2022), resulting in an increase in the number of issued ordinary shares 4,790,574 shares, and the paid-in capital amounted to NT\$ 4,205,628,430. |
| | The Company established the Nominating Committee and the Sustainable Development Committee through the resolution of the Board of Directors. |
| | The Company plans to issue the 6 th domestic unsecured convertible corporate bonds through the resolution of Board of Directors, that total amount of issuance is NT\$2 billion, the issue price is fully issued according to the denomination (NT\$100,000 per bond), the tenor is five years, and with 0% of coupon rate. |
| 2022/5 | The Company's registration to the Securities and Futures Bureau of Financial Supervisory Commission R.O.C. for the offering and issuance of the 6 th domestic unsecured convertible corporate bonds, with a total amount of NT\$2 billion, and the effective registration was on May 11, 2022. |
| | The Company participated in the "Feeding Love and Going - Meal Subsidy Scheme for Vulnerable School Children" hosted by the Next Generation Charity Association, and sponsored NT\$400,000, which was donated to four organizations: the Boyo Social Welfare Foundation's lesson assistance program, the Chinese Christian Relief Association's 1919 accompanying study program, the Hsinchu I-Link Neighbor Community Care Association's Green Light Seed Education Program, and Taitung Hong-Ye juvenile baseball team. |
| 2022/6 | The 6 th domestic unsecured convertible corporate bonds issued by the Company was officially listed on the Taipei Exchange on June 1, 2022, stock code: 30336. |
| | The 5 th domestic unsecured convertible corporate bonds issued by the Company, the bondholders exercised the conversion from March 25, 2022 to June 27, 2022 (i.e. the 2 nd quarter of 2022), resulting in an increase in the number of issued ordinary shares 1,691,757 shares, and the paid-in capital amounted to NT\$ 4,222,546,000. |
| | In accordance with the "Roadmap for the Sustainable Development of TWSE and TPEX Listed Companies" issued by the Financial Supervisory Commission, the Company's Sustainable Development Committee and the Board of Directors approved the greenhouse gas inventory and verification schedule plan for the Company and its consolidated subsidiaries. |
| | 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\$ 78.5 million of Weikeng International Co., Ltd, a 100% owned subsidiary in Hong Kong. |
| 2022/8 | The Company's Nominating Committee and the Board of Directors approved the appointment of the chairman concurrently as the chief strategy officer, president, chief operating officer, and chief financial officer, effective date September 1, 2022; and approved the appointment of information security director, effective date August 10, 2022. |
| | The Company's Nominating committee and the Board of Directors approved the appointment of the "Taiwan Corporate Governance Association" to conduct the performance evaluation of the Board of Directors, and the Association completed the evaluation in November of the same year and issued a report. |

| Year | Milestones |
|---------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| | iCana Co., Ltd. authorized the Company as a distributor of electronic components. |
| | Carota Co., Ltd. authorized the Company as a distributor of product solutions. |
| 2022/9 | The 5 th domestic unsecured convertible corporate bonds issued by the Company, the bondholders exercised the conversion from June 28, 2022 to September 27, 2022 (i.e. the 3 rd quarter of 2022), resulting in an increase in the number of issued ordinary shares 1,288,564 shares, and the paid-in capital amounted to NT\$ 4,235,431,640; in addition, because the bondholders have converted all the balance of the bonds into the ordinary shares issued by the Company, the bonds was terminated on September 2, 2022 for trading in the Taipei Exchange. |
| | The Company published the 2021 ESG Sustainability Report. |
| 2022/10 | Bureau of Foreign Trade, MOEA issued an award for “2021 International Trade Outstanding Export/Import Business Certificate” to the Company. |
| 2022/11 | Kinara, Inc. authorized the Company as a distributor of electronic components. |
| | In order to inherit the power of life, gather blood with love, and create a harmonious and warm society, the Company co-organized a one-day blood donation activity with Taipei Blood Center of Taiwan Blood Services Foundation on November 2, 2022, and the amount of blood donation reached 32,000 ml, completing the activity of condensing blood with love and inheriting the power of life. |
| 2022/12 | The Keelung Customs of Customs Administration, Ministry of Finance approved the Company as a "general high-quality enterprise", number: AAC100000900, and the period is from December 3, 2022 to December 2, 2025. |
| | The Company's Nominating Committee acknowledged the external evaluation report on the performance of the Board of Directors issued by the "Taiwan Corporate Governance Association", and it was acknowledged by the Nominating Committee on December 28, 2022 and Board of Directors on January 13, 2023. |
| 2023/1 | The Health Promotion Administration of the Ministry of Health and Welfare has assessed that the Company meets the Healthy Workplace Certification - Healthy Startup Label (Certificate No.: HPAB1110793), valid from January 1, 2023 to December 31, 2025. |

III. Corporate Governance Report

i. Organization System

(i) Organizational Chart



(ii) Tasks of Principal Divisions

| Committee/Office/ Division/ Department | Tasks |
|-------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Functional Committees | The Functional Committees, including the Audit Committee, the Remuneration Committee, the Nominating Committee and the Sustainable Development Committee, perform their functions and powers in accordance with the charters of each committee, and are responsible to the Board of Directors, and submit the proposed proposals to the Board of Directors for resolution. |
| Chairman Office | <ol style="list-style-type: none"> Participates in the formulation of strategies and policies within the group company, and convenes the Functional Committees and the board of directors periodically or as needed, in accordance with the powers and procedures of the Functional Committees and the Board of Directors. Implements the operating policies and objectives proposed by the Board of Directors and the Functional Committees, and is responsible for the governance of the entire group company, sustainable development, and internal control supervision and management of the overseas subsidiaries, and reports to the Functional Committees and the Board of Directors. |

| Committee/Office/ Division/ Department | Tasks |
|-------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| CEO Office | <ol style="list-style-type: none"> 1. Formulate strategies and policies to implement the corporate governance, sustainable development and other management objectives assigned by the Board of Directors, and report the results to the Functional Committees and the Board of Directors. 2. Responsible for the supervision of the Group's business, financial and risk management operations, formulate and implement control strategies, and report to the Board of Directors. 3. Formulate and update the Company and Group's overall systems, rules and regulations. 4. The planning of the overall marketing activities of the Company and the Group and the promotion of corporate public relations matters. |
| Internal Audit Office | <ol style="list-style-type: none"> 1. Responsible for the formulation, implementation and rationality assessment of the internal control audit plan of the (parent) Company, and report to the audit committee or other Functional Committees and the Board of Directors. Follow-up advice and risk management evaluation for the suggestions and corrections that are found in the audit. 2. Review and supervise the internal control system audit plan and procedures of each subsidiary of the overseas business group, and report the implementation audit content to the audit committee or other Functional Committees and the Board of Directors. 3. Report the inspection deficiencies mentioned by the competent authority, accountants, and internal auditors, as well as the improvements listed in the internal control statement that should be strengthened for improvement, to the Audit Committee and the Board of Directors. 4. Assess whether the deficiencies found during the audit have been improved according to the proposed suggestions and correction plans, and conduct further risk and effectiveness assessments of the internal control system. 5. Review the deficiencies of the internal control system in a timely manner, evaluate the effectiveness and efficiency of operations, and provide appropriate improvement suggestions to ensure the effectiveness and continuous improvement of the internal control system. |
| Corporate Governance Officer | <ol style="list-style-type: none"> 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 and Functional Committees to perform their duties. 5. Assisting directors and Functional Committees to comply with laws and regulations. 6. Matters related to investor relations. 7. To report to the Board of Directors the results of its inspection on whether the qualifications of independent directors comply with relevant laws and regulations at the time of nomination, election and term of office. 8. Handle matters related to the change of directors. 9. Other matters stipulated in the Company's articles of association, contracts or laws and regulations. |
| Human Resources Office | <ol style="list-style-type: none"> 1. Executive human resources management strategy prepared by the CEO Office, responsible for the execution and assessment of human resources management, reporting to the CEO Office. 2. Implementation of personnel system regulations, recruitment training, personnel changes and other related operations. |

| Committee/Office/ Division/ Department | Tasks |
|-------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| | 3. To assist the Board of Directors and Functional Committees to convene related matters and handle matters assigned by them. |
| Legal Office | <ol style="list-style-type: none"> 1. 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. 2. Participate in the demonstration and negotiation of relevant contracts of the Company's operations, conduct legal assessments, and draft relevant contract texts. 3. Assist in handling related legal matters in the Company's operation process, and organize the formulation of various legal documents. 4. Examine various legal documents and contracts that occur during the operation of the Company, and supervise the implementation of the contracts. 5. Assist the company in handling and resolving various legal disputes in operation, and safeguard the Company's legal rights and interests. 6. Management of litigation and non-litigation affairs of the Company. 7. Assist in the Company's sustainable development, corporate governance and other related matters. 8. Consultation and assistance in compliance with trade regulations. |
| 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. |
| Information Security Office | <p>Responsible for formulating, planning, supervising and promoting data security and cyber security related matters, including:</p> <ol style="list-style-type: none"> 1. To help the Board of Directors understand the network intelligence of potential security issues. 2. Assist the CEO Office to analyze threats in real time for safe operation. 3. Ensure that the design of IT and network infrastructure achieves infrastructure security protection. 4. Ensure that internal employees will not misuse or steal data to protect data. 5. Formulate relevant internal control procedures and management, and conduct regular or irregular internal information and cyber security inspections. |
| ELCOM Business Division | <ol style="list-style-type: none"> 1. Market planning for electronic component related products. 2. Development and guarantee of franchises rights for electronic component related products. 3. Use business, technical support, channel marketing, customer service, and other methods to win customers. 4. Perform the company's import and export, customs declaration, shipping, insurance, HUB / VMI warehouse operations, compliance with product trade regulations etc. |
| 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 | <ol style="list-style-type: none"> 1. Accounting Department: Responsible for accounting process, budget planning, preparation of various financial accounting statements and management information offering. 2. Finance Department: 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. |

| Committee/Office/ Division/ Department | Tasks |
|-------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| | <ol style="list-style-type: none"> 3. Administration Department: Responsible for stock affairs administration, including stock affairs planning, shareholders meeting, Board of Directors and Functional Committee meetings and other related matters, as well as general affairs such as general office procurement and management. 4. MIS Center: Responsible for the establishment, execution and assessment of back-end system maintenance and operation management functions such as information technology and management information systems, including ERP operations, email operations, warehouse management systems and information management programs, tools and platforms, etc. And together with the Information Security Office to carry out cyber and information security operations, etc. 5. Warehousing center: implement logistics operations and management, establish and maintain a warehouse management system, and improve the efficiency of the operation and management of the warehouse operation center. |
| Overseas Subsidiaries | <ol style="list-style-type: none"> 1. Evaluate the implementation of the strategic goals of managing overseas subsidiaries and branches based on the group strategy prepared by the CEO Office. 2. Evaluate the implementation of the management system and risk management analysis of overseas subsidiaries and branches. |

ii. Directors and Management Team

(i) Directors_1

As of April 16, 2023

| Title | Nationality/ Place of Incorporation | Name | Gender Age | 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 61~70 | 2021.7.20 | 3 | 2009.6.19 | 8,843,627 | 2.40 | 8,843,627 | 2.09 | 467,059 | 0.11 | --- | --- | Ph.D. of Institute of Management of Technology, National Chiao Tung University, Taiwan Master of Business Administration, Da-Yeh University, Taiwan Executives Program, Graduate School of Business Administration, National Cheng-Chi University Bachelor of Science in Communications Engineer, National Chiao Tung University, Taiwan R&D Engineer, SAMPO Co., Ltd. Chairman & CEO, Weikeng Industrial Co., Ltd. and its affiliates Chairman, Taipei County Computer Association (TCCA) Executive Director, Taipei Electronic Components Suppliers' Association (TECSA) | Chief Strategy Officer (Resigned as President and concurrently served as the Chief Strategy Officer since 2022.09.01), Weikeng Industrial Co., Ltd. Chairman, Weiji Investment Co., Ltd. Chairman, Weikeng International Co., Ltd. Chairman, Weikeng Technology Pte Ltd. Chairman, Weikeng Technology Co., Ltd. Independent Director, Audit Committee & Remuneration Committee, V-TAC Technology Co., Ltd. Independent Director, Nominating Committee, Remuneration Committee, and Audit Committee, CIPHERLAB Co., Ltd. Director, Promate Electronic Co., Ltd. Director (Representative of Juristic Person/ Promate Electronic Co., Ltd.), Promate Solutions Co., Ltd. Director, Amazing Microelectronic CO., Ltd. Supervisor, LEADTEL Co., Ltd. Supervisor, EVGA Technology Incorporated Director (Representative of Juristic Person/ Hydroionic Technologies Co., Ltd.), Hydroionic EnviroTec Co., Ltd. Director (Representative of Juristic Person/ Hydroionic EnviroTec Co., Ltd.), Hydroionic EnviroServices Co., Ltd. Nominating Committee and Sustainable Development Committee, Weikeng Industrial Co., Ltd. | --- | --- | --- |
| Director | Taiwan(R.O.C) | CHI, TING-FANG (@Stan Chi) | M 61~70 | 2021.7.20 | 3 | 1989.12.18 | 6,278,150 | 1.71 | 6,278,150 | 1.48 | 146,817 | 0.03 | --- | --- | Bachelor of Science in Control Engineering, National Chiao Tung University, Taiwan President, Weikeng Industrial Co., Ltd. Associate Engineer, Institute of Machinery, Industrial Technology Research Institute (ITRI) | President/CEO, Weikeng Industrial Co., Ltd. (Resigned as Chief Operating Officer and promoted to President/CEO since 2022.09.01), Weikeng Industrial Co., Ltd. Managing Director, Weikeng Technology Pte Ltd. Director, Weikeng Technology Co., Ltd. Sustainable Development Committee, Weikeng Industrial Co., Ltd. | --- | --- | --- |

| Title | Nationality/ Place of Incorporation | Name | Gender Age | 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)/ Taipei City | WEIJI INVESTMENT CO., LTD. | M 71~80 | 2021.7.20 | 3 | 1998.9.1 | 30,426,876 | 8.27 | 30,426,876 | 7.18 | --- | --- | --- | --- | --- | --- | --- | --- | |
| | Taiwan(R.O.C)/ | Representative : CHEN, CHENG-FONG (@Eric Chen) | | 527,136 | | | 0.14 | 527,136 | 0.12 | --- | --- | --- | --- | Bachelor of Science in Electrophysics, National Chiao Tung University, Taiwan Engineer, Texas Instruments Inc. | Chairman, Promate Electronic Co., Ltd. Chairman, Chuang Feng investment Co., Ltd. Chairman, Promate International Co. Ltd. Director (Representative of Juristic Person/ Promate Electronic Co., Ltd.), Promate Solutions Co., Ltd. Director, Weikeng Industrial Co., Ltd. Supervisor, Ching Fong investment Co., Ltd. Director (Representative of Juristic Person/ Promate Electronic Co., Ltd.), CT CONTINENTAL Co., Ltd. Director, GLIMMER INC | --- | --- | --- | |
| Director | Taiwan(R.O.C) | CHEN, KUAN-HUA (@Bill Chen) | M 51~60 | 2021.7.20 | 3 | 2018.6.13 | 191,301 | 0.05 | 191,301 | 0.05 | 645,593 | 0.15 | --- | --- | Master of Financial Engineering, Carnegie Mellon University, Commonwealth of Pennsylvania Master of Computer Science & Information Engineering, National Taiwan University Bachelor of Mathematical Sciences, National Cheng-Chi University Supervisor, Weikeng Industrial Co., Ltd. | Director, King Yuan Electronics Co., Ltd. Director & President, CHAN-CHENG Investment Co., Ltd. | --- | --- | --- |

| Title | Nationality/ Place of Incorporation | Name | Gender Age | 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) | TSAI YU-PING (@Edward Tsai) | M 61~70 | 2021.7.20 | 3 | 2009.6.19 | 0 | 0 | 0 | 0 | 20,000 | 0.00 | 0 | 0 | Juris Doctor, Santa Clara University, California Executives Program, Graduate School of Business Administration, National Cheng- Chi University Chairman, Meitung Limited Chief Strategy Officer, Allianz President Insurance Group President, Allianz-President General Insurance Co., Ltd. President & CEO, President Securities Investment Trust Co., Ltd. Lawyer, Baker & McKenzie Lawyer, Diepenbrock, Wulff, Plant & Hannegan, California Associate Professor of Department of Law, National Chung Hsing University, Taiwan | Remuneration Committee, Audit Committee, Nominating Committee, and Sustainable Development Committee, Weikeng Industrial Co., Ltd. Chairman, Paradigm Venture Partners, L.L.C. Chairman, Paradigm Capital Limited Vice Chairman, Chinese Association of Valuation Director (Representative of Juristic Person/ Paradigm Venture Partners, L.L.C.) and President, Hydroionic Technologies Co., Ltd. Director (Representative of Juristic Person/ Hydroionic Technologies Co., Ltd.), Hydroionic EnviroTec Co., Ltd. Director (Representative of Juristic Person/ Hydroionic EnviroTec Co., Ltd.), Hydroionic Enviroservices Co., Ltd. Director, CellMax Taiwan Co., Ltd. Independent Director, Remuneration Committee, and Audit Committee, Welldone Co., Ltd. Independent Director, Nominating Committee, and Audit Committee, CIPHERLAB Co., Ltd. | --- | --- | --- |
| Independent Director | Taiwan(R.O.C) | LIN, HUNG (@Vincent Lin) | M 51~60 | 2021.7.20 | 3 | 2003.6.25 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | Executive Master of Business Administration, National Cheng- Chi University Bachelor of Science in Pharmacy, Kaohsiung Medical University President, Harbor View Hotel Independent Director & Remuneration Committee, Weikeng Industrial Co., Ltd. Director, National Federation of the Republic of China Hotel Association Committee of Keelung Foreign Sister City Promotion Association Director (Representative of Juristic Person/ ALPIN INTERNATIONAL CO., LTD.), Leatec Fine Ceramics Co., Ltd. | Remuneration Committee, Audit Committee, Nominating Committee, and Sustainable Development Committee, Weikeng Industrial Co., Ltd. Chairman, Hua Shuai Hospitality Management Consulting Co. Ltd. Chairman, Dragonfly Gallery Co., Ltd. President of Ahotel, Taiwan Fine Business Travel Alliance Director, Taiwan Miner's General Hospital | --- | --- | --- |

| Title | Nationality/ Place of Incorporation | Name | Gender Age | 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) | YU, HSUEH-PING (@Peggy Yu) | F 61~70 | 2021.7.20 | 3 | 2018.6.13 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | Master of Accounting, National Taiwan University Senior Vice President, Standard Chartered International Commercial Bank Independent Director, CastleNet Technology Inc. Supervisor, Promate Electronic Co., Ltd. Supervisor (Representative of Juristic Person/Chin-Tzu Leasing Co., Ltd.), Well Glory Development Co., Ltd. | Audit Committee and Sustainable Development Committee, Weikeng Industrial Co., Ltd. Vice President, Grand Aspect International Ltd. Vice President, Grand China Ltd. Director (Representative of Juristic Person/ Grand China Ltd.), PRINTEC INTERNATIONAL 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: Since 2022.09.01, the Company no longer has the Chairman concurrently serving as the general manager.

Major shareholders of the institutional shareholders

As of April 16, 2023

| 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 |

(ii) Directors_2

1. Board Members' Diversity Policy

The election of the directors of the Company is based on the "Articles of Incorporation" and adopts a candidate nomination system. Each term of office is three years, and is elected in accordance with the Company's " Rules for Election of Directors"; the structure of the Board of Directors, in addition to the scale of the Company's business development and the shareholding of major shareholders, and the actual operation needs, determine the appropriate number of directors between five and nine (inclusive), the Company also follows the " Corporate Governance Best Practice Principles, which stipulates that the composition of the Board of Directors should consider diversity, and formulate appropriate diversification policies according to its own operation, operation type and development needs, which should include but not limited to the following standards:

- (1) Basic conditions and values: gender, age, nationality and compliance with laws and regulations (qualification conditions and independence, etc.).
- (2) Professional background, professional knowledge and skills: professional background (such as law, accounting, finance, marketing, technology industry or business experience), professional knowledge and skills, etc.

2. Professionalism and Independence of the Board of Directors

Members of the board of directors should possess the diverse knowledge, skills and accomplishments necessary to perform their duties. In order to achieve the goal of sustainable corporate governance, the professional knowledge and skills that the board of directors should have as a whole are as follows:

- (1) Operational decision-making judgment ability
- (2) Business strategy management and leadership
- (3) Crisis and risk analysis, decision-making and handling capabilities
- (4) Insights into industrial development and technology applications
- (5) The pulsating forward-looking force of sustainable development
- (6) Accounting information and financial analysis ability
- (7) Industry and business knowledge ability.

| Name \ Criteria | Qualifications and Experience | Independence | Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director |
|-------------------------------|-------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------|
| HU, CHIU-CHIANG (@Douglas Hu) | Dr. Hu holds a doctorate degree in technology management from National Chiao Tung University (renamed to National | 1. Also the Chief Strategy Officer of the Company, as a director with | 2 |

| Name | Criteria | Qualifications and Experience | Independence | Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director |
|----------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------|-------------------------------------------------------------------------------------------------------------|
| | <p>Yang Ming Chiao Tung University NYCU). He also lectures at NYCU as contracted professor-level technical expert, specialties include technology innovation, management of technology companies, IC and components distribution, entrepreneurship and venture capital.</p> <p>Dr. Hu has 41 years of experience in the IC industry strategic management, leadership as well as academic intelligence in the field. In addition to his role as board member within the Weikeng Group, including Weikeng Taiwan and its subsidiaries, he also takes on several roles, board director and independent director, of other companies in the high-tech industry. Dr. Hu brings to the Board extensive experiences in areas of finances, business execution, marketing and sales, operational management, and corporate governance.</p> | <p>managerial personnel.</p> <ol style="list-style-type: none"> 2. Also a director of the Company's affiliated companies (100% subsidiary). 3. The top ten natural person shareholders of the Company. 4. The chairman of Weiji Investment Co., Ltd., a juristic person shareholder holding more than 5% of the Company's issued shares. 5. The rest have been verified in accordance with the independence requirements listed in the "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies" promulgated by the Financial Supervisory Commission, and still meet the relevant independence requirements and still meet the relevant independence requirements. | | |
| CHI, TING-FANG (@Stan Chi) | <p>Mr. Chi holds a bachelor of Science degree in Electrical and Control Engineering from National Chiao Tung University (renamed to National Yang Ming Chiao Tung University NYCU). Prior to joining Weikeng July, 1986, he was an associate engineer at Institute of Machinery, Industrial Technology Research Institute (ITRI). In 1997, Mr. Chi was appointed as President, and later in 2002 Mr. Chi continued his leadership role as Chief Operating Officer and in September 2022, he was promoted to the CEO of Weikeng Group and the Present of the Company. So far, he is responsible for executing strategies set by the Board and managing Weikeng's business units, sales and operations across Taiwan, Hong Kong, China</p> | <ol style="list-style-type: none"> 1. Also the Group CEO and the President of the Company, a director with managerial personnel. 2. Also a director of the Company's affiliated companies (100% subsidiary). 3. The top ten natural person shareholders of the Company. 4. The rest have been verified in accordance with the independence requirements listed in the "Regulations Governing Appointment of Independent Directors and | 0 | |

| Criteria Name | Qualifications and Experience | Independence | Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director |
|-------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------|
| | <p>and South East Asia (Singapore, Malaysia, Thailand, Vietnam and Philippines etc.)</p> <p>Mr. Chi has been with the Weikeng force for more than 36 years, attributing to business execution and strategic management in the semiconductor industry. He brings to the Board valuable feedback and communications in terms of strategic management, business execution, marketing and sales and industry insights. He also provides the Board timely opinions on operation based on his role as the Company's Chief Operating Officer.</p> | <p>Compliance Matters for Public Companies" promulgated by the Financial Supervisory Commission, and still meet the relevant independence requirements and still meet the relevant independence requirements.</p> | |
| <p>WEIJI INVESTMENT CO., LTD. (Representative : CHEN, CHENG-FONG (@Eric Chen)</p> | <p>Mr. Chen holds a bachelor of Science in Electrophysics from National Chiao Tung University (renamed to National Yang Ming Chiao Tung University NYCU). He was an engineer at Texas Instruments Inc. Mr. Chen is the President and Chairman of Promate Electronic Co., Ltd. and Director of Promate Solutions Corporation.</p> <p>With 37 years of experience in the semiconductor industry, Mr. Chen brings to the Board substantial experience and insights as the representative of Weiji Investment in the areas of corporate governance, business execution, marketing and sales, and high tech industry expertise. He provides the Board with valuable corporate governance and management insights for strategic planning and execution.</p> | <ol style="list-style-type: none"> 1. Weiji Investment Co., Ltd., a juristic person shareholder, holds more than 5% of the Company's issued shares and is the Company's largest shareholder. 2. Mr. CHEN, CHENG-FONG (@Eric Chen) was elected director as the designated representative of Weiji Investment Co., Ltd. 3. The rest have been verified in accordance with the independence requirements listed in the " Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies" promulgated by the Financial Supervisory Commission, and still meet the relevant independence requirements and still meet the relevant independence requirements.. | <p>0</p> |
| <p>CHEN, KUAN-HUA (@Bill Chen)</p> | <p>Mr. Chen holds two master degrees, master of Financial Engineering degree from Carnegie Mellon University and</p> | <ol style="list-style-type: none"> 1. A relative within the second degree of kinship of the Company's top ten | <p>0</p> |

| Name | Criteria | Qualifications and Experience | Independence | Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director |
|--------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------|-------------------------------------------------------------------------------------------------------------|
| | <p>master of Computer Science & Information Engineering degree from National Taiwan University. He is a director at King Yuan Electronics Co., Ltd., and is also President and Director at Chan-Cheng Investment Co., Ltd.</p> <p>Mr. Chen brings to the Board extensive knowledge of semiconductor industry development, investment portfolio management, accounting information and financial analysis, industry and technology application insights.</p> | <p>natural person shareholders.</p> <p>2. The rest have been verified in accordance with the independence requirements listed in the "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies" promulgated by the Financial Supervisory Commission, and still meet the relevant independence requirements and still meet the relevant independence requirements.</p> | | |
| <p>TSAI, YU-PING (@Edward Tsai) (Independent Director)</p> | <p>Mr. Tsai is the chairman of Paradigm Venture Partners, L.L.C., a venture capital company that provides fund to ventures mainly in the semiconductor, telecommunication, software development, opto-electronics, bio-tech, medical equipment, aerospace and materials sectors. He has served as President & CEO at President Securities Investment Trust Co., Ltd, Chief Strategy Officer at Allianz President Insurance Group, President at Allianz-President General Insurance Co., Ltd.. Mr. Tsai holds a Juris Doctor degree from Santa Clara University, California. He was a lawyer at Baker & McKenzie and at Diepenbrock Wulff Plant & Hannegan, California. He was also an associate professor of Department of Law at National Chung Hsing University.</p> <p>Mr. Tsai brings to the Board legal expertise and significant experiences in the areas of law, finance, tech companies management and corporate governance. Although Mr. Tsai has served as independent directors of the Company for more than 3 consecutive terms (9 years), none of the violations of Article 30 of the Company Act has occurred. He continues to take on the responsibilities as independent director and functional</p> | <p>According to the Company's Articles of Association and the "Corporate Governance Best Practice Principles", directors are selected by the candidate nomination system. During the nomination and selection of board members, the Company has obtained the written statement, work experience, current incumbency certificate, and kinship table provided by each director to verify and confirm the independence of themselves, their spouses and their relatives within the third degree kinship to the Company. The Company has also verified that the 3 independent directors are in compliance with the qualification requirements stipulated in the "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies" and Article 14-2 of the Securities and Exchange Act promulgated</p> | <p>2</p> | |

| Criteria Name | Qualifications and Experience | Independence | Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director |
|------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------|
| | committees to enhance the quality of the Company's corporate governance and the supervision of the functional committees by providing the Board with insightful industry analysis and integration, risk management, legal strategy / compliance and management decision-making opinions on the operation and management. | by the Financial Supervisory Commission during the two years before their election and during their tenure. In addition, independent directors have been given the power to fully participate in decision-making and express opinions in accordance with Article 14-3 of the Securities and Exchange Act to perform relevant functions and powers accordingly. | |
| <p>LIN, HUNG (@Vincent Lin) (Independent Director)</p> | <p>Mr. Lin holds an Executive Master of Business Administration (EMBA) degree from National Cheng Chi University. Currently, he is the Chairman of Hua Shuai Hospitality Management Consulting Co. Ltd., the President of Harbor View Hotel, and the Chairman of Dragonfly Gallery Co., Ltd. and the Director of Taiwan Miner's General Hospital. He has also served as the President of Ahotel, Taiwan Fine Business Travel Alliance, the Director of the National Federation of the Republic of China Hotel Association and the Director of Leatec Fine Ceramics Co., Ltd. He is committed to the success of the tourism hotel service industry with his familiarity with commercial laws and expertise in corporate governance.</p> <p>Although Mr. Lin has served as an independent director of the Company for more than 3 consecutive terms (9 years), none of the violations of Article 30 of the Company Act has occurred. He brings to the Board with extensive experience and vision in various industries and provides the Board timely diversified opinions on operation and sustainable corporate governance, so that the Board can have a more versatile way of thinking in terms of operation and management strategies, which strengthens the supervision and governance quality of the board of directors and the functional committees.</p> | | 0 |
| <p>YU, HSUEH-PING (@Peggy Yu) (Independent Director)</p> | <p>Ms. Yu holds a Master of Commerce degree in accounting from National Taiwan University and with professional qualifications in accounting. Currently, she is the Vice President of Grand Aspect International Ltd., Vice President at</p> | | 0 |

| Name | Criteria | Qualifications and Experience | Independence | Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director |
|------|----------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------|-------------------------------------------------------------------------------------------------------------|
| | | <p>Grand China Ltd., and Director of Printec International Co., Ltd. She has served as Senior Vice President at Standard Chartered International Commercial Bank, Independent Director at CastleNet Technology and Supervisor of Promate Electronic Co., Ltd.</p> <p>Ms. Yu brings to the Board extensive experiences in areas of corporate finance and accounting, business execution, marketing and sales, high tech industry analysis, management and corporate governance, which strengthen the supervision and management quality of the board of directors and the functional committees. Ms. Yu has served as independent director of the Company for less than 3 consecutive terms of the second term, and there has been no violation of Article 30 of the Company Act.</p> | | |

3. Specific Management Objectives and Achievement Status of the Board Members' Diversification

The composition of the Company's Board of Directors, in addition to complying with legal requirements in a timely manner, also refers to the Company's internal and external operating environment, changing trends and development needs, and continues to expand the professional diversity of directors to strengthen the functions of the Board of Directors. Specific Board members' diverse management objectives and their achievement:

| Diversity Management Goals | Achievement Status |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>1. Pay attention to gender equality in the composition of the Board of Directors, and take into account the appropriate number of female directors. For example, more than one-third (including) of the Board of Directors will be considered in due course, but at least one female director must</p> | <p>There are currently seven directors. Although the number of female directors has not reached one-third (inclusive) of the Board of Directors, it has met at least one female director (accounting for 14.3%, YU, HSUEH-PING(@Peggy Yu)).</p> |

| Diversity Management Goals | Achievement Status |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>be present. If the number of female directors does not reach one-third by 2025, the reasons and countermeasures will be disclosed in the Annual Report.</p> | |
| <p>2. The number of independent directors shall not be less than one-third of all directors, and must meet the statutory negative qualifications and independence; if the nominee of an independent director has served for more than three terms, the reason for continuing to nominate him as an independent director shall be announced, and the reasons shall be explained to shareholders at the time of election at the shareholders' meeting; however, from 2024 onwards, more than half of the independent directors should have no more than three consecutive terms of office, in order to comply with the requirements for strengthening the functions and independence of independent directors; and after the re-election of directors in 2027, the term of office of all independent directors shall not exceed three terms.</p> | <ol style="list-style-type: none"> 1. There are currently seven directors, including three independent directors (accounting for 42.9%), and meet the statutory negative qualifications and independence. 2. There are currently 3 independent directors, and 2 of them have served for more than three terms. However, the company has explained to shareholders the reasons for continuing to nominate during the re-election of the shareholders' meeting on July 20, 2021, and was successfully elected. 3. The Board of Directors will be fully re-elected in 2024, and it will be planned that more than half of the independent directors will have no more than three consecutive terms of office. |
| <p>3. Employees/executive officers who concurrently serve as directors shall not exceed one-third of the number of</p> | <p>There are currently seven directors, of which 2 (account for 28.6%) are employees/executive officers, which is not more than one-third of all directors.</p> |

| Diversity Management Goals | Achievement Status | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------|--------------------------------------|------------------------------------------------------|-----------|-------|---------|------------------------------------|--------------------------|--------|--|---------------|-------------|--------|--------------------------------------|------------------------------------------------------|-----------|--|--|------------------------------------|--|--|----------|-------|---------|-----------|--------------------------|--------|-------------------------------|-------|---|---|---|--|---|--|--|--|--|-----------------------------------------------------|-------|---|---|--|--|---|--|--|--|---|-------------------------------------------------|-------|---|---|--|---|--|--|--|--|---|---------------------------------------------------|-------|---|---|--|--|---|--|--|---|--|
| directors. | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 4. Directors who are initially elected or re-elected must meet the annual training hours requirements, so that the performance of the Board of Directors, corporate governance, and risk management can be strengthened and deepened. | The current seven directors are all re-elected, and all have completed the minimum six-hour training requirement for the year. | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 5. The Board of Directors shall conduct an internal self-assessment of the performance of the board of directors and board members every year, and at least once every three years by an external professional independent organization or a team of external experts and scholars. | <ol style="list-style-type: none"> The current Board of Directors and board members have completed the 2022 internal self-assessment from January 1st to 7th,2023, which is in line with the requirement to perform an internal self-assessment every year. The Company has completed the first external evaluation of the Board of Directors by the Taiwan Corporate Governance Association from September 16, 2022 to November 25, 2022. | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 6. Implement an Appropriate Diversity Policy (1) Basic conditions and values: gender, age, nationality and compliance with laws and regulations (qualification conditions and independence, etc.). (2) Professional background, professional knowledge and skills: professional background (such as law, accounting, finance, marketing, technology industry or business experience), professional knowledge and skills, etc. | 1. Basic conditions and values <table border="1" data-bbox="555 863 2072 1377"> <thead> <tr> <th rowspan="2">Director Name</th> <th rowspan="2">Nationality</th> <th rowspan="2">Gender</th> <th rowspan="2">Compliance with laws and regulations</th> <th rowspan="2">Concurrently as the executive officer of the Company</th> <th colspan="3">Age range</th> <th colspan="3">Term of Independent Director(Year)</th> </tr> <tr> <th>Under 60</th> <th>61~70</th> <th>Over 71</th> <th>3 or less</th> <th>More than 3 to 9 or less</th> <th>Over 9</th> </tr> </thead> <tbody> <tr> <td>HU, CHIU-CHIANG (@Douglas Hu)</td> <td>R.O.C</td> <td>M</td> <td>✓</td> <td>✓</td> <td></td> <td>✓</td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>TSAI, YU-PING (@Edward Tsai) (Independent Director)</td> <td>R.O.C</td> <td>M</td> <td>✓</td> <td></td> <td></td> <td>✓</td> <td></td> <td></td> <td></td> <td>✓</td> </tr> <tr> <td>LIN, HUNG (@Vincent Lin) (Independent Director)</td> <td>R.O.C</td> <td>M</td> <td>✓</td> <td></td> <td>✓</td> <td></td> <td></td> <td></td> <td></td> <td>✓</td> </tr> <tr> <td>YU, HSUEH-PING (@Peggy Yu) (Independent Director)</td> <td>R.O.C</td> <td>F</td> <td>✓</td> <td></td> <td></td> <td>✓</td> <td></td> <td></td> <td>✓</td> <td></td> </tr> </tbody> </table> | | | | | | | | | | | Director Name | Nationality | Gender | Compliance with laws and regulations | Concurrently as the executive officer of the Company | Age range | | | Term of Independent Director(Year) | | | Under 60 | 61~70 | Over 71 | 3 or less | More than 3 to 9 or less | Over 9 | HU, CHIU-CHIANG (@Douglas Hu) | R.O.C | M | ✓ | ✓ | | ✓ | | | | | TSAI, YU-PING (@Edward Tsai) (Independent Director) | R.O.C | M | ✓ | | | ✓ | | | | ✓ | LIN, HUNG (@Vincent Lin) (Independent Director) | R.O.C | M | ✓ | | ✓ | | | | | ✓ | YU, HSUEH-PING (@Peggy Yu) (Independent Director) | R.O.C | F | ✓ | | | ✓ | | | ✓ | |
| Director Name | Nationality | Gender | Compliance with laws and regulations | Concurrently as the executive officer of the Company | Age range | | | Term of Independent Director(Year) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | | | | | Under 60 | 61~70 | Over 71 | 3 or less | More than 3 to 9 or less | Over 9 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| HU, CHIU-CHIANG (@Douglas Hu) | R.O.C | M | ✓ | ✓ | | ✓ | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| TSAI, YU-PING (@Edward Tsai) (Independent Director) | R.O.C | M | ✓ | | | ✓ | | | | ✓ | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| LIN, HUNG (@Vincent Lin) (Independent Director) | R.O.C | M | ✓ | | ✓ | | | | | ✓ | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| YU, HSUEH-PING (@Peggy Yu) (Independent Director) | R.O.C | F | ✓ | | | ✓ | | | ✓ | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |

| Diversity Management Goals | Achievement Status | | | | | | | | | | |
|--------------------------------------|----------------------------------------------------------------------------------|----------------------------------------------|---------------------------------------------|---------------------------------------------------------------------|------------------------------------------------------------------|----------------------------------------------------------------|-------------------------------------------------------|-----------------------------------------|--|--|--|
| | WEIJI INVESTMENT CO., LTD. (Representative : CHEN, CHENG-FONG (@Eric Chen) | R.O.C | M | ✓ | | | | ✓ | | | |
| | CHI, TING-FANG (@Stan Chi) | R.O.C | M | ✓ | ✓ | | ✓ | | | | |
| | CHEN, KUAN-HUA (@Bill Chen) | R.O.C | M | ✓ | | ✓ | | | | | |
| 2. Professional Background : | | | | | | | | | | | |
| | Director Name | Law | Accounting | Finance | Marketing | technology industry | Business/Commercial Experience | | | | |
| | HU, CHIU-CHIANG (@Douglas Hu) | | | ✓ | ✓ | ✓ | ✓ | | | | |
| | TSAI, YU-PING (@Edward Tsai) (Independent Director) | ✓ | | ✓ | | ✓ | ✓ | | | | |
| | LIN, HUNG (@Vincent Lin) (Independent Director) | | | ✓ | ✓ | | ✓ | | | | |
| | YU, HSUEH-PING (@Peggy Yu) (Independent Director) | | ✓ | ✓ | | | ✓ | | | | |
| | WEIJI INVESTMENT CO., LTD. (Representative : CHEN, CHENG-FONG (@Eric Chen) | | | ✓ | ✓ | ✓ | ✓ | | | | |
| | CHI, TING-FANG (@Stan Chi) | | | ✓ | ✓ | ✓ | ✓ | | | | |
| | CHEN, KUAN-HUA (@Bill Chen) | | | ✓ | ✓ | ✓ | ✓ | | | | |
| 3. Professional knowledge and skills | | | | | | | | | | | |
| | Director Name | Operational decision-making judgment ability | Business strategy management and leadership | Crisis and risk analysis, decision-making and handling capabilities | Insights into industrial development and technology applications | The pulsating forward-looking force of sustainable development | Accounting information and financial analysis ability | Industry and business knowledge ability | | | |
| | HU, CHIU-CHIANG (@Douglas Hu) | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | | | |
| | TSAI, YU-PING (@Edward Tsai) (Independent Director) | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | | | |

| Diversity Management Goals | Achievement Status | | | | | | | |
|----------------------------|----------------------------------------------------------------------------------|---|---|---|---|---|---|---|
| | LIN, HUNG (@Vincent Lin) (Independent Director) | ✓ | ✓ | ✓ | | ✓ | ✓ | ✓ |
| | YU, HSUEH-PING (@Peggy Yu) (Independent Director) | ✓ | ✓ | ✓ | | ✓ | ✓ | ✓ |
| | WEIJI INVESTMENT CO., LTD. (Representative : CHEN, CHENG-FONG (@Eric Chen) | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| | CHI, TING-FANG (@Stan Chi) | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| | CHEN, KUAN-HUA (@Bill Chen) | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |

(iii)Management Team

As of April 16, 2023

| 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 | Taiwan(R.O.C) | CHI, TING-FANG (@Stan Chi) | M | 2022.9.1 | 6,278,150 | 1.48 | 146,817 | 0.04 | --- | --- | ·Bachelor of Science in Control Engineering, National Chiao Tung University, Taiwan ·President, Weikeng Industrial Co., Ltd. ·Associate Engineer, Institute of Machinery, Industrial Technology Research Institute (ITRI) | ·Director & CEO (Resigned as Chief Operating Officer and promoted to President/CEO since 2022.09.01) and Sustainable Development Committee, Weikeng Industrial Co., Ltd. ·Managing Director, Weikeng Technology Pte Ltd. ·Director, Weikeng Technology Co., Ltd. | --- | --- | --- |
| Chief Strategy Officer | Taiwan(R.O.C) | HU, CHIU-CHIANG (@Douglas Hu) | M | 2022.9.1 | 8,843,627 | 2.09 | 467,059 | 0.11 | --- | --- | ·Ph.D. of Institute of Management of Technology, National Chiao Tung University, Taiwan ·Master of Business Administration, Da-Yeh University, Taiwan ·Executives Program, Graduate School of Business Administration, National Cheng-Chi University ·Bachelor of Science in Communications Engineer, National Chiao Tung University, Taiwan ·R&D Engineer, SAMPO Co., Ltd. ·Chairman & CEO, Weikeng Industrial Co., Ltd. and its affiliates ·Chairman, Taipei County Computer Association (TCCA) ·Executive Director, Taipei Electronic Components Suppliers' Association (TECSA) | ·Chief Strategy Officer (Resigned as President and concurrently served as the Chief Strategy Officer since 2022.09.01), Weikeng Industrial Co., Ltd. ·Chairman, Weiji Investment Co., Ltd. ·Chairman, Weikeng International Co., Ltd. ·Chairman, Weikeng Technology Pte Ltd. ·Chairman, Weikeng Technology Co., Ltd. ·Independent Director, Remuneration Committee & Audit Committee, V-TAC Technology Co., Ltd. ·Independent Director, Remuneration Committee, Audit Committee, and Nominating Committee, CIPHERLAB Co., Ltd. ·Director, Promate Electronic Co., Ltd. ·Director (Representative of Juristic Person/ Promate Electronic Co., Ltd.), Promate Solutions Co., Ltd. ·Director, Amazing Microelectronic CO., Ltd. ·Supervisor, LEADTEL 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 |
| | | | | | | | | | | | | ·Supervisor, EVGA Technology Incorporated ·Director (Representative of Juristic Person/ Hydroionic Technologies Co., Ltd.), Hydroionic EnviroTec Co., Ltd. ·Director (Representative of Juristic Person/ Hydroionic EnviroTec Co., Ltd.), Hydroionic Enviroservices Co., Ltd. ·Nominating Committee and Sustainable Development Committee, Weikeng Industrial Co., Ltd. | | | |
| Chief Operating Officer | Taiwan(R.O.C) | CHANG, CHIN-HAO (@ Asser Chang) | M | 2022.09.01 | 4,102,704 | 0.97 | 5,940 | 0.00 | --- | --- | · National Taiwan Ocean University - Department of Electrical Engineering - B.S.degree · Sampo Corporation | Statutory Representative, Weikeng International (Shanghai) Co., Ltd. | --- | --- | --- |
| General Manager (China) | | | | 2011.07.01 | | | | | | | | | | | |
| Executive VP | Taiwan(R.O.C) | CHEN, CHENG-HUNG (@ Tom Chen) | M | 2011.07.01 | 76,027 | 0.02 | 77,000 | 0.02 | --- | --- | · Chung Yuan Christian University - Department of Electronic Engineering - B.S.degree · Weikeng Industrial Co., Ltd. | ·Director (Representative of Juristic Person/ Weikeng Industrial Co., Ltd.), Weikeng Technology Co., Ltd. | --- | --- | --- |
| Chief Marketing Officer | Taiwan(R.O.C) | LI, PEI-TING (@ Calvin Li) | M | 2018.5.2 | --- | --- | 924 | 0.00 | --- | --- | · National Chiao Tung University EMBA - Master · Bachelor of Science in Control Engineering, National Chiao Tung University, Taiwan · Macnica Galaxy Inc · NovaMake Technology · Promate Electronic Co., Ltd. | | --- | --- | --- |
| CEO Office (Overseas) Senior VP | Taiwan(R.O.C) | HUNG, TUNG-HUI (@Tony Hung) | M | 2017.3.1 | 977,893 | 0.23 | 8,620 | 0.00 | --- | --- | · National Taiwan Institute of Technology - B.S. degree · New Southern Engineering Enterprises Co., Ltd. | 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 | --- | --- | --- | --- | · Chung Yuan Christian University - Department of Electronic Engineering - B.S. degree · Elitegroup Computer Systems | | --- | --- | --- |
| ELCOM Business Sales Div. I Corporate VP | Taiwan(R.O.C) | YANG, CHIN-MING (@James Yang) | M | 2020.2.14 | --- | --- | --- | --- | --- | --- | · Mingshin Institute of Technology - Department of Electronic Engineering · Cypress Semiconductor Taiwan Branch · Emax Tech 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 |
| ELCOM Business Sales Div. II Corporate VP | Taiwan(R.O.C) | LU, SSU-HUI (@Josie Lu) | F | 2022.9.7 | 10,383 | 0.00 | --- | --- | --- | --- | · Fu Jen Catholic University - Department of International Trade - B.S. degree · Cypress Semiconductor Taiwan Branch . | | --- | --- | --- |
| ELCOM Business Division III Senior VP | Taiwan(R.O.C) | SU, MING-SUNG | M | 2012.7.1 | --- | --- | 48,153 | 0.01 | --- | --- | · West Texas A&M University MBA · Advanced Micro Devices,Inc. · National Semiconductor | | --- | --- | --- |
| 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 | --- | --- | · Chung Yuan Christian University - Department of Electronic Engineering - B.S. degree · New Mercury Industrial Corp. | | --- | --- | --- |
| ELCOM Business Division V Department Director | Taiwan(R.O.C) | SHEN, HUNG-CHIEN (@Jason Shen) | M | 2018.7.1 | 1,000 | 0.00 | 1,000 | 0.00 | --- | --- | · Takming Commercial Junior College - Accounting and Statistics Department · Acromax Inc. | | --- | --- | --- |
| ELCOM Business Division VII Division Assistant VP | Taiwan(R.O.C) | SHEN, HSIN-CHUEH (@Peter Shen) | M | 2013.7.1 | 31,436 | 0.01 | --- | --- | --- | --- | · National Taiwan University of Science and Technology, EMBA · Yonglin Optoelectronics Co., Ltd. | | --- | --- | --- |
| ELCOM Business Sales Div. VIII Corporate VP | Taiwan(R.O.C) | CHANG, SHAO-HENG (@Walter Chang) | M | 2020.8.1 | 329,870 | 0.08 | 89,273 | 0.02 | --- | --- | · National Chiao Tung University - Department of Electronics Engineering - B.S. degree · Tvia Inc | | --- | --- | --- |
| ELCOM Business Division IX Senior VP | Taiwan(R.O.C) | CHEN, YUNG-HSIN (@Rick Chen) | M | 2017.7.1 | 130,883 | 0.03 | 5,898 | 0.00 | --- | --- | · National Yang Ming Chiao Tung University, EMBA · Weikeng Industrial Co., Ltd. | | --- | --- | --- |
| ELCOM Business Division IX Division Assistant VP | Taiwan(R.O.C) | SHIH, CHENG-YU (@ Gary Shih) | M | 2020.7.1 | --- | --- | --- | --- | --- | --- | · University of Florida - Master of Industrial Engineering Institute · TECHMOSA INTERNATIONAL INC. | | --- | --- | --- |
| | Taiwan(R.O.C) | HUANG, CHIEN-CHUNG (@Ted Huang) | M | 2022.3.7 | --- | --- | --- | --- | --- | --- | · Tamkang University - Department of International Business · Weikeng Industrial Co., Ltd. | | --- | --- | --- |
| ELCOM Business Division X Corporate VP | Taiwan(R.O.C) | CHEN, CHANG-YAO (@ Frank Chen) | M | 2016.7.1 | --- | --- | --- | --- | --- | --- | · Royal Roads University MBA · Ensoar Technologies Corp. | | --- | --- | --- |
| 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 | 0.00 | --- | --- | · Vanung Junior College of Technology - Department of Electronic Engineering · ASEC INTERNATIONAL CORPORATION | | --- | --- | --- |
| CEO Office (Overseas) Senior VP | Taiwan(R.O.C) | LU, CHAO-CHIEH (@Bert Lu) | M | 2009.7.1 | 938,168 | 0.22 | --- | --- | --- | --- | · National Taipei Institute of Technology - Department of Electronic Engineering · Texas Instruments | | --- | --- | --- |
| CEO Office (Overseas) Division VP | Taiwan(R.O.C) | CHIU, CHIEN-TSANG (@Rock Chiu) | M | 2017.7.1 | --- | --- | --- | --- | --- | --- | · Ming Chi Institute of Technology - Department of Electrical Engineering · Winbond Electronics Crop. | | --- | --- | --- |

| 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 |
| CEO Office (Overseas) Division Assistant VP | Taiwan(R.O.C) | CHEN, LI-WEI (@Vincent Chen) | M | 2018.3.19 | --- | --- | --- | --- | --- | --- | · Tamsui Institute of Business Administration - Department of Information Management · Ztbc (Shanghai) Co Ltd | | --- | --- | --- |
| CEO Office (Overseas) Division Assistant VP | Taiwan(R.O.C) | LIANG, JIH-HSIN (@Hubert Liang) | M | 2018.8.16 | --- | --- | --- | --- | --- | --- | · The University of Auckland - Bachelor of Finance - B.S. degree · Ztbc (Shanghai) Co Ltd | | --- | --- | --- |
| Chief Financial Officer & Spokesperson | Taiwan(R.O.C) | CHOU, KAN-LIN (@Fama Chou) | M | 2022.9.1 | 182,766 | 0.04 | --- | --- | --- | --- | · National Chung Cheng University - Graduate Institute of Finance - M.S. degree · Yuanta Securities Co., Ltd | · Supervisor (Representative of Juristic Person/ Weikeng Industrial Co., Ltd.), Weikeng Technology Co., Ltd. · Director & Chairman, Genlog Industrial Co., Ltd. | --- | --- | --- |
| Corporate Governance Officer | | | | 2021.5.13 | | | | | | | | | | | |
| 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. | 18,647 | 0.00 | --- | --- | 242,921 | 0.06 | · 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 Director | 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: Since 2022.09.01, the Company no longer has the Chairman concurrently serving as the general manager.

iii. Remuneration of Directors, President, and Vice Presidents

(i) Remuneration of Directors

| Title | Name | Remuneration | | | | | | | | Total Remuneration (A+B+C+D) and its ratio to Net Income (%) | Relevant Remuneration Received by Directors Who are Also Employees | | | | | | | | Total Remuneration (A+B+C+D+E+F+G) and its ratio 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 Remuneration (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 |
| | | | | | | | | | | | | | | | | | | | | | | |
| Chairman | HU, CHIU-CHIANG (@Douglas Hu) | | | | | | | | | | | | | | | | | | | | | |
| Director | CHI, TING-FANG (@Stan Chi) | -- | -- | -- | -- | 14,244,240 | 14,244,240 | 350,000 | 350,000 | 14,594,240 0.86% | 14,594,240 0.86% | 18,782,400 | 58,025,780 | 134,496 | 134,496 | 27,600,000 | -- | 27,600,000 | -- | 61,111,136 3.60% | 100,354,516 5.91% | -- |
| Director | CHEN, KUAN-HUA (@Bill Chen) | | | | | | | | | | | | | | | | | | | | | |
| Director | WEIJI INVESTMENT CO., LTD. Representative : CHEN, CHENG-FONG (@Eric Chen) | | | | | 18,992,320 | 18,992,320 | 90,000 | 90,000 | 19,082,320 1.12% | 19,082,320 1.12% | -- | -- | -- | -- | -- | -- | -- | -- | 19,082,320 1.12% | 19,082,320 1.12% | -- |
| Independent Director | TSAI, YU-PING (@Edward Tsai) | | | | | | | | | | | | | | | | | | | | | |
| Independent Director | LIN, HUNG (@Vincent Lin) | -- | -- | -- | -- | 14,244,240 | 14,244,240 | 690,000 | 690,000 | 14,934,240 0.88% | 14,934,240 0.88% | -- | -- | -- | -- | -- | -- | -- | -- | 14,934,240 0.88% | 14,934,240 0.88% | -- |
| Independent Director | YU, HSUEH-PING (@Peggy Yu) | | | | | | | | | | | | | | | | | | | | | |

1. Please describe the independent director's remuneration payment policy, system, standards and structure, and describe the relationship with the amount of remuneration according to the responsibilities, risks, investment time and other factors:

(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, and in accordance with the Company's "Rules for Remuneration Management of Directors and Executive Managers" and "Rules for Board of Directors Performance Assessment" and after reporting to the annual shareholders' meeting, directors' remuneration will be paid accordingly. The Company's functional committees include: Audit Committee, Remuneration Committee, Nominating Committee and Sustainable Development Committee. All independent directors participate in all committees and perform their duties in accordance with the charts of relevant committees. In addition, the conveners of each committee shall convene a meeting at least once every quarter during the year to make effective resolutions on improving the Company's corporate governance and sustainability governance, which will be used as the basis for the promotion and implementation of the management team, and the implementation results will be submitted to the relevant committees for acknowledgement or reporting. For related matters, please refer to the functional

committees in the corporate governance section of the Company's official website. Directors' remuneration appropriated in accordance with the Company's Articles of Association is linked to the Company's financial performance, and the director's personal performance and the accountabilities of corporate governance, sustainability and risk management have been taken into account when distributing remuneration, and the rationality of the connection has been established. At the same time, in terms of operating conditions, directors were not guided to engage in decision-making behaviors that exceeded the Company's risk appetite in pursuit of remuneration. In addition, the principle of interest avoidance was also paid attention to in the procedures for approving personal remuneration.

(2) With regard to the payment of remuneration for independent directors, the business execution fees are based on the attendance fee for attending the meeting in each meeting, and each independent director is paid NT\$10,000 each meeting. In addition, the total amount of remuneration appropriated according to the Company's Articles of Association shall be distributed to 3 independent directors at 30% of the total amount appropriated.

2. Except as disclosed in the above table, the remuneration received by the directors of the Company in the most recent year(2022) for providing services (such as serving as a consultant to non-employees of the parent company / all companies listed in the financial report / reinvestment enterprises, etc.): None.

Unit: NT\$

| 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) | | | | |
| NT\$3,500,000~NT\$5,000,000 (Not included) | HU, CHIU-CHIANG (@Douglas Hu) 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 (@Douglas Hu) 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\$5,000,000~NT\$10,000,000 (Not included) | | | | |
| NT\$10,000,000~NT\$15,000,000 (Not included) | | | | |
| NT\$15,000,000~NT\$300,000,000 (Not included) | WEIJI INVESTMENT CO., LTD | WEIJI INVESTMENT CO., LTD | HU, CHIU-CHIANG (@Douglas Hu) CHI, TING-FANG (@Stan Chi) WEIJI INVESTMENT CO., LTD | WEIJI INVESTMENT CO., LTD |
| NT\$300,000,000~NT\$500,000,000 (Not included) | | | | HU, CHIU-CHIANG (@Douglas Hu) CHI, TING-FANG (@Stan Chi) |
| NT\$500,000,000~NT\$100,000,000 (Not included) | | | | |
| Over NT\$100,000,000 | | | | |
| Total | 7 | 7 | 7 | 7 |

(ii) Remuneration of the President and Vice Presidents

Unit: NT\$

| Title | Name | Salary(A) | | Severance Pay (B) | | Bonuses and Allowances (C) | | Employee Remuneration (D) | | | | Total Remuneration (A+B+C+D) and its ratio 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 | CHI, TING-FANG (@Stan Chi) | 28,039,200 | 37,954,300 | 847,248 | 847,248 | 40,450,000 | 103,978,062 | 85,900,000 | --- | 85,900,000 | --- | 155,236,448 9.14% | 228,679,610 13.46% | None |
| Chief Strategy Officer | HU, CHIU-CHIANG (@Douglas Hu) | | | | | | | | | | | | | |
| Chief Operating Officer & 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) | | | | | | | | | | | | | |
| Chief Financial Officer / 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) | | 0 |
| NT\$5,000,000 ~ NT\$10,000,000 (Not included) | LU, CHAO-CHIEH (@Bert Lu) SU, MING-SUNG HUNG, TUNG-HUI (@Tony Hung) HSIEH, CHI-HUNG (@Kevin Hsieh) CHOU, KAN-LIN (@Fama Chou) | HUNG, TUNG-HUI (@Tony Hung) SU, MING-SUNG HSIEH, CHI-HUNG (@Kevin Hsieh) CHOU, KAN-LIN (@Fama Chou) |
| NT\$10,000,000 ~ NT\$15,000,000 (Not included) | LI, PEI-TING (@ Calvin Li) CHEN, YUNG-HSIN (@Rick Chen) | LI, PEI-TING (@ Calvin Li) CHEN, YUNG-HSIN (@Rick Chen) |
| NT\$15,000,000 ~ NT\$30,000,000 (Not included) | HU, CHIU-CHIANG (@Douglas HU) CHI, TING-FANG (@Stan Chi) CHANG, CHIN-HAO (@Asser Chang) CHEN, CHENG-HUNG (@ Tom Chen) | CHEN, CHENG-HUNG (@ Tom Chen) LU, CHAO-CHIEH (@Bert Lu) |
| NT\$30,000,000 ~ NT\$50,000,000 (Not included) | | HU, CHIU-CHIANG (@Douglas HU) CHI, TING-FANG (@Stan Chi) CHANG, CHIN-HAO (@Asser Chang) |
| NT\$50,000,000 ~ NT\$100,000,000 (Not included) | | |
| Over NT\$100,000,000 | | |
| Total | 11 | 11 |

(iii)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 | CHI, TING-FANG (@Stan Chi) | --- | 88,300,000 | 88,300,000 | 5.20% |
| | Chief Strategy Officer | HU, CHIU-CHIANG (@Douglas HU) | | | | |
| | Chief Operating Officer & 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) | | | | |
| | Chief Financial Officer / 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) | | | | |

(iv) 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

Unit: NT\$ thousands

| Paid to | 2022 | | | | 2021 | | | |
|-------------------------------|--------------------|----------------------------------------------------|------------------------------------------------------|----------------------------------------------------|--------------------|----------------------------------------------------|------------------------------------------------------|----------------------------------------------------|
| | Total remuneration | | Ratio of total remuneration to net income (%) (Note) | | Total remuneration | | Ratio of total remuneration to net income (%) (Note) | |
| | 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 |
| Directors | 48,611 | 48,611 | 2.86 | 2.86 | 48,698 | 48,698 | 2.83 | 2.83 |
| Supervisors | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| President and vice presidents | 155,236 | 228,680 | 9.14 | 13.46 | 146,437 | 220,276 | 8.51 | 12.80 |
| Total | 203,847 | 277,291 | 12.00 | 16.32 | 195,135 | 268,974 | 11.34 | 15.63 |

Note: The Company's 2020 and 2021 individual financial reports after-tax net income were NT\$1,699,134 thousand and NT\$1,721,140 thousand, respectively.

In the past two years of 2021 and 2022, the ratio of total remuneration paid to the Company's directors, supervisors, president and vice presidents to net income was 11.34% and 12.00% respectively in the Company's individual statements, and 15.63% and 16.32% 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, and in accordance with the Company's "Rules for Remuneration Management of Directors and Executive Managers" and "Rules for Board of Directors Performance Assessment" and after reporting to the annual shareholders' meeting, directors' remuneration will be paid accordingly. Directors' remuneration appropriated in accordance with the Company's Articles of Association is linked to the Company's financial performance, and the director's personal performance and the accountabilities of corporate governance, sustainability and risk management have been taken into account when distributing remuneration, and the rationality of the connection has been established. At the same time, in terms of operating conditions, directors were not guided to engage in decision-making behaviors that exceeded the Company's risk appetite in pursuit of remuneration. In addition, the principle of interest avoidance was also paid attention to in the procedures for approving personal remuneration.

- (2) With regard to the payment of remuneration for all directors, the business execution fees are based on the attendance fee for attending the meeting in each meeting, and each independent director is paid NT\$10,000 each meeting. In addition, the total amount of remuneration appropriated according to the Company's Articles of Association shall be distributed to 3 independent directors at 30% of the total amount appropriated, and the remaining 70% shall be allocated to 4 non-independent directors.
 - (3) The total amount of directors' remuneration for 2021 provided in accordance with the Company's Articles of Association was NT\$47,878,000, which has been paid to all directors on June 24, 2022 after reporting to 2022 General Meeting of Shareholders in accordance with the Company's "Rules for Remuneration Management of Directors and Executive Managers" and "Rules for Board of Directors Performance Assessment".
 - (4) The 2022 director's remuneration totaling NT\$47,480,800 has been approved by the Remuneration Committee and the Board of Directors on March 15, 2023, and once reported to the 2022 General Meeting of Shareholders, the Company will pay the above amount to all directors according to the Company's "Rules for Remuneration Management of Directors and Executive Managers" and "Rules for Board of Directors Performance Assessment".
2. Emoluments (salary and remuneration) paid to executive officers are divided into fixed salary and variable remuneration.
- (1) The fixed salary includes base pay, duty allowance and meal allowance, which are determined by the following factors such as education, experience, skills, degree of responsibility for risk decision-making, contribution to the Company, the typical pay levels adopted by peer companies, and professional job conditions for participating in sustainability. 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 (including related efforts in sustainability), and the Company's annual budget target.
 - (2) The variable remuneration includes business performance incentive, year-end bonus and employee (including executive officer) remuneration.
 - ① Business performance incentives are mainly paid to business and technical application engineers, and which are paid based on product operating performance and personal performance, sustainable development should also be considered in conjunction with business opportunity acquisition and performance creation, such as digital transformation, green and energy saving, carbon reduction, etc.
 - ② The year-end bonus for employees and executive officers is the amount of accumulated reserves appropriates 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 above mentioned bonus, the top management must first complete a comprehensive assessment of employees and executive officers, including personal performance appraisal (including related efforts in sustainability), education, experience, skills, degree of responsibility for risk decision-making, contribution to the Company under ethical corporate management, the typical pay levels adopted by peer companies, responsibility for promoting sustainability and its performance contribution, etc., , and then according to the approved distribution plan, distribute the foresaid bonus to employees and executive officers. However, the distribution plan of year-end bonus belongs to executive officers must first be approved by the resolution of the Remuneration Committee and the Board of Directors.
 - ③ The employees (including 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 employees and executive officers are the same as described in the preceding subparagraph②. At the same time, in terms of operating conditions, executive officers were not guided to engage in decision-making behaviors that exceeded the Company's risk appetite in pursuit of remuneration. In addition, the principle of interest avoidance was also paid attention to in the procedures for approving personal remuneration.

- (3) Appropriation of employees (including executive officers) remuneration 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.
- ① The NT\$191,512,000 of 2021 employee remuneration appropriated in accordance with the Company's Articles of Association, which has been paid in cash on July 18, 2022 based on employee performance appraisal.
- ② The total remuneration of employees (including managers) for 2022 was NT\$189,923,200, which has been approved by the Remuneration Committee and the Board of Directors on March 15, 2023, and will be paid in cash. After the 2023 shareholders' meeting, the distribution will be made according to the performance appraisal of employees (including executive officers), but the approval and distribution of executive officers must be approved by the Remuneration Committee and the Board of Directors before distribution.

iv. Implementation of Corporate Governance

(i) Board of Directors

A total of 9 (A) and 3 (A) meetings of the Board of Directors were held in 2022 and as of the end of April in 2023 respectively. The attendance of director was as follows:

| Title | Name | Attendance in Person (B) | | By Proxy | | Attendance Rate (%) 【 B/A 】 | | Remarks |
|----------------------|-------------------------------------------------------------------------------------|--------------------------|-----------------------------|----------|-----------------------------|--------------------------------|-----------------------------|-------------------------|
| | | 2022 | As of the end of April 2023 | 2022 | As of the end of April 2023 | 2022 | As of the end of April 2023 | |
| Chairman | HU, CHIU-CHIANG (@Douglas Hu) | 9 | 3 | - | - | 100.0 | 100.0 | Re-elected on 2020/7/20 |
| Director | CHI, TING-FANG (@Stan Chi) | 9 | 3 | - | - | 100.0 | 100.0 | Re-elected on 2020/7/20 |
| Director | WELJI INVESTMENT CO., LTD. (Representative : CHEN, CHENG-FONG (@Eric Chen) | 9 | 3 | - | - | 88.89 | 100.0 | Re-elected on 2020/7/20 |
| Director | CHEN, KUAN-HUA (@Bill Chen) | 9 | 3 | - | - | 100.0 | 100.0 | Re-elected on 2020/7/20 |
| Independent director | TSAI, YU-PING (@Edward Tsai) | 9 | 3 | - | - | 100.0 | 100.0 | Re-elected on 2020/7/20 |
| Independent director | LIN, HUNG (@Vincent Lin) | 9 | 3 | - | - | 100.0 | 100.0 | Re-elected on 2020/7/20 |
| Independent Director | YU, HSUEH-PING (@Peggy Yu) | 9 | 3 | - | - | 100.0 | 100.0 | Re-elected on 2020/7/20 |

Other mentionable items:

i. 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:

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

The Company has established an Audit Committee, and Article 14-3 of the Securities Exchange Act does not apply. For relevant information, please refer to the "Operation of the Audit Committee" in this annual

report.

(ii) 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

ii. 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:

| Date of Board Meeting | Meeting sessions | Contents of motion | Names of directors who should be recused from interest | Reasons for recusal of interests and circumstances of participation |
|----------------------------|------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 2022/1/14 | 1 st meeting in 2022 | 1. Discussion on the 2021 year-end bonus for Executive Officers of the Company and its important subsidiary WEIKENG INTERNATIONAL CO., LTD. | HU, CHIU-CHIANG (@Douglas Hu) | Except for directors HU, CHIU-CHIANG (@Douglas Hu) and CHI, TING-FANG (@Stan Chi) who also served as executive officers and did not participate in voting due to their own interests, the chairman appointed acting chairman independent director TSAI, YU-PING (@Edward Tsai) to consult the remaining directors present, and the motion was approved as proposed. |
| | | | CHI, TING-FANG (@Stan Chi) | |
| 2022/3/25 | 2 nd meeting in 2022 | 1. Discussion on the appointment of members of the Company's Nominating Committee | HU, CHIU-CHIANG (@Douglas Hu) | Except for the parties listed on the left who avoided voting due to their own interests, the chairman appointed acting chairman CHEN, CHENG-FONG (@Eric Chen) to consult the remaining directors present, and the motion was approved as proposed. |
| | | | TSAI, YU-PING (@Edward Tsai) | |
| | | | LIN, HUNG (@Vincent Lin) | |
| | | | YU, HSUEH-PING (@Peggy Yu) | |
| | 2. Discussion on the appointment of members of the Company's Sustainable Development Committee | HU, CHIU-CHIANG (@Douglas Hu) | Except for the parties listed on the left who avoided voting due to their own interests, the chairman appointed acting chairman CHEN, CHENG-FONG (@Eric Chen) to consult the remaining directors present, and the motion was approved as proposed. | |
| | | CHI, TING-FANG (@Stan Chi) | | |
| | | TSAI, YU-PING (@Edward Tsai) | | |
| | | LIN, HUNG (@Vincent Lin) | | |
| YU, HSUEH-PING (@Peggy Yu) | | | | |
| 2022/7/15 | 6 th meeting in 2022 | 1. Discussion on the Company's 2021 employee remuneration distribution and 2022 salary adjustment proposal to executive officers | HU, CHIU-CHIANG (@Douglas Hu) | Except for directors HU, CHIU-CHIANG (@Douglas Hu) and CHI, TING-FANG (@Stan Chi) who also served as executive officers and did not participate in voting due |

| | | | | |
|-----------|---------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| | | | CHI, TING-FANG (@Stan Chi) | to their own interests, the chairman appointed acting chairman independent director TSAI, YU-PING (@Edward Tsai) to consult the remaining directors present, and the motion was approved as proposed. |
| 2022/8/10 | 7 th meeting in 2022 | 1. Discussion on appointing Mr. CHI, TING-FANG (@Stan Chi) as the President of the Company | CHI, TING-FANG (@Stan Chi) | Except for the director CHI, TING-FANG (@Stan Chi, who did not participate in the voting due to his own interests, the chairman consulted the remaining directors present, and the motion was approved as proposed. |
| | | 2. Discussion on newly establishing the Chief Strategy Officer and appointing the Chairman Mr. HU, CHIU-CHIANG(@Douglas Hu) as the Chief Strategy Officer of the Company | HU, CHIU-CHIANG (@Douglas Hu) | Except for the director HU, CHIU-CHIANG (@Douglas Hu), who did not participate in the voting due to his own interests, the chairman appointed acting chairman independent director LIN, HUNG (@Vincent Lin) to consult the remaining directors present, and the motion was approved as proposed. |
| 2023/1/13 | 1 st meeting in 2023 | 1. Discussion on the 2021 year-end bonus for Executive Officers of the Company and its important subsidiary WEIKENG INTERNATIONAL CO., LTD. | HU, CHIU-CHIANG (@Douglas Hu) | Except for directors HU, CHIU-CHIANG (@Douglas Hu) and CHI, TING-FANG (@Stan Chi) who also served as executive officers and did not participate in voting due to their own interests, the chairman appointed acting chairman director CHEN, CHENG-FONG (@Eric Chen) to consult the remaining directors present, and the motion was approved as proposed. |
| | | | CHI, TING-FANG (@Stan Chi) | |

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

(i) 2022 self-assessment results (Reported to the Nominating Committee and the Board of Directors on January 13, 2023)

| | | | | |
|---------------------------------------------------|--------------------------------------------------------------------------|--------------------|-----------------------------|------------------|
| Assessment cycle | Once a year | | | |
| Assessment period | January 1, 2022 to December 31, 2022 | | | |
| 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 | 2023/1/1~2023/1/7 | | | |
| Date of Assessment's Result Reported to the Board | 2023/1/13 | | | |
| Internal assessment for the Performance | Items of Assessment | Total Score | Average Actual Score | Hit Rate% |
| | Level of participation in company operations | 60 | 52.00 | 86.67 |

| | | | | |
|-----------------------------------------------------|--------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------|------------------|
| of the Board of Directors | Enhancement of the board's strategic decision-making quality | 60 | 54.14 | 90.24 |
| | Composition and structure of the Board of Directors | 35 | 31.43 | 89.80 |
| | Election and continuous education of directors | 35 | 27.57 | 78.78 |
| | Internal control | 35 | 31.43 | 89.80 |
| | Total | 225 | 196.57 | 87.37 |
| | Items to be improved and improvement plans/suggestions | <p>Items to be improved:</p> <ol style="list-style-type: none"> Two independent directors have served for more than three consecutive terms. The regulations suggest that the appropriate number of female directors should be more than one-third (inclusive) of the board of directors. <p>Improvement Plans:</p> <ol style="list-style-type: none"> The term of office of the Company's current board of directors will expire on July 19, 2024. Before the expiration of the term, the Nominating Committee and the board of directors will review and recommend a list of new candidates in accordance with the principles and procedures of the succession plan, and submit them to the 2024 shareholders' meeting for election. At present, there is already one female independent director. The appropriate number of female directors recommended by laws and regulations will be considered in due course in the future. In terms of procedures, the Nominating Committee will first nominate those who meet the qualifications, experience and independence requirements, and after the review of the board of directors, to be elected at the shareholders' meeting. | | |
| Self-assessment for Individual Board Members | Items of Assessment | Total Score | Average Actual Score | Hit Rate% |
| | Alignment of the Company's objectives and missions | 15 | 13.14 | 87.62 |
| | Awareness of a director's duties | 15 | 14.57 | 97.14 |
| | Level of participation in company operations | 40 | 34.14 | 85.36 |
| | Management and communication of internal relations | 15 | 13.00 | 86.67 |
| | Directors' professionalism and continuous education | 15 | 12.86 | 85.71 |
| | Internal control | 15 | 13.29 | 88.57 |
| | Total | 115 | 101.00 | 87.83 |
| | Items to be improved and improvement plans/suggestions | Items to be improved: | | |

| | | | | |
|------------------------------------------------------|-------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------|------------------|
| | | <ol style="list-style-type: none"> 1. Some directors concurrently serve as directors of several other companies. 2. Two independent directors have served for more than three consecutive terms. <p>Improvement Plans:</p> <ol style="list-style-type: none"> 1. Although some directors have concurrently served as directors of multiple companies, the shareholders' meeting of the Company has resolved to approve the releasing from the non-competition restriction on directors, and their level of participation in the operation of the Company and the management and communication of internal relations are still in line with expectations. 2. The term of office of the Company's current board of directors will expire on July 19, 2024. Before the expiration of the term, the Nominating Committee and the board of directors will review and recommend a list of new candidates in accordance with the principles and procedures of the succession plan, and submit them to the 2024 shareholders' meeting for election. | | |
| Internal assessment for Functional Committees | Items of Assessment | Total Score | Average Actual Score | Hit Rate% |
| | Level of participation in company operations | 20 | 17.43 | 87.14 |
| | Awareness of the Functional Committee's duties | 40 | 33.29 | 83.21 |
| | Enhancement of the Functional Committee's decision-making quality | 35 | 29.86 | 85.31 |
| | Composition of the Function Committee and election of its members | 20 | 16.57 | 82.86 |
| | Internal control | 15 | 13.29 | 88.57 |
| | Total | 130 | 110.43 | 84.95 |
| | Items to be improved and improvement plans/ suggestions | <p>Items to be improved:</p> <ol style="list-style-type: none"> 1. Although the succession plan for board members and key senior managements has been established, it still needs to be reviewed regularly. 2. In addition to considering the skills, knowledge and experience of the directors, the selection of members of the functional committees shall also include the performance evaluation results of the functional committees. 3. The remuneration committee should regularly review the performance evaluation standards of the board of directors, and determine the remuneration of directors based on the performance evaluation results. <p>Improvement plans:</p> | | |

| | | |
|--|--|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| | | <ol style="list-style-type: none"> 1. The Company's original "Succession Planning for Board Members and Key Senior Management" was approved by the board of directors on March 25, 2022, and it was revised again by the Nominating Committee on December 28, 2022 and approved by the board of directors on January 13, 2023. 2. At present, the performance assessment of the functional committee is to conduct a performance self-assessment once a year, and the performance assessment results will be included as a reference for future selection. 3. The Company has formulated the "Rules for Board of Directors Performance Evaluation" and the "Rules for Remuneration Management of Board of Directors and Executive officers" approved by the Board of Directors, and will continue to adjust the relevant standards and rules in a timely manner according to actual needs. |
|--|--|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

(ii) 2022 External Evaluation Results (Submitted to the Nominating Committee on December 28, 2022 and the Board of Directors on January 13, 2023 for approval)

| | |
|------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Organization of External Evaluation | Taiwan Corporate Governance Association (hereinafter referred to as the Association) |
| Dimensions of Evaluation | <ol style="list-style-type: none"> 1. Composition of the Board of Directors 2. Guidance from the Board of Directors 3. Authorization of the Board of Directors 4. Supervision by the board of directors 5. Communication of the Board of Directors 6. Internal Control and Risk Management 7. Self-discipline of the board of directors 8. Others (board meeting, support system, etc.) |
| Evaluation Procedures | <ol style="list-style-type: none"> 1. 2022.9.16 The Company began to conduct self-evaluation work. 2. 2022.10.07 The Company completed the self-evaluation work, and provided the board meeting minutes, functional committee meeting minutes and other public information. 3. 2022.11.03 The Association's evaluation committee members work with the assessment team to conduct a written review exercise. 4. 2022.11.18, the evaluation committee members and the assessment team of the Association visited the Company for on-site interview and review. 5. 2022.11.25 The Association issued an evaluation report. |
| Review Period for Assessment Data | 2021.10.1~2022.9.30 |
| The Association's Assessment Team | 2 executive members (1 professor of finance + 1 expert - certified public accountant and qualified independent director) + 1 association researcher + 2 association commissioners, a total of 5 people. |
| The Company's Participating Interviewers | Chairman + President + 3 Independent Directors + Corporate Governance Officer + Internal Audit Supervisor , a total of 7 people. |
| Overall Assessment | <ol style="list-style-type: none"> 1. Board of Directors <ol style="list-style-type: none"> (1) The Chairman's leadership style is open and able to accept suggestions, so that all members of the board of directors can fully express their opinions and |

| | |
|-----------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| | <p>effectively play the leadership function.</p> <p>(2) Independent directors are all with great enthusiasms and accountabilities. Directors can actively participate in the formulation of the Company's vision and long-term strategic goals through various meeting occasions, contribute professionally, express opinions, and play the role of directors in guiding and supervising.</p> <p>2. <u>Sustainability ESG</u></p> <p>(1) The Company attaches great importance to ESG and actively promotes various related affairs.</p> <p>(2) Set up a two-functional group of sustainable development and risk management under the Sustainable Development Committee to report to the Committee quarterly on the progress of greenhouse gas inventory planning, the implementation of policies to protect employees' human rights, and social welfare activities.</p> <p>(3) Actively promote various policies to improve environmental sustainability and demonstrate the Company's determination to implement ESG goals and create value sharing.</p> <p>3. <u>Risk Management</u></p> <p>(1) The board of directors attaches great importance to risk management issues, and supervises the effective operation of the risk management mechanism by formulating "Policy and Procedures of Risk Management".</p> <p>(2) Identification lists 26 risk items, covering operational, financial, executional and environmental risk factors, updating the database and risk identification information year by year, and operating real-world drills to control the overall business operation risk.</p> <p>4. <u>Others</u></p> <p>(1) The arrangements for the meeting are rigorous. In addition to providing necessary assistance to directors, the secretary unit is actively committed to improving governance system affairs.</p> <p>(2) Regularly and irregularly provide directors with the information they need to make decisions, so that each director can effectively grasp the information, which shows that the support system of the board of directors is complete, and the corporate governance officer is with fully accountability.</p> |
| <p>Assessment Recommendations</p> | <p>1. <u>Suggestions for performance evaluation of senior managers</u></p> <p>(1) Consider adding strategic and long-term performance goals (such as ESG).</p> <p>(2) Regularly review the rules for remuneration management and performance evaluation system, so as to facilitate the Remuneration Committee to supervise the connection and rationality of the manager's remuneration with the Company's performance, future development and shareholders' rights and interests.</p> <p><u>The Company's countermeasures:</u></p> <p>The Company has formulated the "Rules for Board of Directors Performance Evaluation" and the "Rules for Remuneration Management of Board of Directors and Executive officers" approved by the Board of Directors, and will continue to adjust the relevant standards and rules in a timely manner according to actual needs and the recommendations in order to better realize the connection and rationality of the remuneration of senior managers with the Company's performance, future development and shareholders' rights and interests.</p> <p>2. <u>Proposal that two independent directors have served for more than three consecutive terms</u></p> <p>(1) From 2024 onwards, more than half of the independent directors of listed companies shall serve no more than three consecutive terms.</p> <p>(2) In response to the company's future development needs and environmental challenges, it is recommended to plan in advance the candidates for new</p> |

independent directors to implement the independence and professionalism of the overall board of directors.

The Company's countermeasures:

The term of office of the Company's current board of directors will expire on July 19, 2024. Before the expiration of the term, the Nominating Committee and the board of directors will review and recommend a list of new candidates in accordance with the principles and procedures of the succession plan, and submit them to the 2024 shareholders' meeting for election.

3. Proposals for the establishment of reporting procedures for material contingencies

For material contingencies, it is advisable to formulate a clear reporting system to ensure that all board members can fully grasp the Company's material contingencies in a timely manner, so that directors can better perform their duties.

The Company's countermeasures:

The Company has added Article 14-1 in Chapter 4 of "Operating Procedures for Handling Material Inside Information "- "Reporting procedures of material contingencies ", which has been approved by the resolutions of the Audit Committee and Board of Directors on January 13, 2023, in order to have a written system for the notification procedure, which will be more systematic.

iv. Measures taken to strengthen the functionality of the board: In 2022 and 2023 (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:

(i) Establishment of the Audit Committee

In accordance with Article 14-4 of the Securities and Exchange Act, the Company has re-elected directors at the general meeting of shareholders on July 20, 2021, and three newly elected independent directors (TSAI, YU-PING(@Edward Tsai), LIN, HUNG(@Vincent Lin), and YU, HSUEH-PING(@Peggy Yu)) formed the Audit Committee (2nd term), they perform their functions and powers in accordance with Articles 14-3 and 14-5 of the Securities and Exchange Act and the " the Audit Committee Chart", and meet at least once a quarter. The task focuses on:

1. Appropriate disclosure of the Company financial reports ;
2. Selection (discharge) of certified public accountants as well as the independence and performance thereof;
3. The offering, issuance, or private placement of any equity-type securities;
4. Effective implementation of internal control of the Company;
5. Compliance with relevant laws and regulations of the Company;
6. Control of existing and potential risks of the Company.

For the implementation of the above, please refer to the Company's official website _ Corporate Governance _ Functional Committees _ Audit Committee. <https://www.weikeng.com.tw/content.php?no=96>

(ii) Establishment of the Remuneration Committee

In accordance with Article 14-6 of the Securities and Exchange Act, the Company has formulated the "Remuneration Committee Chart", and has completed the establishment of the 5th Remuneration Committee after the re-election of all directors at the general meeting of shareholders on July 20, 2021, which is composed of independent directors TSAI, YU-PING(@Edward Tsai) and LIN, HUNG(@Vincent Lin), and the adjunct professor of Department of Adult & Continuing Education, National Taiwan Normal University, Mr. Lin, Jenn-Chuen, who are responsible for formulating and regularly reviewing the annual and long-term performance goals of directors and executive officers, as well as policies, systems, standards and structures for remuneration. In a professional and objective position, the Committee regularly evaluates the achievement of the performance objectives of the directors and executive officers of the Company, assess the content and amount of their individual remuneration, and makes recommendations to the board of directors for reference in decision-making. For the implementation of the above, please refer to the

Company's official website _ Corporate Governance _ Functional Committees _ Remuneration Committee. <https://www.weikeng.com.tw/content.php?no=65>

(iii) Establishment of the Nominating Committee

On March 25, 2022, the board of directors of the Company formulated the "Nomination Committee Chart", and appointed the Chairman (HU, CHIU-CHIANG(@Douglas Hu)) and all independent directors (three seats, including LIN, HUNG (@Vincent Lin), TSAI, YU-PING (@Edward Tsai), and YU, HSUEH-PING (@Peggy Yu)) to establish the 1st term Nominating Committee (four seats), with a term of office from the date of appointment by the resolution of the Board of Directors (2022/3/25) to the date of expiration of the current Directors' term of office (i.e. July 19, 2024 or the date of the full re-election of directors at the 2024 general meeting of shareholders, whichever is the former), resignation from the Committee or the director's position, or another resolution by the Board of Directors to replace the original director as a member of the Committee. Mr. LIN, HUNG (@Vincent Lin), an independent director, serves as the convener of the Committee and the chairman of the meeting. The official powers of the Committee are as follows:

1. To establish criteria for the diversity of backgrounds and independence in terms of expertise, skills, experience, and gender required of Board members and senior management and identify, review, and nominate candidates for directors and senior management accordingly.
2. To establish and develop the organizational structure of the Board of Directors and committees, to evaluate the performance of the Board of Directors, committees, directors and senior management, and to evaluate the independence of independent directors.
3. To establish and periodically review directors' continuing education programs and succession plans for directors and senior management.
4. To revise the Company's Corporate Governance Best Practice Principles.

For the implementation of the above, please refer to the Company's official website_ Corporate Governance _ Functional Committees_ Nominating Committee. <https://www.weikeng.com.tw/content.php?no=34>

(iv) Establishment of the Sustainable Development Committee

On March 25, 2022, the board of directors of the Company formulated the "Sustainable Development Committee Chart", and appointed the Chairman (HU, CHIU-CHIANG(@Douglas Hu)), director concurrently assuming the duty of President (CHI, TING-FANG(@Stan Chi)), and all independent directors (three seats, including LIN, HUNG (@Vincent Lin), TSAI, YU-PING (@Edward Tsai), and YU, HSUEH-PING (@Peggy Yu)) to establish the 1st term Sustainable Development Committee (five seats), with a term of office from the date of appointment by the resolution of the Board of Directors (2022/3/25) to the date of expiration of the current Directors' term of office (i.e. July 19, 2024 or the date of the full re-election of directors at the 2024 general meeting of shareholders, whichever is the former), resignation from the Committee or the director's position, or another resolution by the Board of Directors to replace the original director as a member of the Committee. YU, HSUEH-PING (@Peggy Yu), an independent director, serves as the convener of the Committee and the chairman of the meeting. The official powers of the Committee are as follows:

1. To formulate the Company's policy on sustainable development.
2. To formulate the goals, strategies and implementation plans for the sustainable corporate development, including sustainable governance, ethical management, others in environmental and social aspects.
3. To review, track and revise the implementation and effectiveness of the Company's sustainable development and report to the Board of Directors on a regular basis.
4. To focus on issues of concern to stakeholders and to supervise communication plans.
5. To review risk management policy, including but not limited to information security, etc.
6. To review the appropriateness of the risk management framework.
7. To review major risk management strategies, including risk appetite or tolerance.
8. To review the management reports of major risk issues and supervise the improvement mechanism and report the risk management performance to the Board of Directors on a regular basis.

For the implementation of the above, please refer to the Company's official website _ Corporate Governance _Functional Committees_ Sustainable Development Committee.
<https://www.weikeng.com.tw/content.php?no=50>

(ii) Audit Committee

A total of 7 (A) and 2 (A) meetings of the Audit Committee were held in 2022 and as of the end of April in 2023 respectively. The attendance of director were as follows:

| Title | Name | Attendance in Person (B) | | By Proxy | | Attendance Rate (%) 【 B/A 】 | | Remarks |
|----------------------|---------------------------------|--------------------------|-----------------------------|----------|-----------------------------|--------------------------------|-----------------------------|-------------------------|
| | | 2022 | As of the end of April 2023 | 2022 | As of the end of April 2023 | 2022 | As of the end of April 2023 | |
| Independent director | TSAI, YU-PING (@Edward Tsai) | 7 | 3 | - | - | 100.0 | 100.0 | Re-elected on 2020/7/20 |
| Independent director | LIN, HUNG (@Vincent Lin) | 7 | 3 | - | - | 100.0 | 100.0 | Re-elected on 2020/7/20 |
| Independent Director | YU, HSUEH-PING (@Peggy Yu) | 7 | 3 | - | - | 100.0 | 100.0 | Re-elected on 2020/7/20 |

Other mentionable items:

- i. 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:
(i) Matters referred to in Article 14-5 of the Securities and Exchange Act.

| Date of Meeting | Meeting Sessions | Contents of Motion | Contents of independent directors' objections, reservations or significant recommendations | Resolutions | The Company's response to the Audit Committee's opinion |
|-----------------|--------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------|
| 2022/3/25 | 1 st meeting in 2022 (2 nd term) | 1. Recognition on the 2021 Financial Statements, including individual financial statements and consolidated financial statements | No objections, reservations or significant recommendations | Approved as proposed after the chairperson consulted all present committee members and submitted proposal to the Board of Directors for resolution. | Execution in accordance with the resolution |
| | | 2. Discussion on the 2021 Surplus Earnings Distribution Plan | No objections, reservations or significant recommendations | Approved as proposed after the chairperson consulted all present committee members and submitted proposal to the Board of Directors for resolution. | Execution in accordance with the resolution |
| | | 3. Discussion on the Company's 2021 business report | No objections, reservations or significant recommendations | Approved as proposed after the chairperson consulted all present committee members and submitted proposal to the Board of Directors for resolution. | Execution in accordance with the resolution |
| | | 4. Discussion on the Company's 2021 Internal Control System Statement | No objections, reservations or significant recommendations | Approved as proposed after the chairperson consulted all present committee members and submitted proposal to the Board of Directors for resolution. | Execution in accordance with the resolution |
| | | 5. Discussion on the appointment of Certified Public Accountants for the Company's 2022 financial statements | No objections, reservations or significant recommendations | Approved as proposed after the chairperson consulted all present committee members and submitted proposal to the Board of Directors for resolution. | Execution in accordance with the resolution |
| | | 6. Discussion on the some amendments to the Company's "Procedures for Acquisition or | No objections, reservations or significant recommendations | Approved as proposed after the chairperson consulted all present committee members | Execution in accordance with the resolution |

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| | | Disposal of Assets” | | and submitted proposal to the Board of Directors for resolution. | |
| | | 7. Discussion on the amendment of some articles to the Company’s “Operating Procedures For Handling Material Inside Information” | No objections, reservations or significant recommendations | Approved as proposed after the chairperson consulted all present committee members and submitted proposal to the Board of Directors for resolution. | Execution in accordance with the resolution |
| | | 8. Discussion on the Company’s issuance of the 6 th domestic unsecured convertible corporate bonds | No objections, reservations or significant recommendations | Approved as proposed after the chairperson consulted all present committee members and submitted proposal to the Board of Directors for resolution. | Execution in accordance with the resolution |
| | | 9. Discussion on the evaluation of CPA’s independence and suitability for the Company’s 2022 annual financial statements | No objections, reservations or significant recommendations | Approved as proposed after the chairperson consulted all present committee members and submitted proposal to the Board of Directors for resolution. | Execution in accordance with the resolution |
| | | 10. Discussion on the Company’s endorsements and guarantees for 100% owned subsidiary WEIKENG INTERNATIONAL CO., LTD. | No objections, reservations or significant recommendations | Approved as proposed after the chairperson consulted all present committee members and submitted proposal to the Board of Directors for resolution. | Execution in accordance with the resolution |
| | | 11. Discussion on the Company’s endorsements and guarantees for 100% owned subsidiary WEIKENG TECHNOLOGY PTE LTD. | No objections, reservations or significant recommendations | Approved as proposed after the chairperson consulted all present committee members and submitted proposal to the Board of Directors for resolution. | Execution in accordance with the resolution |
| | | 12. Discussion on the Company’s endorsements and guarantees for 100% owned subsidiary WEIKENG INTERNATIONAL (SHANGHAI) CO., LTD. | No objections, reservations or significant recommendations | Approved as proposed after the chairperson consulted all present committee members and submitted proposal to the Board of Directors for resolution. | Execution in accordance with the resolution |
| 2022/4/20 | 2 nd meeting in 2022 (2 nd term) | 1. Discussion on the amendment of some articles to the Company’s “Procedures for Acquisition or Disposal of Assets” | No objections, reservations or significant recommendations | Approved as proposed after the chairperson consulted all present committee members and submitted proposal to the Board of Directors for resolution. | Execution in accordance with the resolution |
| | | 2. Discussion on the ratification of the Company’s acquisition of the right-of-use assets from the related party 100% owned subsidiary Weikeng International Co., Ltd. | No objections, reservations or significant recommendations | Approved as proposed after the chairperson consulted all present committee members and submitted proposal to the Board of Directors for resolution. | Execution in accordance with the resolution |
| 2022/5/12 | 3 rd meeting in 2022 (2 nd term) | 1. Acknowledgement on the Company’s consolidated financial report for the 1st quarter of 2022 | No objections, reservations or significant recommendations | Approved as proposed after the chairperson consulted all present committee members and submitted proposal to the Board of Directors for resolution. | Execution in accordance with the resolution |

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| | | 2. Discussion on the Company's endorsements and guarantees for 100% owned subsidiary WEIKENG TECHNOLOGY PTE LTD. | No objections, reservations or significant recommendations | Approved as proposed after the chairperson consulted all present committee members and submitted proposal to the Board of Directors for resolution. | Execution in accordance with the resolution |
| | | 3. Discussion on the Company's endorsements and guarantees for 100% owned subsidiary WEIKENG INTERNATIONAL CO., LTD. | No objections, reservations or significant recommendations | Approved as proposed after the chairperson consulted all present committee members and submitted proposal to the Board of Directors for resolution. | Execution in accordance with the resolution |
| 2022/6/28 | 4 th meeting in 2022 (2 nd term) | 1. Discussion on participation in subscribing to the cash capital increase of WEIKENG INTERNATIONAL CO., LTD, a 100% owned subsidiary in Hong Kong | No objections, reservations or significant recommendations | Approved as proposed after the chairperson consulted all present committee members and submitted proposal to the Board of Directors for resolution. | Execution in accordance with the resolution |
| | | 2. Discussion on the Company's endorsements and guarantees for 100% owned subsidiary WEIKENG INTERNATIONAL CO., LTD. | No objections, reservations or significant recommendations | Approved as proposed after the chairperson consulted all present committee members and submitted proposal to the Board of Directors for resolution. | Execution in accordance with the resolution |
| | | 3. Discussion on the Company's endorsements and guarantees for 100% owned subsidiary WEIKENG INTERNATIONAL (SHANGHAI) CO., LTD. | No objections, reservations or significant recommendations | Approved as proposed after the chairperson consulted all present committee members and submitted proposal to the Board of Directors for resolution. | Execution in accordance with the resolution |
| 2022/8/10 | 5 th meeting in 2022 (2 nd term) | 1. Acknowledgement on the Company's consolidated financial report for the 1 st quarter of 2022 | No objections, reservations or significant recommendations | Approved as proposed after the chairperson consulted all present committee members and submitted proposal to the Board of Directors for resolution. | Execution in accordance with the resolution |
| | | 2. Discussion on the Company's endorsements and guarantees for 100% owned subsidiary WEIKENG TECHNOLOGY PTE LTD. | No objections, reservations or significant recommendations | Approved as proposed after the chairperson consulted all present committee members and submitted proposal to the Board of Directors for resolution. | Execution in accordance with the resolution |
| | | 3. Discussion on the Company's endorsements and guarantees for 100% owned subsidiary WEIKENG INTERNATIONAL CO., LTD. | No objections, reservations or significant recommendations | Approved as proposed after the chairperson consulted all present committee members and submitted proposal to the Board of Directors for resolution. | Execution in accordance with the resolution |
| | | 4. Discussion on the Company's endorsements and guarantees for 100% owned subsidiary WEIKENG INTERNATIONAL (SHANGHAI) CO., LTD. | No objections, reservations or significant recommendations | Approved as proposed after the chairperson consulted all present committee members and submitted proposal to the Board of Directors for resolution. | Execution in accordance with the resolution |
| 2022/9/28 | 6 th meeting in 2022 (2 nd term) | 1. Discussion on the amendment of some articles to the Company's "internal control system" and the addition of some provisions to the "internal audit system" | No objections, reservations or significant recommendations | Approved as proposed after the chairperson consulted all present committee members and submitted proposal to the | Execution in accordance with the resolution |

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| | | | | Board of Directors for resolution. | |
| | | 2. Discussion on the amendment of some articles to the Company's "Operation and Management Measures for Overseas Subsidiaries" | No objections, reservations or significant recommendations | Approved as proposed after the chairperson consulted all present committee members and submitted proposal to the Board of Directors for resolution. | Execution in accordance with the resolution |
| | | 3. Discussion on the amendment of some articles to the Company's "Measures for the Supervision of Reinvested Businesses with Controlling Power" | No objections, reservations or significant recommendations | Approved as proposed after the chairperson consulted all present committee members and submitted proposal to the Board of Directors for resolution. | Execution in accordance with the resolution |
| | | 4. Discussion on the amendment of some articles to the Company's " Rules and Procedures of Board of Directors Meeting " | No objections, reservations or significant recommendations | Approved as proposed after the chairperson consulted all present committee members and submitted proposal to the Board of Directors for resolution. | Execution in accordance with the resolution |
| | | 5. Discussion on the Company's endorsements and guarantees for 100% owned subsidiary WEIKENG INTERNATIONAL CO., LTD. | No objections, reservations or significant recommendations | Approved as proposed after the chairperson consulted all present committee members and submitted proposal to the Board of Directors for resolution. | Execution in accordance with the resolution |
| | | 6. Discussion on the Company's endorsements and guarantees for 100% owned subsidiary WEIKENG INTERNATIONAL (SHANGHAI) CO., LTD. | No objections, reservations or significant recommendations | Approved as proposed after the chairperson consulted all present committee members and submitted proposal to the Board of Directors for resolution. | Execution in accordance with the resolution |
| 2022/11/11 | 7 th meeting in 2022 (2 nd term) | 1. Acknowledgement on the Company's consolidated financial report for the 3 rd quarter of 2022 | No objections, reservations or significant recommendations | Approved as proposed after the chairperson consulted all present committee members and submitted proposal to the Board of Directors for resolution. | Execution in accordance with the resolution |
| | | 2. Discussion on the audit plan of the Company (including subsidiaries) for 2023. | No objections, reservations or significant recommendations | Approved as proposed after the chairperson consulted all present committee members and submitted proposal to the Board of Directors for resolution. | Execution in accordance with the resolution |
| | | 3. Discussion on the amendment of some articles to the Company's "Operating Procedures For Handling Material Inside Information" | No objections, reservations or significant recommendations | Approved as proposed after the chairperson consulted all present committee members and submitted proposal to the Board of Directors for resolution. | Execution in accordance with the resolution |
| | | 4. Discussion on the amendment of some articles to the operation items of the Company's "internal audit system" | No objections, reservations or significant recommendations | Approved as proposed after the chairperson consulted all present committee members and submitted proposal to the Board of Directors for resolution. | Execution in accordance with the resolution |
| | | 5. Discussion on the Company's endorsements and guarantees for 100% owned subsidiary | No objections, reservations or significant recommendations | Approved as proposed after the chairperson consulted all present committee members | Execution in accordance with the resolution |

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| | | WEIKENG INTERNATIONAL CO., LTD. | | and submitted proposal to the Board of Directors for resolution. | |
| | | 6. Discussion on the Company's endorsements and guarantees for 100% owned subsidiary WEIKENG INTERNATIONAL (SHANGHAI) CO., LTD. | No objections, reservations or significant recommendations | Approved as proposed after the chairperson consulted all present committee members and submitted proposal to the Board of Directors for resolution. | Execution in accordance with the resolution |
| 2023/1/13 | 1 st meeting in 2023 (2 nd Term) | 1. Discussion on the Company's professional fees of CPAs of KPMG Taiwan for 2023 | No objections, reservations or significant recommendations | Approved as proposed after the chairperson consulted all present committee members and submitted proposal to the Board of Directors for resolution. | Execution in accordance with the resolution |
| | | 2. Discussion on the evaluation of CPA's independence and suitability for the Company's 2023 annual financial statements | No objections, reservations or significant recommendations | Approved as proposed after the chairperson consulted all present committee members and submitted proposal to the Board of Directors for resolution. | Execution in accordance with the resolution |
| | | 3. Discussion on the amendment of some articles to the Company's "Standard Operating Procedures for Handling Directors' Requests" | No objections, reservations or significant recommendations | Approved as proposed after the chairperson consulted all present committee members and submitted proposal to the Board of Directors for resolution. | Execution in accordance with the resolution |
| | | 4. Discussion on the amendment of some articles to the Company's "Operating Procedures For Handling Material Inside Information" | No objections, reservations or significant recommendations | Approved as proposed after the chairperson consulted all present committee members and submitted proposal to the Board of Directors for resolution. | Execution in accordance with the resolution |
| | | 5. Discussion on the Company's endorsements and guarantees for 100% owned subsidiary WEIKENG INTERNATIONAL CO., LTD. | No objections, reservations or significant recommendations | Approved as proposed after the chairperson consulted all present committee members and submitted proposal to the Board of Directors for resolution. | Execution in accordance with the resolution |
| | | 6. Discussion on the Company's endorsements and guarantees for 100% owned subsidiary WEIKENG TECHNOLOGY PTE LTD. | No objections, reservations or significant recommendations | Approved as proposed after the chairperson consulted all present committee members and submitted proposal to the Board of Directors for resolution. | Execution in accordance with the resolution |
| 2023/3/15 | 2 nd meeting in 2023 (2 nd term) | 1. Acknowledgment of the Company's 2022 self-assessed financial information and financial reports | No objections, reservations or significant recommendations | Approved as proposed after the chairperson consulted all present committee members and submitted proposal to the Board of Directors for resolution. | Execution in accordance with the resolution |
| | | 2. Discussion on the Company's 2022 Internal Control System Statement | No objections, reservations or significant recommendations | Approved as proposed after the chairperson consulted all present committee members and submitted proposal to the Board of Directors for resolution. | Execution in accordance with the resolution |
| | | 3. Discussion on the Company's endorsements and guarantees for 100% owned subsidiary WEIKENG INTERNATIONAL | No objections, reservations or significant recommendations | Approved as proposed after the chairperson consulted all present committee members | Execution in accordance with the resolution |

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| | | CO., LTD. | | and submitted proposal to the Board of Directors for resolution. | |
| | | 4. Discussion on the Company's endorsements and guarantees for 100% owned subsidiary WEIKENG TECHNOLOGY PTE LTD. | No objections, reservations or significant recommendations | Approved as proposed after the chairperson consulted all present committee members and submitted proposal to the Board of Directors for resolution. | Execution in accordance with the resolution |
| 2023/4/28 | 3 rd meeting in 2023 (2 nd term) | 1. Discussion on the Company's 2022 business report | No objections, reservations or significant recommendations | Approved as proposed after the chairperson consulted all present committee members and submitted proposal to the Board of Directors for resolution. | Execution in accordance with the resolution |
| | | 2. Discussion on the 2022 Surplus Earnings Distribution Plan | No objections, reservations or significant recommendations | Approved as proposed after the chairperson consulted all present committee members and submitted proposal to the Board of Directors for resolution. | Execution in accordance with the resolution |
| | | 3. Discussion on the addition and revision of the Company's "Rules Governing Financial and Business Matters Between the Company and its Related Parties" | No objections, reservations or significant recommendations | Approved as proposed after the chairperson consulted all present committee members and submitted proposal to the Board of Directors for resolution. | Execution in accordance with the resolution |
| | | 4. Discussion on the amendment of some provisions of the Company's "Rules for Monitoring and Controlling Operations of Subsidiaries", "Measures for the Supervision of Reinvested Businesses with Controlling Power", and "Operation and Management Measures for Overseas Subsidiaries" | No objections, reservations or significant recommendations | Approved as proposed after the chairperson consulted all present committee members and submitted proposal to the Board of Directors for resolution. | Execution in accordance with the resolution |
| | | 5. Discussion on the amendment of some provisions of the Company's "Administrative Measures for Collection of Bank Facility Guarantee Service Fees and Management Service Consulting Fees for Franchise of Product Lines from Subsidiaries " and its attachments | No objections, reservations or significant recommendations | Approved as proposed after the chairperson consulted all present committee members and submitted proposal to the Board of Directors for resolution. | Execution in accordance with the resolution |
| | | 6. Discussion on the Company's endorsements and guarantees for 100% owned subsidiary WEIKENG INTERNATIONAL CO., LTD. | No objections, reservations or significant recommendations | Approved as proposed after the chairperson consulted all present committee members and submitted proposal to the Board of Directors for resolution. | Execution in accordance with the resolution |

(ii) Other matters, which were not approved by the Audit Committee but were approved by two-thirds or more of all directors: None.

ii. 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

iii. 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.):

(i) Normally, internal audit supervisor and CPA may communicate directly with independent directors /

Audit Committee member by e-mail, telephone or meeting as needed. In principle, the head of internal audit attends the Audit Committee at least once a quarter (at least four times a year) to report and communicate with the independent directors; while CPA communicates with independent directors (Audit Committee) at least twice a year in a symposium.

(ii) The communication situation is as the below table:

| Year | Frequency of Communication (Number of Times) | Way of Communication | Remark |
|----------------------------------|-------------------------------------------------|------------------------------------------------------------------|-----------------------------------------------------------------------|
| 2023 (As of the end of April) | 3 | Head of Internal Audit attended Audit Committee | No non-independent directors and management were present at the time. |
| | 1 | Symposium between CPA and members of the Audit Committee | |
| 2022 | 6 | Head of Internal Audit Attended Audit Committee | No non-independent directors and management were present at the time. |
| | 2 | Symposium between accountants and members of the audit committee | |

(iii) The content of communication is as follows:

1. In 2022

| Date | Way of Communication | Highlights of Communication | Results of Communication |
|-----------|---------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 2022/3/25 | Symposium between CPA and members of the Audit Committee (1 st Time) | <ol style="list-style-type: none"> 1. Independence: auditors, firms and alliance firms 2. The responsibility of CPA and auditor for auditing financial statements 3. The scope of audit for 2021 financial report 4. The auditing discovery for 2021 financial report 5. Important statute updates | <ol style="list-style-type: none"> 1. KPMG has all complied with the declaration of independence norms, and there are no matters that affect independence. 2. The audit work is performed by KPMG, but the management and governance units cannot relieve their responsibilities for the financial statements. 3. Individuals within the scope of audit include: <ol style="list-style-type: none"> (1) Major: Weikeng Industrial Co., Ltd., Weikeng International Co., Ltd, Weikeng International (Shanghai) Co., Ltd. (2) Not material: Weitech International Co., Ltd, Weikeng Electronic Technology (Shanghai) Co., Ltd., Weikeng Technology Pte. Ltd. and Weikeng Technology Co., Ltd. 4. Key audit items: <ol style="list-style-type: none"> (1) Individual financial reports: sales revenue recognition, inventory evaluation, and investments recognized by the equity method. (2) Consolidated financial report: sales revenue recognition and inventory evaluation. (3) The auditors' opinion of 2021 financial statement: unqualified opinion. 5. Important statute updates: <ol style="list-style-type: none"> (1) Amendments to the "Regulations Governing Information to be Published in Annual Reports of Public Companies": <ol style="list-style-type: none"> A. Information on Information and Cyber Security. B. Environmental and Social Information Disclosure. C. Annual Report Announcement Period. (2) Amendments to the "Regulations Governing Establishment of Internal Control Systems by Public Companies": The Company shall set up a dedicated information security unit, supervisor and at |

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| | | | <p>least one dedicated staff before the end of 2023.</p> <p>(3) Amendment of the Company Act and the applicable conditions of the video shareholders meeting: The Company will adopt a hybrid type (holding a physical meeting and assisting with video), and pay attention to the applicable conditions, and will revise the Company's articles of association to apply it.</p> <p>(4) Amendments to the 'Procedures for Acquisition or Disposal of Assets:</p> <p>A. Professional appraisers and their appraisers, accountants, lawyers, or securities underwriters should follow the self-discipline rules of their respective industrial associations when issuing appraisal reports or opinions.</p> <p>B. If the public offering company or its subsidiary that is not a domestic public offering company acquires or disposes of assets from a related party, and the transaction amount exceeds 10% of the total assets of the public offering company, the public offering company shall submit the relevant information to the shareholders' meeting for approval before doing so.</p> <p>C. The company has revised the Procedure in accordance with the relevant provisions, and will submit it to the recent Board of Directors and the 2022 Annual General Meeting of shareholders for approval.</p> |
| | Supervisor of internal auditor attended the Audit Committee (Independent Directors) (1 st Time) | <p>1. Presentation of Audit report for January to February, 2022.</p> <p>(1) Long-term and short-term investment operation;</p> <p>(2) Procedures for making of endorsement guarantee and loaning of funds to other parties;</p> <p>(3) Derivative trading operations</p> <p>(4) Bank loan operations;</p> <p>(5) Cashier's cash receipts and payments operations;</p> <p>(6) Petty and general expenses operations;</p> <p>(7) Warehousing operations</p> <p>(8) Fixed asset circulation operations (including fixed asset acquisition, insurance, custody, transaction disposal, inventory, maintenance and accounting), etc.</p> <p>2. Review the 2021 internal control statement.</p> | <p>1. No major lack of internal control and abnormal events, and report to the Board of Directors.</p> <p>2. Agreed to submit the 2021 internal control statement to Board of Directors for resolution.</p> |
| 2022/5/12 | Supervisor of internal auditor attended the Audit Committee | <p>1. Presentation of Audit report for March, 2022.</p> <p>(1) Derivatives trading operations</p> | No major lack of internal control and abnormal events, and report to the Board of Directors. |

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| | (Independent Directors) (2 nd Time) | <ul style="list-style-type: none"> (2) Document/ Certificate processing job (3) Accounting processing operations (4) Accounting data storage and keeping operations (5) Tax and Charges & Fees Operations (6) Collection of Accounts Receivable operations <p>2. As of the 1st quarter of 2022, none of the Group's subsidiaries had endorsed guarantees, loaned funds to others, engaged in derivative financial product transactions, nor acquired or disposed of assets with a single or cumulative transaction of the same nature exceeding NT\$10 million.</p> <p>3. As of the 1st quarter of 2022, the Company has not found any material accommodation of funds in disguised form.</p> | |
| 2022/6/28 | Supervisor of internal auditor attended the Audit Committee (Independent Directors) (3 rd Time) | <p>1. Presentation of Audit report for April to May, 2022.</p> <ul style="list-style-type: none"> (1) Commodity cost operations (2) Budgeting operations (3) Making of endorsement guarantee operations (4) Loaning of funds to other parties operations (5) Derivatives trading operations (6) Non-operating income and expenditure operations (7) Sales forecast and planning operations (8) Accounts receivable operations (9) MIS operations (10) Control of operations related to public information reporting to the website designated by the Securities and Futures Commission (11) Order processing and credit management operations (12) Delivery operations | No major lack of internal control and abnormal events, and report to the Board of Directors. |
| 2022/8/10 | Supervisor of internal auditor attended the Audit Committee (Independent Directors) (4 th Time) | <p>1. Presentation of Audit report for June, 2022.</p> <ul style="list-style-type: none"> (1) Business personnel management (2) Seal management (3) Management of receipt of bills (4) Duty authorization and | No major lack of internal control and abnormal events, and report to the Board of Directors. |

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| | | <ul style="list-style-type: none"> proxy operations (5) Derivatives trading operations (6) Payment operations (7) Bank Loan operations <p>2. As of the 2nd quarter of 2022, none of the Group's subsidiaries had endorsed guarantees, loaned funds to others, engaged in derivative financial product transactions, nor acquired or disposed of assets with a single or cumulative transaction of the same nature exceeding NT\$10 million.</p> <p>3. As of the 2nd quarter of 2022, the Company has not found any material accommodation of funds in disguised form.</p> | |
| 2022/9/28 | Supervisor of internal auditor attended the Audit Committee (Independent Directors) (5 th Time) | <p>1. Presentation of Audit report for July to August, 2022.</p> <ul style="list-style-type: none"> (1) Cashier's cash receipts and payments operations; (2) Petty and general expenses operations; (3) Long-term and short-term investment operation (4) Making of endorsement guarantee operations; (5) Loaning of funds to other parties operations; (6) Derivatives trading operations; (7) Auditing of subsidiary WKI; (8) Auditing of subsidiary WEITECH; (9) Collection of Accounts Receivable operations; (10) Related parties transaction operations; (11) Supervision and Management of subsidiaries; (12) Financial Statements preparation procedures and management; (13) Research & development operations; (14) Warehousing operations; (15) Auditing of subsidiary WKS; (16) Auditing of subsidiary WKE | No major lack of internal control and abnormal events, and report to the Board of Directors. |
| 2022/11/11 | Supervisor of internal auditor attended the Audit Committee (Independent Directors) (6 th Time) | <p>1. Presentation of Audit report for September, 2022.</p> <ul style="list-style-type: none"> (1) Derivatives trading operations; (2) Invoicing and voiding operations; | <ul style="list-style-type: none"> 1. No major lack of internal control and abnormal events, and report to the Board of Directors. 2. Agreed to submit the 2023 internal audit plan to Board of Directors for resolution. |

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| | | <ul style="list-style-type: none"> (3) Customer complaint handling and after-sales service; (4) Payroll cycle; (5) Auditing of subsidiary WTP; <p>2. As of the 3rd quarter of 2022, none of the Group's subsidiaries had endorsed guarantees, loaned funds to others, engaged in derivative financial product transactions, nor acquired or disposed of assets with a single or cumulative transaction of the same nature exceeding NT\$10 million except for the following two leased right-of-use assets:</p> <ul style="list-style-type: none"> (1).WKS Shenzhen Office lease period 2022/7/16-2025/7/15. (2).WKI Futian Bonded Warehouse Lease Period 2022/8/26-2025/8/25. <p>3. As of the 3rd quarter of 2022, the Company has not found any material accommodation of funds in disguised form.</p> <p>4. Discussion on the 2023 internal audit plan (including subsidiaries)</p> | |
| | <p>Video Symposium between CPA and members of the Audit Committee (2nd Time)</p> | <ul style="list-style-type: none"> 1. Independence: auditors, firms and alliance firms 2. The responsibility of CPA and auditor for auditing financial statements 3. The auditors' opinion for 3rd quarter of 2022 financial statement 4. Annual audit plan 5. Important statute updates | <ul style="list-style-type: none"> 1. KPMG has all complied with the declaration of independence norms, and there are no matters that affect independence. 2. The audit work is performed by KPMG, but the management and governance units cannot relieve their responsibilities for the financial statements. 3. Individuals within the scope of audit include: <ul style="list-style-type: none"> (1) Major: Weikeng Industrial Co., Ltd., Weikeng International Co., Ltd, Weikeng International (Shanghai) Co., Ltd. (2) Not material: Weitech International Co., Ltd, Weikeng Electronic Technology (Shanghai) Co., Ltd., Weikeng Technology Pte. Ltd. and Weikeng Technology Co., Ltd. 4. Key audit items: <ul style="list-style-type: none"> (1) Individual financial reports: sales revenue recognition, inventory evaluation, and investments recognized by the equity method. (2) Consolidated financial report: sales revenue recognition and inventory evaluation. (3) The auditors' opinion for 3rd quarter of 2022 financial statement: unqualified opinion. 5. Important statute updates: <ul style="list-style-type: none"> (1) Notice to amend the "Securities Exchange Act" (Draft notice deadline 111.9.21) <ul style="list-style-type: none"> A. It is proposed to amend the following situations where independent directors exercise their functions and powers alone: <ul style="list-style-type: none"> (a) Independent directors may sue the directors individually as a company, with the modification that the decision |

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| | | | <p>shall be made by the Audit Committee and the representatives shall be elected.</p> <p>(b) The independent director's right to convene a shareholders' meeting independently shall be subject to a resolution of the Audit Committee.</p> <p>(c) When the directors deal with the company for themselves or others, the independent directors shall represent the company alone, and the decision shall be made by the audit committee and the representatives shall be elected.</p> <p>B. The audit committee cannot be convened due to legitimate reasons:</p> <p>(a) When it is proposed that the Audit Committee cannot be convened due to legitimate reasons, Article 14-5 of the Securities and Exchange Act stipulates that matters that should be resolved by the Audit Committee shall be conducted by special resolutions of all directors of the Board of Directors; however, for financial reporting matters, independent directors shall issue approval. Opinions on or not will be decided by a special resolution of all the directors of the board of directors.</p> <p>(b) At the same time, it is proposed to add penalties for violation of this amendment.</p> <p>(2) Amendment to the "Rules Governing the Preparation and Filing of Sustainability Reports " by TWSE and TPEX listed companies</p> <p>(3) Material information of TWSE and TPEX listed companies: It is added that TWSE and TPEX listed companies should establish internal material information processing operating procedures no later than 2022/12/31.</p> <p>On 2022/11/11, the board of directors of the Company has approved the revision of the "Operating Procedures For Handling Material Inside Information".</p> <p>(4) Information declaration of TWSE and TPEX listed companies:</p> <p>A. Earnings conference: from 2023/1/1 onwards, all TWSE and TPEX listed companies that are invited to participate in the earnings conference should choose at least one session every year and upload the video and audio link information of the conference.</p> <p>B. Information security unit: Any appointment or change of information security chief, information security supervisor or staff should be reported within two days after the appointment or change.</p> |
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| | | | (5) Matters that need to be communicated in line with the norms revised by the International Ethics Standards Board for Accountancy (IESBA); The Audit Committee and Board of Directors of the Company have approved the formulation of "General Principles of Pre-Approved Non-Assurance Service Policy" on 2022/11/11. |
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| 2. As of the end of April in 2023 | | | |
| Date | Way of Communication | Highlights of Communication | Results of Communication |
| 2023/01/13 | Supervisor of internal auditor attended the Audit Committee (Independent Directors) (1 st Time) | <ol style="list-style-type: none"> 1. Presentation of Audit report for October to November, 2022. <ol style="list-style-type: none"> (1) Budgeting operations (2) Making of endorsement guarantee operations (3) Loaning of funds to other parties operations (4) Derivative trading operations (5) Requisition and payment cycle operations (including requisition, procurement, import, acceptance, contract non-compliance and payment, etc.); (6) Operations on shareholders' equity (7) Stock affairs and dividend distribution operations (8) Accounts receivable operations (9) Auditing of subsidiary WKZ (10) Auditing of MIS operation (including program and data access control, data input and output control and data processing control, etc.) (11) Order processing and credit management operations (12) Delivery operations (13) Management control operations applicable to International Financial Reporting Standards (IFRS) (14) The procedures of Accounting Professional Judgment, Accounting Policies and Changes in Estimates 2. As of the 4th quarter of 2022, none of the Group's subsidiaries had endorsed guarantees, loaned funds to others, engaged in derivative financial product transactions, nor acquired or disposed of assets with a single or cumulative transaction of the same nature exceeding NT\$10 million except for the following one leased right-of-use assets: <ol style="list-style-type: none"> (1) WTP Singapore Office lease | No major lack of internal control and abnormal events, and report to the Board of Directors. |

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| | | <p>period 2022/11/01-2025/10/31</p> <p>3. As of the 4th quarter of 2022, the Company has not found any material accommodation of funds in disguised form.</p> | |
| 2023/03/15 | Symposium between CPA and members of the Audit Committee (1 st Time) | <p>6. Independence: auditors, firms and alliance firms</p> <p>7. The responsibility of CPA and auditor for auditing financial statements</p> <p>8. The scope of audit for 2022 financial report</p> <p>9. The auditing discovery for 2022 financial report</p> <p>10. Important statute updates</p> | <p>1. KPMG has all complied with the declaration of independence norms, and there are no matters that affect independence. °</p> <p>2. The audit work is performed by KPMG, but the management and governance units cannot relieve their responsibilities for the financial statements.</p> <p>3. Individuals within the scope of audit include:</p> <p>(1) Major: Weikeng Industrial Co., Ltd., Weikeng International Co., Ltd, Weikeng International (Shanghai) Co., Ltd.</p> <p>(2) Not material: Weitech International Co., Ltd, Weikeng Electronic Technology (Shanghai) Co., Ltd., Weikeng Technology Pte. Ltd. and Weikeng Technology Co., Ltd.</p> <p>4. Key audit items:</p> <p>(1) Individual financial reports: sales revenue recognition, inventory evaluation, and investments recognized by the equity method.</p> <p>(2) Consolidated financial report: sales revenue recognition and inventory evaluation</p> <p>(3) The auditors' opinion of 2022 financial statement: unqualified opinion.</p> <p>5. Important statute updates:</p> <p>(1) Amendment to the " Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies "</p> <p>(2) Amendment to the "Taiwan Stock Exchange Corporation Operation Directions for Compliance with the Establishment of Board of Directors by TWSE Listed Companies and the Board's Exercise of Powers"</p> <p>(3) Amendment to the "Sample Template for XXX Co., Ltd. Rules Governing Financial and Business Matters Between this Corporation and its Affiliated Enterprises"</p> |
| 2023/03/15 | Supervisor of internal auditor attended the Audit Committee (Independent Directors) (2 nd Time) | <p>1. Presentation of Audit report for December, 2022.</p> <p>(1) Business personnel management</p> <p>(2) Management of receipt of bills</p> <p>(3) Contingencies</p> <p>(4) Derivatives trading operations</p> <p>(5) Corporate Bond operations</p> <p>(6) Management of the operation of the board of directors</p> <p>(7) Operations of the handling of material inside information</p> | <p>1. No major lack of internal control and abnormal events, and report to the Board of Directors.</p> <p>2. Agreed to submit the 2022 internal control statement to Board of Directors for resolution.</p> |

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| | | <ul style="list-style-type: none"> (8) Management of the operation of the Salary and Compensation Committee (9) Laws and regulations compliance matters operations (10) Management of the operation of the Audit Committee (11) Risk Management Operations 2. Presentation of Audit report for January, 2023. <ul style="list-style-type: none"> (1) Long-term and short-term investment operations (2) Procedures for making of endorsement guarantee and loaning of funds to other parties (3) Derivatives trading operations (4) Bank loan operations (5) Cashier's cash receipts and payments operations (6) Petty and general expenses operations 3. Review the 2022 internal control statement | |
| 2023/4/28 | Supervisor of internal auditor attended the Audit Committee (Independent Directors) (3 rd Time) | <ul style="list-style-type: none"> 1. Presentation of Audit report for February to March, 2023. <ul style="list-style-type: none"> (1) Derivatives trading operations (2) Warehousing operations (3) Fixed asset circulation operations (including fixed asset acquisition, insurance, custody, transaction disposal, inventory, maintenance and accounting), etc. (4) Document/ Certificate processing job (5) Accounting processing operations (6) Accounting data storage and keeping operations (7) Tax and Charges & Fees Operations (8) Order processing and credit management operations (9) Delivery operations (10) Collection of Accounts Receivable operations | No major lack of internal control and abnormal events, and report to the Board of Directors. |

(iii) The Company's implementation of corporate governance and the differences from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the reasons therefor.

| Evaluation item | State of operations(Note 1) | | | Differences from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and reasons |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------|----|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------|
| | Yes | No | Summary description | |
| I. Has the Company formulated and disclosed its corporate governance practice principles in accordance with the “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies”? | ✓ | | The Company has established its “Corporate Governance Best Practice Principles” in accordance with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies, which have been disclosed on the Company’s official website and the Market Observation Post System (MOPS). | No material difference |
| II. The Company’s equity structure and shareholders’ equity (I) Has the Company established internal operating procedures to handle shareholder recommendations, doubts, disputes and litigations, and implemented them in accordance with the procedures? | ✓ | | (I) The Company has established the “Management Regulations for Stock Affairs Operations” to incorporate the management of stock affairs operations into the control operations of the internal control system. Dedicated stock affairs staff (telephone or email) has been established to handle shareholder proposals or disputes in accordance with the regulations. | No material difference |
| (II) Does the Company have a list of the major shareholders who actually control the Company and the ultimate controllers of major shareholders? | ✓ | | (II) The Company has dedicated stock affairs staff and a stock affairs agency to analyze shareholding based on the shareholder register after the stock transfer is ceased. The dedicated stock affairs staff and agency keep track of the list of major shareholders and the list of ultimate controllers of major shareholders and report changes in information in accordance with the regulations. | No material difference |

| Evaluation item | State of operations(Note 1) | | Differences from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and reasons | |
|-----------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------|----|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------|
| | Yes | No | | Summary description |
| (III)Has the Company established and implemented risk control and firewall mechanisms between affiliated companies? | ✓ | | (III)The Company has established internal control systems such as the “Rules Governing Financial and Business Matters with Affiliated Companies, Group Enterprises and Specific Companies”, “Management Rules for the Operation of Overseas Subsidiaries”, “Rules for the Supervision of Subsidiaries”, and “Rules for the Supervision of Investment Businesses with Control”, which provide clear strategies and regulations for financial and business matters. The financial and business transactions with each affiliate are performed independently. To establish an appropriate risk management mechanism and firewalls with the subsidiaries, the auditors perform audits regularly and irregularly and submit the audit results to the Audit Committee and the Board of Directors. | No material difference |
| (IV) Has the Company formulated internal regulations to prevent insiders from trading securities using undisclosed information on the market? | ✓ | | (IV) In order to protect shareholders’ rights and interests and to treat shareholders fairly, the Company has established the “Operating Procedures for Handling Material Inside Information” to implement a mechanism for handling and disclosing material inside information, prevent inappropriate leakage of material inside information that may result in insider trading or short swing trading with asymmetric information, and provide timely guidance to insiders, such as directors, managerial officers or employees of the Company, that insider trading/short swing trading or profiting from asymmetric market information is prohibited. 1. In 2022, the legal supervisor and chief financial officer performed training and promotion on ethical practices, the code of ethical conduct, and the prohibition of | No material difference |

| Evaluation item | State of operations(Note 1) | | | | Differences from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and reasons | | | | | | | | | | | | | | | | | | | | | |
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| | Yes | No | Summary description | | | | | | | | | | | | | | | | | | | | | | | |
| | | | insider/swing trading at training courses for new employees as well as all other staff. 2. Training courses on prohibition of insider trading training for all employees, supervisors and newcomers for 2022 | | | | | | | | | | | | | | | | | | | | | | | |
| | | | <table border="1"> <thead> <tr> <th>Date</th> <th>Promotion sessions</th> <th>Number of participants</th> <th>Number of hours</th> <th>Education contents</th> </tr> </thead> <tbody> <tr> <td>2022/01/18 & 20</td> <td rowspan="3">New employee training</td> <td>13</td> <td>1.0</td> <td rowspan="3">Anti-corruption/ethical corporate management/insider and swing trading prohibition</td> </tr> <tr> <td>2022/07/12 & 14</td> <td>16</td> <td>1.0</td> </tr> <tr> <td>2022/10/25 & 27</td> <td>27</td> <td>1.0</td> </tr> <tr> <td>2022/3/31</td> <td>Operating meeting</td> <td>39</td> <td>0.5</td> <td> 1. Definition of news for insider trading/short swing trading 2. Civil and criminal liability as set forth by the Securities and Exchange Act 3. Insiders are prohibited from trading the Company's issued stocks or equity-type securities </td> </tr> </tbody> </table> | Date | Promotion sessions | Number of participants | Number of hours | Education contents | 2022/01/18 & 20 | New employee training | 13 | 1.0 | Anti-corruption/ethical corporate management/insider and swing trading prohibition | 2022/07/12 & 14 | 16 | 1.0 | 2022/10/25 & 27 | 27 | 1.0 | 2022/3/31 | Operating meeting | 39 | 0.5 | 1. Definition of news for insider trading/short swing trading 2. Civil and criminal liability as set forth by the Securities and Exchange Act 3. Insiders are prohibited from trading the Company's issued stocks or equity-type securities | | |
| Date | Promotion sessions | Number of participants | Number of hours | Education contents | | | | | | | | | | | | | | | | | | | | | | |
| 2022/01/18 & 20 | New employee training | 13 | 1.0 | Anti-corruption/ethical corporate management/insider and swing trading prohibition | | | | | | | | | | | | | | | | | | | | | | |
| 2022/07/12 & 14 | | 16 | 1.0 | | | | | | | | | | | | | | | | | | | | | | | |
| 2022/10/25 & 27 | | 27 | 1.0 | | | | | | | | | | | | | | | | | | | | | | | |
| 2022/3/31 | Operating meeting | 39 | 0.5 | 1. Definition of news for insider trading/short swing trading 2. Civil and criminal liability as set forth by the Securities and Exchange Act 3. Insiders are prohibited from trading the Company's issued stocks or equity-type securities | | | | | | | | | | | | | | | | | | | | | | |

| Evaluation item | State of operations(Note 1) | | | | Differences from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and reasons |
|-----------------|-----------------------------|----|---------------------|--|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| | Yes | No | Summary description | | |
| | | | | | <p>during the lock-up period before the financial report is published (annual report: 30 days before the day of publication/quarterly report: 15 days before the day of publication) and precipitation period after the annual report is published (18 hours before and after the day of publication).</p> <p>2022/10/14 All staff meeting 373 0.5 Prevention of Insider Trading - Introduction to Laws and Regulations for Insider Trading (Source: TWSE)</p> <p>3. Director's continuing education (insider trading prevention-related courses)</p> |

| Evaluation item | State of operations(Note 1) | | | | | | | Differences from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and reasons | |
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| | Yes | No | Summary description | | | | | | |
| | | | Title | Name | Continuing education date | Training organizer | Course name | Continuing education Number of hours | |
| | | | Director | HU, CHIU-CHIANG(@Douglas Hu) | 2022/05/13 | Taiwan Corporate Governance Association | Prevention of Insider Trading | 3 | |
| | | | Director | CHI, TING-FANG(@Stan Chi) | | | | 3 | |
| | | | Director | CHEN, KUAN-HUA(@Bill Chen) | | | | 3 | |
| III. Composition and responsibilities of the Board of Directors (I) Has the Board of Directors formulated and implemented a diversity policy on membership and specific management objectives? | ✓ | | (I) For the Company's diversity policy, specific management objectives and implementation, please refer to the Corporate Governance section on the Company's official website. | | | | | No material difference | |

| Evaluation item | State of operations(Note 1) | | Differences from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and reasons | |
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| | Yes | No | | Summary description |
| (II) In addition to the Remuneration Committee and the Audit Committee established in accordance with law, has the Company voluntarily set up other functional committees? | ✓ | | (II) The Company has established the Remuneration Committee and the Audit Committee in accordance with the law. Please refer to the Company's annual report and official website for the meetings, motions and resolutions. On March 25, 2022, the Board of Directors of the Company approved the establishment of the Nominating Committee and the Sustainable Development Committee. | No material difference |
| (III) Has the Company established measures for evaluating the performance of the Board of Directors and its evaluation method, and does it conduct performance evaluation annually and regularly, and submit the performance evaluation results to the Board of Directors for reference of individual directors' salary, bonus, and a nomination for reappointment? | ✓ | | (III) The Company has established the Board of Directors' performance evaluation measures and its evaluation method. It conducts the performance evaluation before the first quarter of the following year and submits the results to the Nominating Committee and the Board of Directors, which serve as a reference document for the annual nomination of directors for election. The Company has completed the self-evaluation of the performance of the Board of Directors for 2022, which was submitted to the Nominating Committee and the Board of Directors on January 13, 2023. From September to November 2022, the Company entrusted the "Taiwan Corporate Governance Association" to perform an external appraisal on corporate governance information for October 1, 2021, to September 30, 2022. The Association issued an evaluation report which was approved by the Nominating Committee on December 28, 2022, and has been submitted to the Board of Directors on January 13, 2023. For the above self-evaluation results and external appraisal results, please refer to the explanation to the Assessment/ Self-Assessment Situation of Board of Directors in the Corporate Governance section on the Company's official website. | No material difference |
| (IV) Does the Company regularly evaluate | ✓ | | (IV) The Company's Administration & Financing Division regularly evaluates the | No material difference |

| Evaluation item | State of operations(Note 1) | | Summary description | Differences from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and reasons | | | | | | | | | | | | |
|---------------------------------------------------------------------------------|-----------------------------|---------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------|--------------|---------------------------------------------------------------|--------|------|-----------------------------|-----------|-------------------------------------------------------------------------|------|-----------------------------|-----------|-------------------------------------------------------------------------|--|
| | Yes | No | | | | | | | | | | | | | | |
| the independence of the attesting CPAs? | | | <p>independence of the attesting CPAs in accordance with Article 47 of the Certified Public Accountant Act, Bulletin No. 10 of the Norm of Professional Ethics for Certified Public Accountant, and the independence declaration/independence and competence evaluation form issued by KPMG. It then forwards them to the Audit Committee and the Board of Directors for evaluation of the independence of the CPAs.</p> <table border="1"> <thead> <tr> <th>Financial reporting year</th> <th>CPAs of KPMG</th> <th>Evaluation date of the Audit Committee and Board of Directors</th> <th>Result</th> </tr> </thead> <tbody> <tr> <td>2022</td> <td>Au, Yiu-Kwan Kuo, Kuan-Ying</td> <td>2022/3/25</td> <td>In line with independence assessment criteria and suitability standards</td> </tr> <tr> <td>2023</td> <td>Au, Yiu-Kwan Kuo, Kuan-Ying</td> <td>2023/1/13</td> <td>In line with independence assessment criteria and suitability standards</td> </tr> </tbody> </table> | Financial reporting year | CPAs of KPMG | Evaluation date of the Audit Committee and Board of Directors | Result | 2022 | Au, Yiu-Kwan Kuo, Kuan-Ying | 2022/3/25 | In line with independence assessment criteria and suitability standards | 2023 | Au, Yiu-Kwan Kuo, Kuan-Ying | 2023/1/13 | In line with independence assessment criteria and suitability standards | |
| Financial reporting year | CPAs of KPMG | Evaluation date of the Audit Committee and Board of Directors | Result | | | | | | | | | | | | | |
| 2022 | Au, Yiu-Kwan Kuo, Kuan-Ying | 2022/3/25 | In line with independence assessment criteria and suitability standards | | | | | | | | | | | | | |
| 2023 | Au, Yiu-Kwan Kuo, Kuan-Ying | 2023/1/13 | In line with independence assessment criteria and suitability standards | | | | | | | | | | | | | |
| IV. Does the Company as a listed company have a suitable and appropriate number | ✓ | | Based on duties and responsibilities, the Sustainable Development Committee is the supervisory unit that oversees the formulation of the Company's objectives, strategies | No material difference | | | | | | | | | | | | |

| Evaluation item | State of operations(Note 1) | | Differences from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and reasons |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------|----|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| | Yes | No | |
| of corporate governance personnel and appoint a corporate governance officer to be responsible for corporate governance related matters (including but not limited to providing information necessary for directors and supervisors to perform their business, assisting directors and supervisors in complying with laws and regulations, conducting Board meeting and shareholders' meeting related matters in accordance with law, handling company registration and alteration registration, and preparing minutes of Board meetings and shareholders' meetings, etc.)? | | | and implementation plans for the Company's ethical corporate management. A Sustainable Development Group has been set up under the Committee, responsible for the implementation and promotion of corporate governance and ethical corporate management. The members of the Sustainable Development Group are part of the Company's Chairman's Office and President's Office. In addition, in the Chairman's Office, a corporate governance officer (served by the CFO concurrently) has been set up responsible for the following corporate governance affairs: (I) Preparing Board meeting and shareholders' meeting minutes in accordance with law. (II) Preparing minutes of the Board of Directors' and shareholders' meetings. (III) Assisting directors and independent directors in their appointment and continuing education. (IV) Providing information necessary for the directors, the Audit Committee and the Remuneration Committee to carry out their business. (V) Assisting the directors, the Audit Committee and the Remuneration committee in complying with laws and regulations. (VI) Handling matters related to investor relations. (VII) Reporting to the board of directors the results of its inspection on whether the qualifications of independent directors comply with relevant laws and regulations at the time of nomination, election and term of office.(VIII) Handling matters related to the change of directors. (IX) Handling other matters in accordance with the Company's Articles of Association, contracts, or laws and regulations. When dealing with directors' requests, the corporate governance officer must follow the "Standard Operating Procedures for Handling Directors' Requests" approved by the Board of Directors to request the relevant meeting secretary unit to promptly and |

| Evaluation item | State of operations(Note 1) | | Summary description | Differences from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and reasons |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------|----|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------|
| | Yes | No | | |
| | | | effectively assist directors in performing their duties, and handle them as quickly as possible within 5 working days. The relevant corporate governance staff, including the Human Resources Office, the stock affairs staff of the Administration Department, the Legal Office and the financial and accounting staff, and Sustainable Development Implementation Office staff shall assist the corporate governance officer in conducting the aforementioned corporate governance affairs and shall follow the provisions of the Corporate Governance Best Practice Principles. | |
| V. Has the Company established communication channels with stakeholders (including but not limited to shareholders, employees, customers and suppliers) and a special section for stakeholders on the Company's website, and responded appropriately to important corporate social responsibility issues that are of concern to stakeholders? | ✓ | | The Company has set up a special section for stakeholders on the Company's website, and internally, the supervisor of each department in the Company serves as a communication channel to respond to important corporate social responsibility issues of concern to stakeholders. For issues of concern to stakeholders, communication and the Company's response, please refer to the Stakeholders section and page 13~21 of the ESG Sustainability Report of Sustainability section on the Company's official website. | No material difference |
| VI. Has the Company appointed a professional stock affairs agency to handle matters for shareholders? | ✓ | | The Company has appointed the Stock Affairs Agency Department of Yuanta Securities Co., Ltd. to handle the shareholders' meetings and stock affairs related matters. | No material difference |

| Evaluation item | State of operations(Note 1) | | Summary description | Differences from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and reasons |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------|----|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------|
| | Yes | No | | |
| meetings? | | | | |
| VII. Information disclosure | | | | |
| (I) Has the Company set up a website to disclose financial and business matters and corporate governance information? | ✓ | | (I) The Company has a website to disclose information on its financial and business matters and corporate governance in both Chinese and English, and provides links to public information on the official website of the MOPS. | No material difference |
| (II) Has the Company adopted other means of information disclosure (such as setting up an English website, appointing dedicated personnel responsible for collecting and disclosing company information, implementing a spokesperson system, posting the Company's investor conferences on its website, etc.)? | ✓ | | (II) The Company has established and implemented a spokesperson system and discloses information in both Chinese and English for stakeholders to grasp and learn the information on the Company's products, finance, business, corporate governance, sustainable development and stakeholder communication in a timely manner. Information is updated on a regular basis. The proceedings, information and written and audio-visual materials of investor conferences are available on the Company's website for investors to consult. | No material difference |
| (III) Does the Company publicly announce and file annual financial statements within two months after the end of the fiscal year, and the financial statements for the first, second and third quarters and the monthly operating status before the prescribed deadline? | | ✓ | (III) Although the Company does not provide and report the annual financial statements within two months after the end of each fiscal year, the Company still announces and reports the annual financial statements within three months of the prescribed deadline. In the future, the efficiency of report preparation will be improved. We will coordinate with the accounting firm regarding the audit time in order to complete the annual financial report for early filing. For fiscal year 2022, we have announced the financial statements (Chinese and English) for the first, second and third quarters, | The financial statements are announced and reported before the deadline stipulated by the regulations. |

| Evaluation item | State of operations(Note 1) | | Summary description | Differences from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and reasons |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------|----|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------|
| | Yes | No | | |
| | | | and the monthly operating status and quarterly self-assessed income or loss before the prescribed deadline. | |
| VIII.Does the Company have other important information that is helpful to understand its implementation of corporate governance (including but not limited to employee rights, employee care, investor relations, supplier relations, stakeholder rights, continuing education of directors and supervisors, implementation of risk management policy and risk measurement standards, implementation of customer policy, the Company's purchase of liability insurance for directors and supervisors, etc.)? | ✓ | | <ol style="list-style-type: none"> 1. For more information on employee rights and interests as well as employee welfare, please refer to Sustainable Workplace in the Sustainable Development section on the Company's official website. 2. For the risk management policy and risk evaluation, please refer to Risk Management in the Corporate Governance section on the Company's website. 3. For review of climate change opportunities and risks, countermeasures and the progress of GHG inventory implementation, please refer to the Sustainable Environment of Sustainability section on the Company's official website. 4. The Company has purchased directors' and managerial officers' liability insurance from Insurance Company of North America for NT\$485,700,000 for a period of one year with an expiration date of 2023/6/16 and will evaluate for renewal two months prior to expiration. 5. For issues of concern to stakeholders, communication and the Company's response, please refer to the Stakeholders section and page 13~21 of the ESG Sustainability Report of Sustainability section on the Company's official website. 6. Continuing education of directors of the Company: | |

| Evaluation item | State of operations(Note 1) | | | | | | | Differences from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and reasons | |
|-----------------|-----------------------------|----|---------------------|-------------------------------|--------------------------------------|---------------------------|-----------------------------------------|-----------------------------------------------------------------------------------------------------------------------|------------------------|
| | Yes | No | Summary description | | | | | | |
| | | | Title | Name | Continuing education Number of hours | Continuing education Date | Continuing education Organization | Continuing education Course | No material difference |
| | | | Director | HU, CHIU-CHIANG (@Douglas Hu) | 3 | 2022/05/13 | Taiwan Corporate Governance Association | Prevention of Insider Trading | |
| | | | | | 3 | 2022/05/12 | Taiwan Stock Exchange | International Twin Summit- Premier Dialogue with Global Leaders of Passive & Pension Funds, and Market Best Practices | |
| | | | | | 3 | 2022/03/22 | Taiwan Corporate Governance Association | Development Trend of Green Industry - Low-Carbon Investment Prospects and Business Strategies | |
| | | | Director | CHI, TING-FANG | 3 | 2022/07/20 | Jointly organized by the Taiwan Stock | Sustainable Development Roadmap-Industry Theme Promotion | |

| Evaluation item | State of operations(Note 1) | | | | | | Differences from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and reasons | |
|-----------------|-----------------------------|----|-------------------------------------------|-------------------------|---|------------------------------|---------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------|
| | Yes | No | Summary description | | | | | |
| | | | | (@Stan Chi) | | Exchange and Taipei Exchange | Conference | |
| | | | | | 3 | 2022/05/13 | Taiwan Corporate Governance Association | Prevention of Insider Trading |
| | | | | | 3 | 2022/05/12 | Taiwan Stock Exchange | International Twin Summit- Premier Dialogue with Global Leaders of Passive & Pension Funds, and Market Best Practices |
| | | | | | 3 | 2022/03/22 | Taiwan Corporate Governance Association | Development Trend of Green Industry - Low-Carbon Investment Prospects and Business Strategies |
| | | | Representative of institutional directors | CHEN, CHENG-FONG (@Eric | 6 | 2022/07/22 | Accounting Research and Development Foundation, Taiwan R.O.C. | Common Internal Control Management Deficiencies in Enterprises and |

| Evaluation item | State of operations(Note 1) | | | | | | Differences from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and reasons |
|-----------------|-----------------------------|----|----------------------|------------------------------|---|------------|------------------------------------------------------------------------------------------------------------------------------------------|
| | Yes | No | Summary description | | | | |
| | | | | Chen) | | | Practical Case Analysis |
| | | | Director | CHEN, KUAN-HUA (@Bill Chen) | 3 | 2022/05/13 | Taiwan Corporate Governance Association Prevention of Insider Trading |
| | | | | | 3 | 2022/03/22 | Taiwan Corporate Governance Association Development Trend of Green Industry - Low-Carbon Investment Prospects and Business Strategies |
| | | | Independent director | TSAI, YU-PING (@Edward Tsai) | 3 | 2022/03/25 | Securities and Futures Institute, R.O.C. The Latest Development Trend and Countermeasures of International CBAM |
| | | | | | 3 | 2022/03/09 | Securities and Futures Institute, R.O.C. Technology Development and Business Opportunities of Electric Vehicles and Smart Vehicles |

| Evaluation item | State of operations(Note 1) | | | | | | Differences from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and reasons | |
|-----------------|-----------------------------|----|----------------------|----------------------------|---|------------|---------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------|
| | Yes | No | Summary description | | | | | |
| | | | Independent director | LIN, HUNG (@Vincent Lin) | 3 | 2022/04/19 | Taiwan Corporate Governance Association | The Only Way for Enterprise Sustainable Operation- External Innovation |
| | | | | | 3 | 2022/03/22 | Taiwan Corporate Governance Association | Development Trend of Green Industry - Low-Carbon Investment Prospects and Business Strategies |
| | | | Independent director | YU, HSUEH-PING (@Peggy Yu) | 3 | 2022/07/22 | Securities and Futures Institute | A Brief Probe into Emerging Financial Technology Crimes and Preventing Money Laundering from the Perspective of Companies |
| | | | | | 3 | 2022/03/25 | Securities and Futures Institute | The Latest Development Trend and Countermeasures of International CBAM |

| Evaluation item | State of operations(Note 1) | | | Differences from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and reasons |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------|----|---------------------|---------------------------------------------------------------------------------------------------------------|
| | Yes | No | Summary description | |
| IX. Please explain the improvements made, based on the latest Corporate Governance Evaluation results published by the TWSE Corporate Governance Center, and propose priorities for enhancement matters and measures for any issues that are to be improved: | | | | |
| (I) In accordance with corporate governance rules, the Company has participated in and completed self-evaluations, with most of them in line with the spirit of corporate governance. Therefore, there is no material difference. | | | | |
| (II) According to the " Succession Planning for Board Members and Key Senior Management" promulgated by the Board of Directors on March 25, 2022, the Committee has approved the appointment of the President, Chief Strategy Officer(CSO), Chief Operating Officer(COO), Chief Financial Officer(CFO) and Information Security Director on 2022/8/10, the above appointment proposals have been forwarded to the Board of Directors for approval on the same day, and the inauguration date of the relevant personnel appointments have become effective on 2022/9/1. Previously, the fact that the Chairman of the Board of Directors and the President of the Company were the same person, so far, the Company has no such incident, which is more in line with the spirit and requirements of corporate governance. Please refer to the Execution of Succession Planning for Key Senior Management of the Succession Planning for Board Members and Key Senior Management section on the Company's official website. | | | | |
| (III) In order to comply with the provisions of Article 3 of the Company's " Rules for Board of Directors Performance Evaluation " stipulates that the performance evaluation of the Company's Board of Directors shall be carried out by an external professional independent organization or an external team of experts and scholars at least once every three years. On 2022/8/10, the Committee approved the appointment of an external organization, "Taiwan Corporate Governance Association", to conduct the performance evaluation of the Company's Board of Directors, and the expert team assigned by the Association has visited the Company for external evaluation on 2022/11/18. The external evaluation report issued by the Association has been approved by the Committee on 2022/12/28, and has been submitted to the Board of Directors on 2023/1/13 for a resolution. For a summary of the relevant external evaluation report, please refer to the Board of Directors of the Corporate Governance section on the Company's official website. | | | | |
| (IV) On December 28, 2022, the Nominating Committee of the Company reviewed the motion for the "Succession Planning for Board Members and Key Senior Management", which was approved by the Board of Directors on January 13, 2023. Please refer to Succession Planning for Board Members and Key Senior Management in the Corporate Governance section on the Company's website. | | | | |

(iv) Composition, Responsibilities and Operations of the Remuneration Committee and Nominating Committee

1. Information on the members of the Remuneration Committee

| Title | Criteria Name | Qualifications and Experience | Independence | Number of Other Public Companies in Which the Individual is Concurrently Serving as a member of Remuneration Committee |
|---------------------------------|------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------|
| Convener / Independent Director | TSAI, YU-PING (@Edward Tsai) | <p>Mr. Tsai is the chairman of Paradigm Venture Partners, L.L.C., a venture capital company that provides fund to ventures mainly in the semiconductor, telecommunication, software development, opto-electronics, bio-tech, medical equipment, aerospace, and materials sectors. He has served as President & CEO at President Securities Investment Trust Co., Ltd, Chief Strategy Officer at Allianz President Insurance Group, President at Allianz-President General Insurance Co., Ltd.. Mr. Tsai holds a Juris Doctor degree from Santa Clara University, California. He was a lawyer at Baker & McKenzie and at Diepenbrock Wulff Plant & Hannegan, California. He was also an associate professor of Department of Law at National Chung Hsing University.</p> <p>Mr. Tsai brings to the Board legal expertise and significant experiences in the areas of law, finance, tech companies management and corporate governance. Although Mr. Tsai has served as independent directors of the Company for more than 3 consecutive terms (9 years), none of the violations of Article 30 of the Company Act has occurred. He continues to take on the responsibilities as independent director and functional committees to enhance the quality of the Company's corporate governance and the supervision of the functional committees by providing the Board with insightful industry analysis and integration, risk management, legal strategy / compliance and management decision-making opinions on the operation and management.</p> | <p>According to the Company's Articles of Association and the "Corporate Governance Best Practice Principles", directors are selected by the candidate nomination system. During the nomination and selection of board members, the Company has obtained the written statement, work experience, current incumbency certificate, and kinship table provided by each director to verify and confirm the independence of themselves, their spouses and their relatives within the third degree kinship to the Company. The Company has also verified that the 3 independent directors are in compliance with the qualification requirements stipulated in the "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies" and Article 14-2 of the Securities and Exchange Act promulgated by the Financial Supervisory Commission during the two years before their election and during their tenure. In addition, independent directors have been given the power to fully participate in decision-making and express opinions in accordance with Article 14-3 of the Securities and Exchange Act to perform relevant functions and powers accordingly.</p> | 1 |

| Title | Criteria Name | Qualifications and Experience | Independence | Number of Other Public Companies in Which the Individual is Concurrently Serving as a member of Remuneration Committee |
|----------------------|--------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------|------------------------------------------------------------------------------------------------------------------------|
| Independent Director | LIN, HUNG (@Vincent Lin) | <p>Mr. Lin holds an Executive Master of Business Administration (EMBA) degree from National Cheng Chi University. Currently, he is the Chairman of Hua Shuai Hospitality Management Consulting Co. Ltd., the President of Harbor View Hotel, and the Chairman of Dragonfly Gallery Co., Ltd. and the Director of Taiwan Miner's General Hospital. He has also served as the President of Ahotel, Taiwan Fine Business Travel Alliance, the Director of the National Federation of the Republic of China Hotel Association and the Director of Leatec Fine Ceramics Co., Ltd. He is committed to the success of the tourism hotel service industry with his familiarity with commercial laws and expertise in corporate governance.</p> <p>Although Mr. Lin has served as an independent director of the Company for more than 3 consecutive terms (9 years), none of the violations of Article 30 of the Company Act has occurred. He brings to the Board with extensive experience and vision in various industries and provides the Board timely diversified opinions on operation and management, so that the Board can have a more versatile way of thinking in terms of operation and management strategies, which strengthens the supervision and management quality of the board of directors and the functional committees.</p> | | 0 |

| Title | Criteria | Qualifications and Experience | Independence | Number of Other Public Companies in Which the Individual is Concurrently Serving as a member of Remuneration Committee |
|------------------|-----------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------|
| | Name | | | |
| Committee Member | Lin, Jenn-Chuen | Adjunct Professor of Department of Adult & Continuing Education, National Taiwan Normal University. Moreover, Mr. Lin has no circumstances under Article 30 of the Company Act. | During the 2 years before being appointed or during the term of office, there has been no violation of the independence provisions of Article 6 of the "Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Taiwan Stock Exchange or the Taipei Exchange", and who does not concurrently serve as the Remuneration Committee of other public offering companies. | 0 |

2. Information on the operation of the Remuneration Committee

(1) There are three members of the Remuneration Committee of the Company.

(2) The term of office of the current (5th term) members: from July 20, 2021 to July 19, 2024; the Remuneration Committee held 3 (A)(4th term) and 2 (A) (5th term) meetings in 2022 and as of the end of April, 2023, respectively, the membership qualifications and attendance were as follows:

| Title | Name | Attendance in Person (B) | | By Proxy | | Attendance Rate (%) 【 B/A 】 | | Remarks |
|------------------|---------------------------------|--------------------------|-----------------------------|----------|-----------------------------|--------------------------------|-----------------------------|-------------------------------------------------------------------------------------------------------------------------------|
| | | 2022 | As of the end of April 2023 | 2022 | As of the end of April 2023 | 2022 | As of the end of April 2023 | |
| Convener | TSAI, YU-PING (@Edward Tsai) | 3 | 2 | - | - | 100.0 | 100.0 | Re-elected on 2021/7/20 Independent Director |
| Committee Member | LIN, HUNG (@Vincent Lin) | 3 | 2 | - | - | 100.0 | 100.0 | Re-elected on 2021/7/20 Independent Director |
| Committee Member | Lin, Jenn-Chuen | 3 | 2 | - | - | 100.0 | 100.0 | Re-appointed on 2021/7/20, Adjunct Professor of Department of Adult & Continuing Education, National Taiwan Normal University |

Other mentionable items:

- i.** 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.
- ii.** 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.
- iii.** Material resolutions of a Remuneration Committee meeting during the most recent fiscal year (2022) and as of the end of April, 2023.

| Date of Meeting | Meeting sessions | Contents of motion | Committee Opinion & Resolutions | The Company's response to the Remuneration Committee's opinion |
|-----------------|--------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------|
| 2022/1/14 | 1 st meeting in 2022 (5th term) | Discussion on the 2021 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 present committee members and submitted proposal to the Board of Directors for resolution. | Execution in accordance with the resolution |
| 2022/3/25 | 2 nd meeting in 2022 (5th term) | Discussion on the approval of accounting entry for the Company's remuneration of employees and Directors for 2021. | Approved as proposed after the chairperson consulted all present committee members and submitted proposal to the Board of Directors for resolution. | Execution in accordance with the resolution |
| 2022/7/15 | 3 rd meeting in 2022 (5th term) | Discussion on the Company's 2021 employee remuneration distribution and 2022 proposal of salary adjustment to executive officers | Approved as proposed after the chairperson consulted all present committee members and submitted proposal to the Board of Directors for resolution. | Execution in accordance with the resolution |
| 2023/1/13 | 1 st meeting in 2023 (5 th Term) | Discussion on the 2022 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 present committee members and submitted proposal to the Board of Directors for resolution. | Execution in accordance with the resolution |
| | | Discussion on the Company's "Emoluments Policy for directors and employees (including executive officers) | Approved as proposed after the chairperson consulted all present committee members and submitted proposal to the Board of Directors for resolution. | Execution in accordance with the resolution |
| 2023/3/15 | 2 nd meeting in 2023 (5 th Term) | Discussion on the amendment of some articles to the Company's " Remuneration Management Rules for Directors and Executive Officers " | Approved as proposed after the chairperson consulted all present committee members and submitted proposal to the Board of Directors for resolution. | Execution in accordance with the resolution |
| | | Discussion on the approval of accounting entry for the Company's remuneration of employees and Directors for 2022 | Approved as proposed after the chairperson consulted all present committee members and submitted proposal to the Board of Directors for resolution. | Execution in accordance with the resolution |

3. Information on the members of the Nominating Committee and operation

(1) Qualifications and responsibilities for the appointment of members of the Company's Nominating Committee:

① Qualifications: According to Article 4 of the Nominating Committee Chart, the members of

the Committee shall be appointed by the resolution of the Board of Directors, and shall be composed of the Chairman and all independent directors. The convener and chairman of the meeting shall be served by independent directors.

②Responsibilities: According to Article 5 of the Nominating Committee Chart, the Committee, with authority by the Board of Directors, shall faithfully perform the following duties with good stewardship and shall submit its recommendations to the Board of Directors for discussion:

- a. To establish criteria for the diversity of backgrounds and independence in terms of expertise, skills, experience, and gender required of Board members and senior management and identify, review, and nominate candidates for directors and senior management accordingly.
- b. To establish and develop the organizational structure of the Board of Directors and committees, to evaluate the performance of the Board of Directors, committees, directors and senior management, and to evaluate the independence of independent directors.
- c. To establish and periodically review directors' continuing education programs and succession plans for directors and senior management.
- d. To revise the Company's Corporate Governance Best Practice Principles.

If a member of the Committee has an interest in the performance of his or her duties as mentioned above, he or she shall state the important content of his or her interest at the meeting of the Committee and shall not join the discussion and vote if it is harmful to the Company's interests. He or she shall recuse himself or herself from the discussion and voting and shall not exercise his or her voting rights on behalf of other Committee members. If the spouse or the relative within the second degree of kinship of a member of the Committee, or a legal entity with which the Committee member has a controlling subordinate relationship, has an interest in the matter of the meeting, the Committee member shall be deemed to have his or her own interest in the matter.

If the Board of Directors does not adopt the recommendation of the Committee, the Board of Directors shall decide to do so with the presence of at least two-thirds of all directors and the consent of a majority of the directors present, and the Company shall, in addition to stating the circumstances and reasons for the discrepancy in the minutes of the Board of Directors' meeting, make an announcement on the Market Observation Post System within two days from the date of the Board of Directors' decision.

(2) Professional qualifications, experience and operation of members of the Nominating Committee (For the implementation of the above, please refer to the Company's official website_ Corporate Governance _ Functional Committees_ Nominating Committee.

<https://www.weikeng.com.tw/content.php?no=34>):

①The first term of the Nominating Committee of the Company consists of four members.

②The term of office of the current (first term) committee members: with a term of office from the date of appointment by the resolution of the Board of Directors (2022/3/25) to the date of expiration of the current Directors' term of office (i.e. July 19, 2024 or the date of the full re-election of directors at the 2024 general meeting of shareholders, whichever is the former), resignation from the Committee or the director's position, or another resolution by the Board of Directors to replace the original director as a member of the Committee.

③The Nominating Committee held 2 meetings (A) and 1 meeting in 2022 and as of the end of April 2023, respectively. The professional qualifications and experience of the members,

attendance and discussion items at the meeting were as follows:

| Title | Name | Attendance in Person (B) | | By Proxy | | Attendance Rate (%) 【 B/A 】 | | Professional qualifications and experience |
|-----------------------------------------|-------------------------------|--------------------------|-----------------------------|----------|-----------------------------|--------------------------------|-----------------------------|---------------------------------------------------------------------------------------------------------------------------|
| | | 2022 | As of the end of April 2023 | 2022 | As of the end of April 2023 | 2022 | As of the end of April 2023 | |
| Convener (Independent director) | LIN, HUNG (@Vincent Lin) | 2 | 1 | - | - | 100.0 | 100.0 | Please refer to the list of "Professional Qualification, Experience, and Independence of Directors" in this annual report |
| Committee member (Independent director) | TSAI, YU-PING (@Edward Tsai) | 2 | 1 | - | - | 100.0 | 100.0 | |
| Committee member (Independent director) | YU, HSUEH-PING (@Peggy Yu) | 2 | 1 | - | - | 100.0 | 100.0 | |
| Committee member (Chairman) | HU, CHIU-CHIANG (@Douglas Hu) | 2 | 1 | - | - | 100.0 | 100.0 | |

Other mentionable items:

Resolutions of the Nominating 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:

| Date of Meeting | Meeting Sessions | Contents of Motion | Contents of independent directors' objections, reservations or significant recommendations | Resolutions | The Company's response to the Nominating Committee's opinion |
|-----------------|--------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------|
| 2022/8/10 | 1 st meeting in 2022 (1 st term) | 1. Discussion on appointing Mr. CHI, TING-FANG (@Stan Chi) as the President of the Company | No objections, reservations or significant recommendations | Approved as proposed after the chairperson consulted all present committee members and submitted proposal to the Board of Directors for resolution. | Execution in accordance with the resolution |
| | | 2. Discussion on newly establishing the Chief Strategy Officer and appointing the Chairman Mr. HU, CHIU-CHIANG(@Douglas Hu) as the Chief Strategy Officer of the Company | No objections, reservations or significant recommendations | Approved as proposed after the chairperson consulted all present committee members and submitted proposal to the Board of Directors for resolution. | Execution in accordance with the resolution |
| | | 3. Discussion on appointing Mr. CHANG, CHIN-HAO (@Asser Chang) as the Chief Operating Officer of the Company | No objections, reservations or significant recommendations | Approved as proposed after the chairperson consulted all present committee members and submitted proposal to the Board of Directors for resolution. | Execution in accordance with the resolution |
| | | 4. Discussion on appointing Mr. CHOU, KAN-LIN (@Fama Chou) as the Chief Financial Officer of the Company | No objections, reservations or significant recommendations | Approved as proposed after the chairperson consulted all present committee members and submitted proposal to the Board of Directors for resolution. | Execution in accordance with the resolution |
| | | 5. Discussion on appointing Mr. Shia, Jane-Jone (@Steve Shia) as the Information Security Director of the Company | No objections, reservations or significant recommendations | Approved as proposed after the chairperson consulted all present committee members and submitted | Execution in accordance with the resolution |

| | | | | | |
|------------|---------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------|
| | | | | proposal to the Board of Directors for resolution. | |
| | | 6. Discussion on appointing an external institution to evaluate the performance of the Company's board of directors | No objections, reservations or significant recommendations | Approved as proposed after the chairperson consulted all present committee members and submitted proposal to the Board of Directors for resolution. | Execution in accordance with the resolution |
| 2022/12/28 | 2 nd meeting in 2022 (1 st term) | 1. Acknowledgement on the Board Performance Evaluation Report issued by the "Taiwan Corporate Governance Association" | No objections, reservations or significant recommendations | Approved as proposed after the chairperson consulted all present committee members and submitted proposal to the Board of Directors for resolution. | Execution in accordance with the resolution |
| | | 2. Discussion on the amendments of the Company's "Succession Planning for Board Members and Key Senior Management" | No objections, reservations or significant recommendations | Approved as proposed after the chairperson consulted all present committee members and submitted proposal to the Board of Directors for resolution. | Execution in accordance with the resolution |
| 2023/1/13 | 1 st meeting in 2023 (1 st term) | 1. Discussion on the amendment of some articles to the Company's "Corporate Governance Best Practice Principles" | No objections, reservations or significant recommendations | Approved as proposed after the chairperson consulted all present committee members and submitted proposal to the Board of Directors for resolution. | Execution in accordance with the resolution |

4. Information on the members of the Sustainable Development Committee and operation

(1) Qualifications and responsibilities for the appointment of members of the Company's Sustainable Development Committee:

①Qualifications: According to Article 3 of the Sustainable Development Committee Chart, the members of the Committee shall be appointed by the Board of Directors resolution. They shall consist of the Chairman and key senior management of the Company (including but not limited to the Chief Operating Officer (COO)) and all independent directors. More than half of the members of the Committee (inclusive) shall be independent directors. The convener and chairman of the meeting shall be served by independent directors.

②Responsibilities: According to Article 4 of the Sustainable Development Committee Chart, the Committee will perform its functions and powers as the followings:

- a. To formulate the Company's policy on sustainable development.
- b. To formulate the goals, strategies and implementation plans for the sustainable corporate development, including sustainable governance, ethical management, others in environmental and social aspects.
- c. To review, track and revise the implementation and effectiveness of the Company's sustainable development and report to the Board of Directors on a regular basis.
- d. To focus on issues of concern to stakeholders and to supervise communication plans.
- e. To review risk management policy, including but not limited to information security, etc.
- f. To review the appropriateness of the risk management framework.

- g. To review major risk management strategies, including risk appetite or tolerance.
- h. To review the management reports of major risk issues and supervise the improvement mechanism and report the risk management performance to the Board of Directors on a regular basis.

(2) Professional qualifications, experience and operation of members of the Sustainable Development Committee (For the implementation of the above, please refer to the Company's official website_ Corporate Governance _ Functional Committees_ Sustainable Development Committee. <https://www.weikeng.com.tw/content.php?no=50>):

- ①The first term of the Sustainable Development Committee of the Company consists of five members.
- ②The term of office of the current (first term) committee members: with a term of office from the date of appointment by the resolution of the Board of Directors (2022/3/25) to the date of expiration of the current Directors' term of office (i.e. July 19, 2024 or the date of the full re-election of directors at the 2024 general meeting of shareholders, whichever is the former), resignation from the Committee or the director's position, or another resolution by the Board of Directors to replace the original director as a member of the Committee.
- ③The Committee held 3 meetings (A) and 1 meeting in 2022 and as of the end of April 2023, respectively. The professional qualifications and experience of the members, attendance and discussion items at the meeting were as follows:

| Title | Name | Attendance in Person (B) | | By Proxy | | Attendance Rate (%) 【 B / A 】 | | Professional qualifications and experience |
|-----------------------------------------|-------------------------------|--------------------------|-----------------------------|----------|-----------------------------|----------------------------------|-----------------------------|---------------------------------------------------------------------------------------------------------------------------|
| | | 2022 | As of the end of April 2023 | 2022 | As of the end of April 2023 | 2022 | As of the end of April 2023 | |
| Convener (Independent director) | YU, HSUEH-PING (@Peggy Yu) | 3 | 1 | - | - | 100.0 | 100.0 | Please refer to the list of "Professional Qualification, Experience, and Independence of Directors" in this annual report |
| Committee member (Independent director) | TSAI, YU-PING (@Edward Tsai) | 3 | 1 | - | - | 100.0 | 100.0 | |
| Committee member (Independent director) | LIN, HUNG (@Vincent Lin) | 3 | 1 | - | - | 100.0 | 100.0 | |
| Committee member (Chairman) | HU, CHIU-CHIANG (@Douglas Hu) | 3 | 1 | - | - | 100.0 | 100.0 | |
| Committee member (President & Director) | CHI, TING-FANG (@Stan Chi) | 3 | 1 | - | - | 100.0 | 100.0 | |

Other mentionable items:

Resolutions of the Nominating 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:

| Date of Meeting | Meeting Sessions | Contents of Motion | Contents of independent directors' | Resolutions | The Company's response to the |
|-----------------|------------------|--------------------|------------------------------------|-------------|-------------------------------|
|-----------------|------------------|--------------------|------------------------------------|-------------|-------------------------------|

| | | | objections, reservations or significant recommendations | | Sustainable Committee's opinion |
|------------|--------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------|
| 2022/6/28 | 1 st meeting in 2022 (1 st term) | 1. Discussion on the Amendment of Some Provisions to the Company's "Risk Management Policies and Procedures" | No objections, reservations or significant recommendations | Approved as proposed after the chairperson consulted all present committee members and submitted proposal to the Board of Directors for resolution. | Execution in accordance with the resolution |
| | | 2. Discussion on the approval of the Greenhouse Gas (GHG) inventory and verification schedule of the Company and its consolidated subsidiaries | No objections, reservations or significant recommendations | Approved as proposed after the chairperson consulted all present committee members and submitted proposal to the Board of Directors for resolution. | Execution in accordance with the resolution |
| 2022/9/28 | 2 nd meeting in 2022 (1 st term) | 1. Discussion on the Company's 2021 ESG Sustainability Report | No objections, reservations or significant recommendations | Approved as proposed after the chairperson consulted all present committee members and submitted proposal to the Board of Directors for resolution. | Execution in accordance with the resolution |
| | | 2. Discussion on the additions and amendments of the Company's "Policy and Procedures of Risk Management" | No objections, reservations or significant recommendations | Approved as proposed after the chairperson consulted all present committee members and submitted proposal to the Board of Directors for resolution. | Execution in accordance with the resolution |
| | | 3. Discussion on the amendment of some provisions to the Company's "Information and Cyber Security Policy and Management Regulations" | No objections, reservations or significant recommendations | Approved as proposed after the chairperson consulted all present committee members and submitted proposal to the Board of Directors for resolution. | Execution in accordance with the resolution |
| | | 4. Discussion on the addition of the Company's "Sustainability Report Preparation and Verification Procedures" | No objections, reservations or significant recommendations | Approved as proposed after the chairperson consulted all present committee members and submitted proposal to the Board of Directors for resolution. | Execution in accordance with the resolution |
| 2022/12/28 | 3 rd meeting in 2022 (1 st term) | 1. Discussion on the amendment of some articles to the Company's "Protection of Human Rights Policy" | No objections, reservations or significant recommendations | Approved as proposed after the chairperson consulted all present committee members and submitted proposal to the Board of Directors for resolution. | Execution in accordance with the resolution |
| 2023/4/28 | 1 st meeting in 2023 (1 st term) | 1. Discussion on the major themes of the Company's 2022 ESG Sustainability report | No objections, reservations or significant recommendations | Approved as proposed after the chairperson consulted all present committee members and submitted proposal to the Board of Directors for resolution. | Execution in accordance with the resolution |
| | | 2. Discussion on the amendment of some articles to the Company's "Sustainable Development Committee Charter" | No objections, reservations or significant recommendations | Approved as proposed after the chairperson consulted all present committee members and submitted proposal to the Board of Directors for resolution. | Execution in accordance with the resolution |

| | | | | | |
|--|--|---------------------------------------------------------------------------------------------------------------|------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------|
| | | 3. Discussion on the amendment of some articles to the Company's " Policy and Procedures of Risk Management " | No objections, reservations or significant recommendations | Approved as proposed after the chairperson consulted all present committee members and submitted proposal to the Board of Directors for resolution. | Execution in accordance with the resolution |
|--|--|---------------------------------------------------------------------------------------------------------------|------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------|

(v) **Implementation of sustainable development and the differences from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies the reasons**

| Evaluation item | State of operations | | Differences from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and reasons |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------|----|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| | Yes | No | |
| I. Has the Company established a governance structure to promote sustainable development and set up a dedicated (concurrent) unit to promote sustainable development, which is authorized by the Board of Directors to be handled by senior management and is supervised by the Board of Directors? | ✓ | | <p>1. Governance structure to promote sustainable development: The Company's Board of Directors passed a resolution to establish the "Sustainable Development Committee" on March 25, 2022, which is the highest authority for the planning and discussion of sustainable development, and it reports directly to the Board of Directors.</p> <p>2. Composition and operation of members, as well as execution status for the year: (1) The Sustainable Development Committee is convened and chaired by the independent directors. Two functional groups have been established under the committee for sustainable development and risk management, as well as the Executive Office. The former two functional groups are composed of business management appointed by the Committee and are responsible for implementing and handling matters directed by the Committee's resolutions. The latter is responsible for coordinating and tracking the work of the two functional groups (allocation, execution, operation, etc.) to facilitate the promotion and implementation of work related to the development of corporate sustainability.</p> <p>(2) Various responsible units of the Company implement the targets set by the Executive Office and functional groups based on the Company's corporate development strategy. The execution status, achievements, and reviews are regularly reported to the Sustainable Development Committee and Board of Directors and resolved. The main contents include but are not limited to:</p> |

| Evaluation item | State of operations | | Summary description | Differences from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and reasons |
|-----------------|---------------------|----|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------|
| | Yes | No | | |
| | | | <ul style="list-style-type: none"> a. Compilation and execution of the ESG Report b. Protection of employees' human rights c. Employee occupational safety, working environment, and workplace health and safety requirements d. Implementation status of intellectual property rights management e. Execution status of environmental sustainability f. Planning and execution status of the greenhouse gas inventory and verification g. Execution status of risk management, climate change opportunity and risk management, and information security risk management h. Execution status of social welfare <p>(3) The 2022 implementation results (based on the operational boundaries of the parent company in Taiwan) were submitted to the Sustainable Development Committee and the Board of Directors on June 28, September 28, December 28, 2022, and January 13, 2023.</p> <p>3. In line with the new corporate governance blueprint, the Board of Directors will continue to promote the effective implementation of sustainable development objectives from the top down. It will continue to refine the Group's sustainable governance by paying attention to international trends in sustainable development and legal regulations. The Company has also established relevant regulations for sustainable development, which are the highest guiding principles for the Group and each company to manage the risks and opportunities in the environmental, social, and corporate</p> | |

| Evaluation item | State of operations | | Summary description | Differences from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and reasons | | |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------|----|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------|--------------------|------------------------|
| | Yes | No | | | | |
| | | | governance aspects. In order to meet the trend of sustainable development in the future, the Sustainable Development Committee and the Board of Directors will consider and approve the development strategies and operating procedures of various sustainability issues, and implement environmental protection, social responsibility, and corporate governance. | | | |
| II. Has the Company conducted risk evaluations on environmental, social, and corporate governance issues related to the Company's operations in accordance with the materiality principle, and formulated relevant risk management policies or strategies? (Note 2) | ✓ | | <p>1. To implement the risk management mechanism, reinforce risk evaluation, and oversee risk tolerance, the Company's Board of Directors approved the "Risk Management Policies and Procedures" on June 29, 2021, as the basis for implementing risk management. In September 2022, the policies and procedures were revised according to "Risk Management Best Practice Principles for TWSE/TPEX Listed Companies", and which were approved by the Board of Directors on September 28, 2022, as the highest guiding principles of the Company's risk management.</p> <p>2. Based on the Company's materiality principle, the Risk Management Group and Executive Office of the Sustainable Development and various business units (including overseas business groups), as well as the senior managers of various functional units, conduct risk factor identification for 2022 based on process analysis, scenario analysis, and PESTLE (Political, Economic, Sociological, Technological, Legal and Environmental) analysis. The operating boundary included the Taiwan parent company, China/Hong Kong subsidiary, and Singapore subsidiary, listing 26 risk items, including 9 operating risk items, 9 financial risk items, 5 execution risk items, and 3 environmental risk items. The evaluation results are summarized in the table below and have been reported to the Sustainable Development Committee and the Board of Directors on September 28, 2022.</p> <table border="1" data-bbox="568 1254 1962 1326"> <tr> <td>Risk identification outcome (Risk factor)</td> </tr> <tr> <td>I. Operating Risks</td> </tr> </table> | Risk identification outcome (Risk factor) | I. Operating Risks | No material difference |
| Risk identification outcome (Risk factor) | | | | | | |
| I. Operating Risks | | | | | | |

| Evaluation item | State of operations | | Summary description | Differences from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and reasons |
|-----------------|---------------------|----|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------|
| | Yes | No | | |
| | | | <p>R1. Inventory Risk: Inventory correction, facing slow turnover, occupying corporate funds, may cause the loss of falling prices, compressing profits.</p> <p>R2. Operational Imbalance Risk: The execution of product mix or customer mix strategies creates a centralized imbalance.</p> <p>R3. Inflation Risk: Weak or slowing demand due to stagnant inflation.</p> <p>R4. Franchising Rights Stability Risk: Franchising rights of main products are affected by changes in mergers and acquisition or divestitures of upstream vendors.</p> <p>R5. Geopolitical Risk: Operations shocked by US-China trade brinkmanship.</p> <p>R6. Enterprise External Risk: Distribution or supply chain failures caused by external factors (such as epidemic blockade/ zero policy, natural disasters/energy crises, etc.).</p> <p>R7. Reputational Risk: Stakeholders' evaluations on the occurrence of negative events that violate the ethical corporate management.</p> <p>R8. Human Resources Risk: Human resource risks such as insufficient training, increasing labor costs, and rising turnover rates.</p> | |

| Evaluation item | State of operations | | Summary description | Differences from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and reasons |
|-----------------|---------------------|----|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------|
| | Yes | No | | |
| | | | <p>R9. Technology Application Management Risk: Inadequate management of technological innovation trends and loss of competition or franchising opportunities.</p> <p>II. Financial Risks</p> <p>R10. Fundraising/ Financing Risk: Increased uncertainty in fundraising or financing due to operations and financial structure.</p> <p>R11. Cash Flow/ Liquidity Risk: Insufficient cash flow/liquidity caused by uncoordinated working capital of the Company or tightening action of financial institutions.</p> <p>R12. Interest Rate Risk: Rising market interest rates lead to a substantial increase in financial costs.</p> <p>R13. Exposure Position Risk: Exchange losses caused by insufficient identification or hedging of foreign currency assets and liabilities and risk exposure.</p> <p>R14. Accounts Receivable Default Risk: Increase in bad debt loss, cost of capital and management cost due to the default of accounts receivable.</p> <p>R15. Loaning Funds to Other Parties Risk: Lending funds to others without adhering to legal procedures, or that legal procedures are adhered to but lack follow-up control, resulting in the risk of overdue creditor's rights or failure to recover.</p> | |

| Evaluation item | State of operations | | Summary description | Differences from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and reasons |
|-----------------|---------------------|----|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------|
| | Yes | No | | |
| | | | <p>R16. Endorsement Guarantee Risk: Making endorsements or guarantees for others without adhering to legal procedures, or that legal procedures are adhered to but lack follow-up control, resulting in the risk of having to bear the final debt guarantee due to the endorsement guarantee.</p> <p>R17. Derivatives Trading Risk: Risk of speculative trading losses due to inadequate identification of leverage risk, market risk, and counterparty credit risk of derivative financial products, insufficient professional and practical ability in product transactions, or failure to comply with the risk management mechanism.</p> <p>R18. Tax Risk: Inaccurate tax payment and delayed penalties due to poor compliance with tax laws and regulations</p> <p>III. Execution Risks</p> <p>R19. Legal compliance risk: No effective legal compliance risk assessments and plans have been devised or there are insufficient control measures for the Company's business activities, resulting in related risks including legal regulation issues, conflicts of interest, and conduct risks.</p> <p>R20. Information and Cyber Security Risk: The Company's information assets have been improperly used, leaked, tampered with, stolen, destroyed, etc., or suffered malicious attacks, destruction, and other emergencies, but failed to take the necessary responsive actions</p> | |

| Evaluation item | State of operations | | Summary description | Differences from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and reasons |
|-----------------|---------------------|----|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------|
| | Yes | No | | |
| | | | <p>promptly, or resume normal operations in the shortest possible time, causing the Company to suffer losses or affecting operations, goodwill, etc.</p> <p>R21. Occupational Safety and Health Management Risk: Failure to implement a comprehensive and adequate occupational safety and health management plan or system, resulting in the inability to effectively control occupational safety hazards.</p> <p>R22. Intellectual Property Risk: Failure to effectively implement an intellectual property management plan, resulting in the inability to proactively discover, prevent, and monitor risks in advance, or even seek opportunities from risks, which makes the Company lose its competitiveness and unable to ensure the freedom of intellectual property rights implementation and operation, or leads to the risk of litigation caused by the improper use of others' intellectual property.</p> <p>R23. Labor Disputes Risk: Employer and employees fail to observe ethics under the laws and regulations, resulting in labor disputes, work safety risks, legal risks and other incidents.</p> <p>IV. Environmental Risks</p> <p>R24. Climate Change - Physical Risks: Physical risk brought by long-term climate change and immediate extreme weather disasters, the possible direct impact on the industry and supply chain disruption, and other physical losses that may be caused by disasters.</p> | |

| Evaluation item | State of operations | | Summary description | Differences from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and reasons |
|-------------------------------------------------------------------------------------------------------------|---------------------|----|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------|
| | Yes | No | | |
| | | | <p>R25. Climate Change - Transitional Risks: To mitigate and adapt to climate change, a wider range of policies, laws, technologies and market changes must be introduced, causing the Company to face increased operating costs for making the transition.</p> <p>R26. Climate Change - Liability Risks: Risk caused by the failure of the Company to manage climate change risk, such as damage to the corporate image or the risk of litigation and compensation, etc.</p> <p>3. Analyze and measure the probability of occurrence (A), severity/impact (B), and risk exposure (A) x (B) of each risk item in the table above. Of the 26 risk items, there are 22 low-risk items, 4 medium-risk items, and 0 high-risk items. In particular, the 4 medium-risk topics are interest rate risk, inflation risk, geopolitical risk, and inventory risk. The Company has proposed corresponding response measures. The above has been submitted to the Sustainable Development Committee and the Board of Directors on December 28, 2022, and January 13, 2023, respectively. For the state of risk management operation and disclosure for 2022, please refer to the explanation on risk management in the Corporate Governance section on the Company's official website.</p> | |
| III. Environmental issues (I) Has the Company established an adequate environmental management system in | ✓ | | 1. The Company vigorously integrates the industry's upstream (vendors), midstream (the Company), and downstream (customers) to form a green supply chain management system. By proactively collaborating with upstream vendors (suppliers) and downstream customers, the Company can minimize its products' environmental impact and comply with social regulations. | No material difference |

| Evaluation item | State of operations | | Summary description | Differences from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and reasons |
|-------------------------------------------------|---------------------|----|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------|
| | Yes | No | | |
| accordance with its industrial characteristics? | | | <p>(1) Communication and interaction with upstream vendors: Besides requiring stable quality, we also expect upstream vendors to start with life-cycle thinking during product design; in other words, from raw material acquisition, input and transportation, product production and transportation, product use to disposal or reuse, etc., they must take into account all processes that may have environmental impacts and take advantage of the regeneration system of a circular economy. The Company's main suppliers are major international IDM or fabless plants that have already invested management resources in the 5 major aspects of labor, health and safety, the environment, ethical norms, and management systems, to comply with the regulatory requirements of RBA/Electronics Industry Citizenship Coalition (EICC). As the distributor of these upstream vendors, we will continue to consolidate downstream customers and partners in the entire supply chain to pay attention to social and environmental issues.</p> <p>(2) Meet the needs of downstream customers: The upstream vendors are required to cooperate and provide a commitment that the relevant substances containing metals or chemical substances in the product manufacturing process meet the standards and requirements of national laws and regulations. This is to ensure that these substances can be processed, used, stored, transported, recycled, reused, and disposed of safely. Examples are the RoHS (Restriction of Hazardous Substances) regulations and the REACH Substances of Very High Concern (SVHC) regulations formulated by the EU. Furthermore, the Company also requires the upstream vendors to publish a self-declaration of compliance with the above regulations on its</p> | |

| Evaluation item | State of operations | | Summary description | Differences from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and reasons |
|--------------------------------------------------------------------------------------------------------------------------|---------------------|----|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------|
| | Yes | No | | |
| | | | <p>official website, or to provide an SGS-certified report according to customers' needs. This is to make sure that the Company's electronic components sold to downstream customers meet the requirements of international regulations.</p> <p>(3) The Company's requirements and regulations:</p> <p>① The Company will implement the requirements of a circular economy in the office area and warehouse center, as well as the management of harmful substances, pollution prevention, energy conservation and carbon reduction, water saving, waste reduction, etc.</p> <p>② At the same time, climate change risk assessment is carried out annually based on the Company's risk management policies and procedures. In 2022, the physical risk, transitional risk and liability risk of climate change fell in the low-risk range.</p> <p>2. The Company is a distributor of IC semiconductor components and computer peripherals, and there are no production processes involved, and we have not passed relevant international environmental management certifications.</p> | |
| (II) Is the Company committed to improving energy efficiency and using recycled materials with low environmental impact? | ✓ | | <p>1. The Company's policies on improving energy efficiency include improvement of equipment or operating behavior, use of low-carbon energy, low-carbon transition business models, etc. Please refer to the explanation in the pp. 61~62 of ESG Sustainability Report or Policies to Improve Energy Efficiency in the Sustainability section of on the Company's official website.</p> <p>2. The Company is a distributor of IC semiconductor components and computer peripherals, and there are no production processes involved. Consequently, in terms of recycled material policy, we emphasize the 3Rs of circular economy: Re-Use (recycling and reuse), Re-Generating (resource regeneration), and Re-Manufacturing (product</p> | No material difference |

| Evaluation item | State of operations | | Summary description | Differences from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and reasons |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------|----|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------|
| | Yes | No | | |
| | | | <p>remanufacturing). We vigorously implement source reduction, as well as the recycling and reuse of packaging boxes, parts boxes, shockproof materials and trays used by the vendors for shipping and packaging purposes. The packaging materials needed for the Company's logistics operations such as outer boxes, cartons, cardboard will be manufactured from renewable and biodegradable materials that can be recycled and regenerated.</p> <p>3. For scrapped semiconductor components, the electronic waste contains valuable metals such as gold, silver, palladium, and platinum, as well as recyclable metals such as copper, lead, zinc, aluminum, tin, and iron. The Company has commissioned qualified contractors to recycle the resources for regeneration or remanufacturing, while relevant treatment process certificates must be provided by the contractors for subsequent tracking purposes.</p> | |
| (III) Has the Company evaluated the current and future potential risks and opportunities of climate change, and implemented countermeasures to address climate change-related issues? | ✓ | | <p>1. The Risk Management Group, Sustainable Development Executive Office, and the senior managers of various business units and functional units of the Company's performed the identification and analysis of climate change opportunities and risks for 2022 based on scenario analysis and PESTLE (Political, Economic, Sociological, Technological, Legal and Environmental) analysis. The operating boundaries included the Taiwan parent company, China/Hong Kong subsidiary and Singapore subsidiary, listing 7 opportunities, 7 physical risks and 5 transitional risks. The opportunity value, risk exposure, and estimated time (short, medium, and long-term) were gauged based on the possibility of opportunity/risk occurrence and opportunity benefit/risk impact.</p> <p>Opportunity and risk identification outcome</p> <p>A. Opportunities</p> <p>1. Franchise opportunities to strengthen the green product mix: Joining vendors to develop innovative low-carbon products or services can strengthen the Company's franchising products.</p> | No material difference |

| Evaluation item | State of operations | | Summary description | Differences from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and reasons |
|-----------------|---------------------|----|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------|
| | Yes | No | | |
| | | | <p>2. Opportunities for changing customer preference: Changing or catering to customer preferences, emphasizing the carbon footprint and carbon reduction performance of products or services.</p> <p>3. Opportunities to participate in the market of the new low-carbon economy: Transitioning to a low-carbon economy, securing new market opportunities, and participating in the low-carbon industrial chain.</p> <p>4. Opportunities for improving circular economy efficiency to reduce carbon emissions and operating costs: Promoting circular economy to improve operating and energy utilization efficiency, which can lower medium and long-term operating costs and achieve carbon reduction.</p> <p>5. Cost-benefit opportunities for investment in low-carbon energy-saving technology and equipment: Transitioning to low-carbon energy and investing in energy-efficient equipment or technology to decrease energy costs.</p> <p>6. Achieving low-emission workplace environment opportunities: Creating a low-emission and friendly workplace.</p> <p>7. Opportunities to improve organizational defense resilience: Cultivating the ability to adapt to climate change, effectively manage risks, and bolster hardware defenses to enhance organizational resilience.</p> <p>B. Physical risks This refers to the long-term climate change (such as a rise in average temperature, changes in rainfall patterns, persistent high temperatures, or long-term heat waves) and the physical risks of immediate extreme climate events (such as an increase in the frequency and severity of typhoons, storm floods, droughts, wildfires, or heat waves). These may cause a financial impact on the Company including asset damage, operation or supply chain disruption, failure to perform or recover debts or creditor's rights on time, and increase in risk transfer costs, resulting in the suffering of direct or indirect losses by various stakeholders of the Company.</p> | |

| Evaluation item | State of operations | | Summary description | Differences from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and reasons |
|-----------------|---------------------|----|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------|
| | Yes | No | | |
| | | | <p>1. Risk of operational impact from typhoon disasters: Increased frequency and severity of typhoons.</p> <p>2. Risk of operational impact from floods: Increased frequency and severity of storm floods.</p> <p>3. Risk of operational impact from droughts: Increased frequency and severity of droughts/wildfires/heat waves.</p> <p>4. Risk of global temperature rise: The average temperature rises every year.</p> <p>5. Risk of changing rainfall patterns: Increased number of persistent high temperatures or long-term heat waves.</p> <p>6. Risk of default or credit impact: Increased performance or credit risk.</p> <p>7. Dilemma of risk transfer and hedging: Difficulty in risk transfer or increase in costs, and difficulty in hedging assets or operations.</p> <p>C. Transitional risks To mitigate and adapt to climate change, more extensive public policies, laws, technology, and market changes must be introduced, causing companies to face escalating operating costs for transitional or reputational risks, etc.</p> <p>1. Facing rising costs of carbon pricing mechanisms: Policies and regulatory risks - GHG inventory management, facing carbon pricing mechanisms, imposing carbon fees/taxes, increasing operating costs.</p> <p>2. Facing the increased risk of lawsuits over poor emissions reductions: Policy and regulatory risk - Increased risk of climate-related litigation for poor performance in emissions reductions.</p> | |

| Evaluation item | State of operations | | Summary description | Differences from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and reasons |
|-----------------|---------------------|----|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------|
| | Yes | No | | |
| | | | <p>3. Increasing technological risks and transition costs for equipment improvement and replacement: Technological risks - Increased transitional costs for low-carbon, high-efficiency technology improvements and innovations - Replacement of energy-hungry equipment or vehicles, etc.</p> <p>4. Facing the market risk of insufficient transformation capabilities of product and service mechanisms: Market risk - Climate change affects the market supply and demand structure, resulting in a change in the customers' consumption behavior and preferences, raising the question whether the Company has the ability to transform products and service mechanisms.</p> <p>5. Facing the reputational risk of insufficient implementation of Sustainability Initiatives on Climate Change Action: Reputational risk - Sustainability-related environmental commitments and net-zero emission trends, failure to commit to low-carbon transition and comply with climate change action initiatives will affect the Company's reputation.</p> <p>2. The Company has reported the opportunities and risks of climate change listed in the above table and the corresponding countermeasures to the Sustainable Development Committee and the Board of Directors on December 28, 2022, and January 13, 2023, respectively. For the state of operations and disclosure of relevant matters, please refer to the explanation to the Climate Change Opportunities and Risks of Sustainable Environment in the Sustainability section on the Company's official website.</p> | |

| Evaluation item | State of operations | | Summary description | Differences from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and reasons | | | | | | | | | | | | | | | | | | |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------|-------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------|-------------------------------------------------|---------------------------------------|-----------------------------------------------------|---------------------------------------------------------|------|-------|--------|--------|------------|-----------------------|------|-------|--------|--------|------------|-----------------------|------------------------|
| | Yes | No | | | | | | | | | | | | | | | | | | | | |
| (IV) Has the Company compiled statistics on GHG emissions, water consumption, and the total weight of waste for the past two years, and formulated policies for energy conservation and carbon reduction, GHG reduction, water consumption reduction, or other waste management? | ✓ | | <p>1. Relevant inspection boundaries are mainly based on the Company's operating units such as offices and warehouse centers in Taiwan. The results of the Company's own inventory of GHG emissions, water consumption, and waste weight in the last two years are shown below:</p> <p>(1) GHG emissions in the last two years (carbon dioxide equivalent (CO2e)):</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Direct (Metric tons of CO2e) (Scope 1)</th> <th>Energy indirect (Metric tons of CO2e) (Scope 2)</th> <th>Total emissions (Metric tons of CO2e)</th> <th>Taiwan parent company sales revenue (NT\$ thousand)</th> <th>Emission intensity (Metric tons of CO2e /NT\$ thousand)</th> </tr> </thead> <tbody> <tr> <td>2021</td> <td>30.12</td> <td>391.44</td> <td>421.55</td> <td>29,964,915</td> <td>1.41x10⁻⁵</td> </tr> <tr> <td>2022</td> <td>29.40</td> <td>351.71</td> <td>381.11</td> <td>28,811,486</td> <td>1.32x10⁻⁵</td> </tr> </tbody> </table> <p>Remark:</p> <p>A. The greenhouse gas inventory adopts the operation control method, and the base year of greenhouse gas emissions has not yet been set; the greenhouse gas data has not been verified by a third party, and it is only calculated by the Company itself.</p> <p>B. The types of greenhouse gases to be inventoried include: carbon dioxide (CO2), methane (CH4), and nitrous oxide (N2O).</p> <p>C. Scope 1 includes petrol and diesel, which are mainly used in official vehicles and trucks.</p> <p>D. Scope 2 is mainly for outsourced electricity, citing the electricity carbon emission coefficient announced by the Bureau of Energy, Ministry of Economic Affairs, and updating the electricity carbon emission coefficient quoted</p> | Year | Direct (Metric tons of CO2e) (Scope 1) | Energy indirect (Metric tons of CO2e) (Scope 2) | Total emissions (Metric tons of CO2e) | Taiwan parent company sales revenue (NT\$ thousand) | Emission intensity (Metric tons of CO2e /NT\$ thousand) | 2021 | 30.12 | 391.44 | 421.55 | 29,964,915 | 1.41x10 ⁻⁵ | 2022 | 29.40 | 351.71 | 381.11 | 28,811,486 | 1.32x10 ⁻⁵ | No material difference |
| Year | Direct (Metric tons of CO2e) (Scope 1) | Energy indirect (Metric tons of CO2e) (Scope 2) | Total emissions (Metric tons of CO2e) | Taiwan parent company sales revenue (NT\$ thousand) | Emission intensity (Metric tons of CO2e /NT\$ thousand) | | | | | | | | | | | | | | | | | |
| 2021 | 30.12 | 391.44 | 421.55 | 29,964,915 | 1.41x10 ⁻⁵ | | | | | | | | | | | | | | | | | |
| 2022 | 29.40 | 351.71 | 381.11 | 28,811,486 | 1.32x10 ⁻⁵ | | | | | | | | | | | | | | | | | |

| Evaluation item | State of operations | | Summary description | Differences from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and reasons | | | | | | | | | | | | |
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| | Yes | No | | | | | | | | | | | | | | |
| | | | <p>in 2021 to 0.509 kg CO₂e/kWh; the 2022 electricity carbon emission coefficient has not yet been announced, so the 2021 carbon emission coefficient (0.509 kg CO₂e/kWh) will continue to be used for the calculation in 2022.</p> <p>E. The source of the conversion coefficient used: the latest version 6.0.4 of the Greenhouse Gas Emission Coefficient Management Table published by the Environmental Protection Administration of the Executive Yuan, R.O.C.(Taiwan)</p> <p>In 2022, total scope 1 and scope 2 GHG emissions were 381.11 metric tons CO₂e, 40.44 metric tons CO₂e less than 2021 (a reduction of 9.59%), meeting the management objective of a 1-2% reduction compared to the previous year.</p> <p>(2) Water consumption over the last two years was as follows: Mostly circulating water for air conditioners in office areas and household water for employees</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Total water consumption (Million Liters)</th> <th>Taiwan parent company sales revenue (NT\$ thousand)</th> <th>Water intensity (Million Liters /NT\$ thousand)</th> </tr> </thead> <tbody> <tr> <td>2021</td> <td>4.63</td> <td>29,964,915</td> <td>1.55x10⁻⁷</td> </tr> <tr> <td>2022</td> <td>4.06</td> <td>28,811,486</td> <td>1.41x10⁻⁷</td> </tr> </tbody> </table> <p>As a member of the factory/office building management committee, the Taipei Neihu Head Office demanded the installation of water-saving controllers to conserve water resources. Water-saving slogans are posted in various pantry areas, hoping to maximize the benefits of water resources by saving household water. In 2022, water consumption amounted to 4.06 million liters, which was a reduction of 0.57 million liters from 2021 thanks to the work from home for 4 months due to epidemic and the ongoing implementation of water resource management and water-saving</p> | Year | Total water consumption (Million Liters) | Taiwan parent company sales revenue (NT\$ thousand) | Water intensity (Million Liters /NT\$ thousand) | 2021 | 4.63 | 29,964,915 | 1.55x10 ⁻⁷ | 2022 | 4.06 | 28,811,486 | 1.41x10 ⁻⁷ | |
| Year | Total water consumption (Million Liters) | Taiwan parent company sales revenue (NT\$ thousand) | Water intensity (Million Liters /NT\$ thousand) | | | | | | | | | | | | | |
| 2021 | 4.63 | 29,964,915 | 1.55x10 ⁻⁷ | | | | | | | | | | | | | |
| 2022 | 4.06 | 28,811,486 | 1.41x10 ⁻⁷ | | | | | | | | | | | | | |

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| | Yes | No | | | | | | | | | | | | | | | | | |
| | | | <p>publicity campaigns, equivalent to a decrease of 12.31%, meeting the management objective of a 1-2% reduction compared to the previous year.</p> <p>(3) There are no production processes in the Company's business locations. During operating processes, only scrapped electronic products and general non-hazardous waste from offices and warehouse centers are generated. The amount of waste generated in the past 2 years is as shown below:</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Hazardous (Metric tons)</th> <th>Non-hazardous (Metric tons) (Note)</th> <th>Taiwan parent company sales revenue (NT\$ thousand)</th> <th>Waste intensity (Metric tons /NT\$ thousand)</th> </tr> </thead> <tbody> <tr> <td>2021</td> <td>0</td> <td>93.67</td> <td>29,964,915</td> <td>3.13x10⁻⁶</td> </tr> <tr> <td>2022</td> <td>0</td> <td>97.89</td> <td>28,811,486</td> <td>3.40x10⁻⁶</td> </tr> </tbody> </table> <p>Note: The amount of non-hazardous waste generated is estimated based on the average daily amount of general waste generated per person per day announced by the Environmental Protection Administration of the Executive Yuan, R.O.C.(Taiwan)</p> <p>In 2022, the amount of waste generated was 97.89 metric tons. The resource utilization policy is implemented in conjunction with vigorous source reduction. For scrapped semiconductor components, the electronic waste contains valuable metals such as gold, silver, palladium, and platinum. The Company has commissioned qualified contractors to recycle the resources for regeneration or remanufacturing, while relevant treatment process certificates must be provided by the contractors for subsequent tracking purposes. As a result, waste was increased by 4.22 metric tons and accounting for 4.51% compared to 2021 mainly due to the increase in the number of employees of the company by 12</p> | Year | Hazardous (Metric tons) | Non-hazardous (Metric tons) (Note) | Taiwan parent company sales revenue (NT\$ thousand) | Waste intensity (Metric tons /NT\$ thousand) | 2021 | 0 | 93.67 | 29,964,915 | 3.13x10 ⁻⁶ | 2022 | 0 | 97.89 | 28,811,486 | 3.40x10 ⁻⁶ | |
| Year | Hazardous (Metric tons) | Non-hazardous (Metric tons) (Note) | Taiwan parent company sales revenue (NT\$ thousand) | Waste intensity (Metric tons /NT\$ thousand) | | | | | | | | | | | | | | | |
| 2021 | 0 | 93.67 | 29,964,915 | 3.13x10 ⁻⁶ | | | | | | | | | | | | | | | |
| 2022 | 0 | 97.89 | 28,811,486 | 3.40x10 ⁻⁶ | | | | | | | | | | | | | | | |

| Evaluation item | State of operations | | Summary description | Differences from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and reasons | | | | | | | | | |
|--------------------------------------------------------------|-------------------------|-------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------|-------------------------|-------------------------------------|------------------------------|------|------|--------------------------------------------------------------|------|------|--|
| | Yes | No | | | | | | | | | | | |
| | | | <p>(2.45%).</p> <p>2. The Company will consider the impact on ecological efficiency and reduce the impact on the natural environment when engaging in any operational activities. We try our best to reduce pollution and properly dispose of waste. In terms of energy management, in order to improve the efficiency of energy use, the Company utilizes various energy sources, plans relevant management measures, implements office energy saving and carbon reduction, reduces the consumption of resources and energy, and tries to increase the recycling and reuse of energy in order to reduce the environmental impact.</p> <p>3. On June 28, 2022, the Company's Sustainable Development Committee and the Board of Directors approved the timetable for the Company's planned GHG inventory and verification based on the standard of "quasi-capital" of NT\$5 billion, as illustrated in the table below, in order to comply with the "Sustainable Development Roadmap for TWSE/TPEX Listed Companies" issued by the Financial Supervisory Commission in March 2022:</p> <table border="1"> <thead> <tr> <th>Company</th> <th>Inventory starting year</th> <th>External verification starting year</th> </tr> </thead> <tbody> <tr> <td>The Company (parent company)</td> <td>2025</td> <td>2027</td> </tr> <tr> <td>Consolidated statement for subsidiaries and their affiliates</td> <td>2026</td> <td>2028</td> </tr> </tbody> </table> <p>The implementation progress of relevant planning in 2022 has been reported to the Sustainable Development Committee and the Board of Directors on September 28 and December 28, 2022, and as January 13, 2023, respectively. Please refer to the explanation to the Organizational Greenhouse Gas Inventory and Verification Schedule Planning of</p> | Company | Inventory starting year | External verification starting year | The Company (parent company) | 2025 | 2027 | Consolidated statement for subsidiaries and their affiliates | 2026 | 2028 | |
| Company | Inventory starting year | External verification starting year | | | | | | | | | | | |
| The Company (parent company) | 2025 | 2027 | | | | | | | | | | | |
| Consolidated statement for subsidiaries and their affiliates | 2026 | 2028 | | | | | | | | | | | |

| Evaluation item | State of operations | | Summary description | Differences from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and reasons |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------|----|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------|
| | Yes | No | | |
| | | | Sustainable Environment in the Sustainability section on the Company's official website. | |
| IV. Social issues (I) Has the Company stipulated relevant management policies and procedures in accordance with relevant laws and regulations as well as international human rights conventions? | ✓ | | <ol style="list-style-type: none"> To protect the basic human rights of employees, the Company strives to fulfill its social responsibilities and supports the "United Nations Universal Declaration of Human Rights", "United Nations Global Compact", "International Covenant on Civil and Political Rights, and the International Covenant on Economic, Social and Cultural Rights", as well as the "ILO Declaration on Fundamental Principles and Rights at Work" to prevent any violations of human rights, so that all employees of the Company can be treated with fairness and dignity. The "Human Rights Protection Policy" has been formulated and approved by the Board of Directors on June 29, 2021, and it was later revised and approved by the Sustainable Development Committee and the Board of Directors on December 28, 2022, and January 13, 2023, respectively. The contents include: (1) Compliance with relevant local labor and environmental laws and international standards in each area of the Company's operations, (2) diversity and inclusiveness of recruited talents and equal opportunity for labor rights, (3) remuneration and benefits, (4) humane treatment and (5) healthy and safe workplace. The following is a summary of the implementation in accordance with the "Protection of Employees' Human Rights Policy": | No material difference |

| Evaluation item | State of operations | | Summary description | Differences from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and reasons |
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| | Yes | No | | |
| | | | <p>(1) The Work Rules have been established in accordance with the latest labor laws and regulations to protect human rights and protect the equal work rights of employees from unlawful infringement.</p> <p>(2) Since 2007, the Company has established guidelines for complaints and disciplinary measures against sexual harassment in the workplace in accordance with the Ministry of Labor's "Regulations for Establishing Measures of Prevention, Correction, Complaint and Punishment of Sexual Harassment at Workplace". The above measures will be revised under the updated guidelines of governmental agencies to conform to the latest laws and regulations. Through the above measures, we provide a work and service environment free from sexual harassment for staff (including employees, dispatched workers, technical students, and interns) and job seekers, and take appropriate preventive, corrective, disciplinary, and treatment measures to protect the rights and privacy of the parties involved.</p> <p>(3) Since 2019, the Company has formulated a prevention program for unlawful infringement in the performance of duties per the relevant provisions of the Occupational Safety and Health Act. The above program will be revised in accordance with the updated guidelines of governmental agencies to conform to the latest laws and regulations.</p> <p>(4) On the basis of the Occupational Safety and Health Act, the Company has established a maternal health protection program since 2020 to plan and take necessary safety measures to ensure the health of mothers, fetuses, and infants for workers who are at risk of maternal health hazards.</p> <p>(5) The Company has established an Occupational Safety and Health Committee, which convenes a meeting every three months. In 2022, four meetings were convened to report or discuss related occupational safety and health issues. The corporate governance structure consists of an Occupational Safety and Health Department, where employment safety</p> | |

| Evaluation item | State of operations | | Summary description | Differences from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and reasons |
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| | Yes | No | | |
| | | | <p>and health affairs are conducted by certified personnel, including class A labor safety and health supervisors, class B occupational safety and health managers, full-time nurses, and fire management personnel, who are responsible for performing routine occupational safety and health operations to provide employees with a safe workplace.</p> <p>(6) In 2022, (A) we partnered with Kang-Ning General Hospital to conduct annual health examinations for employees, with an employee participation rate of 85.77% (excluding colleagues stationed overseas); (B) we collaborated with Cathay General Hospital's doctors to provide health care and consultation services for employees, with a total of 6 consultation services conducted in March, June, August, September, October, and December, each lasting 3 hours, bringing the total to 18 hours; (C) during the COVID-19 pandemic, to control the risk of infection, work from home (WFH) and staggered shift systems were implemented in February, April, May, and June for approximately 4 months, and employees were allowed to take pandemic prevention leave, care leave and vaccination leave if necessary; and when all employees returned to work in the Company, those who had family care needs could apply for flexible working hours or continue to WFH.</p> <p>(7) The wages paid by the Company to its employees are in accordance with the local laws and regulations of each operating region and comply with all applicable laws and regulations regarding wages, including those related to minimum wages, overtime hours, and statutory benefits. If employees perform overtime work, they shall be paid based on the relevant labor laws and regulations in each region. There was no disciplinary action from the competent authority due to the violation of labor laws and regulations in 2022.</p> | |

| Evaluation item | State of operations | | Summary description | Differences from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and reasons |
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| | Yes | No | | |
| | | | (8) The Company values and cares about the employees' salary and benefits. The Company's emoluments (salary, incentive, bonus, and remuneration) policy is tied to the employee's performance evaluation, together with but not limited to welfare expenses related to labor insurance, health insurance, pension, medical insurance, and welfare committees. The employee's salary and benefits information is fully disclosed in the Company's financial report, annual report, and the TWSE reporting system. Relevant verifiable events are: (A) On June 17, 2022, the Company was once again listed as a constituent stock of the "TWSE RAFI Taiwan High Compensation 100 Index" published by Taiwan Index Plus (TIP), and the 1111 Job Bank voted the Company as the 2022 Happy Enterprise Silver Award, indicating that the salary and other benefits paid by the Company to employees are recognized by external institutions; (B) the Company's average salary (monthly salary excluding bonuses and remuneration) in 2022 was adjusted by 3.4%; (C) the distributable amount of employee remuneration allocated in accordance with the Company's Articles of Incorporation in 2022 was NT\$191,512 thousand (growth of 144% compared to 2020), distribution was completed on July 18, 2022, based on the employee performance evaluation; (D) employee salaries with added remuneration and year-end/performance bonuses in 2022 reached NT\$778,666 thousand, an increase of 2.04% compared to 2021; if calculated based on the number of employees, the average salary of employees reached NT\$1,551 thousand, a decrease of 0.39% compared to 2021 (because the number of employees increased by 12, or 2.45%); (E) including labor insurance, health insurance, pension, medical care insurance, employee benefits and other welfare expenditures, the total employee welfare expenses in 2022 reached NT\$884,721 thousand, an increase of 2.48% compared to 2021; if | |

| Evaluation item | State of operations | | Summary description | Differences from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and reasons | | | | | | | | | | | | | | | | | | | | | | | | | |
|-----------------|-------------------------|------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------|----------------|------------------|-----------------|----|----|----|----|------|-------------------------|----------|---------------|------------------------|--|--|------|--------|-------|-----------|---|-----------------|---------------------------------|---|----|----|--|
| | Yes | No | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | | | <p>calculated by the number of employees, the average employee welfare expenses reached NT\$1,762 thousand, which was unchanged from 2021, although the number of employees increased by 12, or 2.45%.</p> <p>(9) To uphold the responsibility of protecting the physical and mental development of children, the Company does not employ child laborers over the age of 15 and under the age of 16, and the labor service arrangements for employees are in compliance with relevant laws and regulations, including but not limited to corporal punishment, physical or psychological abuse or compulsory labor, intimidation or other verbal violence, withholding of identity documents or other illegal forced labor practices.</p> <p>(10) In 2022, the Company implemented the following training on human rights policy for new employees:</p> <table border="1"> <thead> <tr> <th>Number of hours</th> <th>Male (persons)</th> <th>Female (persons)</th> <th>Total (persons)</th> </tr> </thead> <tbody> <tr> <td>56</td> <td>25</td> <td>31</td> <td>56</td> </tr> </tbody> </table> <p>(11) In 2022, the Company hired nurses to regularly conduct. A total of 3 sanitation seminars took place for a total of 4.5 hours.</p> <table border="1"> <thead> <tr> <th rowspan="2">Date</th> <th rowspan="2">Number of hours (Hours)</th> <th rowspan="2">Contents</th> <th rowspan="2">Teaching unit</th> <th colspan="3">Number of participants</th> </tr> <tr> <th>Male</th> <th>Female</th> <th>Total</th> </tr> </thead> <tbody> <tr> <td>2022/2/24</td> <td>1</td> <td>Lower back pain</td> <td>MIDWAY Professional Health Team</td> <td>9</td> <td>10</td> <td>19</td> </tr> </tbody> </table> | Number of hours | Male (persons) | Female (persons) | Total (persons) | 56 | 25 | 31 | 56 | Date | Number of hours (Hours) | Contents | Teaching unit | Number of participants | | | Male | Female | Total | 2022/2/24 | 1 | Lower back pain | MIDWAY Professional Health Team | 9 | 10 | 19 | |
| Number of hours | Male (persons) | Female (persons) | Total (persons) | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 56 | 25 | 31 | 56 | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Date | Number of hours (Hours) | Contents | Teaching unit | Number of participants | | | | | | | | | | | | | | | | | | | | | | | | | |
| | | | | Male | Female | Total | | | | | | | | | | | | | | | | | | | | | | | |
| 2022/2/24 | 1 | Lower back pain | MIDWAY Professional Health Team | 9 | 10 | 19 | | | | | | | | | | | | | | | | | | | | | | | |

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| | Yes | No | Summary description | | | | | | | |
| | | | 2022/6/17 | 1.5 | Cancer prevention diet | Organic Living Environment Education Promotion Association of the Republic of China | 23 | 28 | 51 | |
| | | | 2022/8/19 | 2 | Workplace emotional health check and anti-stress "equipment" | Department of Health, Taipei City Government | 36 | 50 | 86 | |
| | | | Total | 4.5 | | | 68 | 88 | 156 | |
| | | | <p>(12) To let employees understand their workplace abilities and development plans, the company encourage them to participate in continuing education, training, or obtain relevant professional licenses. In 2022, colleagues participated in training or continuing education courses organized by the Company or external institutions, with a total of 1,245 person-times and 3,343.1 person-time hours.</p> | | | | | | | |

| Evaluation item | State of operations | | Summary description | Differences from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and reasons | | | | | | | | |
|-----------------|---------------------|----|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------|--------|--------------|-----|-----|-------------------|---------|---------|---------|
| | Yes | No | | | | | | | | | | |
| | | | | Classification | | Person-times | | | Person-time hours | | | |
| | | | Internal training | Education and training for new employees | Male | 225 | 504 | 766 | Male | 350 | 784 | 1,222.5 |
| | | | | | Female | 279 | | | Female | 434 | | |
| | | | | Nurse safety and sanitation seminar | Male | 68 | 156 | | Male | 115.5 | 267.5 | |
| | | | | | Female | 88 | | | Female | 152 | | |
| | | | | Legal affairs education and training | Male | 25 | 106 | | Male | 4.0 | 171 | |
| | | | | | Female | 81 | | | Female | 8.0 | | |
| | | | External training | Professional continuing education and training | Male | 390 | 479 | 479 | Male | 1,881.8 | 2,120.6 | 2,120.6 |
| | | | | | Female | 89 | | | Female | 238.8 | | |
| | | | | Total | | 1,245 | | | 3,343.1 | | | |
| | | | 3. In the past 2 years, the Company's efforts in workplace diversity and gender equality have been reflected in the employee structure, as illustrated in the table below | | | | | | | | | |

| Evaluation item | State of operations | | Summary description | | | | Differences from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and reasons | |
|-----------------|---------------------|----|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------|------------------|---------|------------------------------------------------------------------------------------------------------------------|---------|
| | Yes | No | Year | | 2021 | | | 2022 |
| | | | Classification | | Number of people | % | Number of people | % |
| | | | Assistant vice presidents (inclusive) or above | Male | 51 | 92.73% | 56 | 91.80% |
| | | | | Female | 4 | 7.27% | 5 | 8.20% |
| | | | | Subtotal | 55 | 100.00% | 61 | 100.00% |
| | | | Department manager (inclusive) or above | Male | 83 | 90.22% | 90 | 90.91% |
| | | | | Female | 9 | 9.78% | 9 | 9.09% |
| | | | | Subtotal | 92 | 100.00% | 99 | 100.00% |
| | | | Manager (inclusive) or above | Male | 150 | 85.71% | 151 | 84.83% |
| | | | | Female | 25 | 14.29% | 27 | 15.17% |
| | | | | Subtotal | 175 | 100.00% | 178 | 100.00% |
| | | | The whole company | Male | 280 | 57.14% | 278 | 55.38% |
| | | | | Female | 210 | 42.86% | 224 | 44.62% |
| | | | | Subtotal | 490 | 100.00% | 502 | 100.00% |
| | | | 4. To protect workers and promote social security, the Company has taken out labor insurance and national health insurance in accordance with the law. Moreover, to provide a friendly workplace environment, the Company has also | | | | | |

| Evaluation item | State of operations | | Summary description | Differences from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and reasons | | | | | | | | | | | | |
|------------------------------------------------------------------------------|---------------------------------|-----------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------|---------------------------------|------|-----------------------------------------------|--------|-----------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------|-------|----------------------------------|----|-------|--------|--|
| | Yes | No | | | | | | | | | | | | | | |
| | | | <p>taken out group accident insurance, hospitalization, cancer medical insurance, and travel safety insurance for our employees. The Company's premium payments in 2022 are shown in the table below:</p> <table border="1"> <thead> <tr> <th>Item</th> <th>Premium payment (NT\$ thousand)</th> <th>Note</th> </tr> </thead> <tbody> <tr> <td>Labor insurance and national health insurance</td> <td>50,271</td> <td rowspan="4">In 2022, the amount of employee medical insurance claims accounted for 80.9% of medical insurance expenditures.</td> </tr> <tr> <td>Employee group accident insurance, hospitalization, cancer medical insurance</td> <td>1,179</td> </tr> <tr> <td>Employee travel safety insurance</td> <td>57</td> </tr> <tr> <td>Total</td> <td>51,507</td> </tr> </tbody> </table> <p>5. The Company has established employee retirement measures in accordance with laws and regulations. Those who fall under the old labor pension system will have 2% of their monthly salary transferred to the Bank of Taiwan labor retirement fund every month. As of the end of November 2022, the account has NT\$137,397 thousand, which complies with the number of people who can retire before the end of the next year under the provisions of the Labor Standards Act. For those falling under the new labor pension system, 6% of their monthly salary is allocated to an individual</p> | Item | Premium payment (NT\$ thousand) | Note | Labor insurance and national health insurance | 50,271 | In 2022, the amount of employee medical insurance claims accounted for 80.9% of medical insurance expenditures. | Employee group accident insurance, hospitalization, cancer medical insurance | 1,179 | Employee travel safety insurance | 57 | Total | 51,507 | |
| Item | Premium payment (NT\$ thousand) | Note | | | | | | | | | | | | | | |
| Labor insurance and national health insurance | 50,271 | In 2022, the amount of employee medical insurance claims accounted for 80.9% of medical insurance expenditures. | | | | | | | | | | | | | | |
| Employee group accident insurance, hospitalization, cancer medical insurance | 1,179 | | | | | | | | | | | | | | | |
| Employee travel safety insurance | 57 | | | | | | | | | | | | | | | |
| Total | 51,507 | | | | | | | | | | | | | | | |

| Evaluation item | State of operations | | Summary description | Differences from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and reasons |
|-----------------|---------------------|----|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------|
| | Yes | No | | |
| | | | <p>pension account at the Bureau of Labor Insurance every month in accordance with the Table of Monthly Contribution Wages Classification of Labor Pension. Our employees are encouraged to engage in voluntary pension contributions to start saving pension in advance.</p> <p>6. The Company convened four labor-management meetings in 2022. Labor representatives can express their opinions in the meeting to communicate with the management. There have been no labor disputes in recent years.</p> <p>7. The Company attaches importance to employee welfare measures, provides a safe and healthy working environment, encourages employees to participate in continuing education and training to enhance their work value, emphasizes fair treatment, establishes employee complaint mechanisms and channels, and enforces the retirement system in accordance with the law so that employees' rights and interests can be manifested in the Weikeng Group.</p> <p>8. In accordance with the Act of Gender Equality in Employment, the Labor Standards Act, and the government's population policy and family policy, the Company implements a service map to take care of its employees. This includes the promotion of gender equality at work, prevention of sexual harassment in the workplace, promotion of emergency assistance programs for employees, corporate childcare measures, workplace maternal health counseling, promotion of family-friendly measures, promotion of work-life balance measures, and assistance in childcare/work suspension/reinstatement. This is done in order to establish a friendly workplace as one of the Company's competitive advantages, which will help enhance the organizational commitment and performance of employees.</p> | |

| Evaluation item | State of operations | | Summary description | Differences from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and reasons |
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| | Yes | No | | |
| (II) Has the Company formulated and implemented reasonable employee welfare measures (including salaries, vacations, and other benefits, etc.), and properly reflected business performance or results in employee compensation? | ✓ | | <p>1. The Company has formulated and implemented the “Work Rules” in accordance with the “Labor Standards Act” and relevant laws and regulations detailing the employee benefit and leave systems. Furthermore, the Company has established an Employee Welfare Committee in accordance with the law to implement various welfare measures.</p> <p>2. The Company has implemented various employee welfare measures, continuing education, training, a retirement system, labor-management coordination, and protection of employee rights and interests in accordance with the relevant laws and regulations and the Company’s policies and guidelines. For details, please refer to the chapter on labor relations in the 2022 annual report and the explanation to the Employee Benefits of Sustainable Workplace in the Sustainability section on the Company’s official website.</p> <p>3. The Company has formulated a remuneration policy and a performance evaluation system (evaluations are performed biannually), requiring our colleagues to not only play an active role in their job responsibilities but also to encourage them to assist the Company by proactively engaging in corporate social responsibility-related activities. It is also Included in the scope of rewards and punishments based on personnel regulations.</p> <p>4. The Company values and cares about employees’ remuneration and benefits. Our remuneration (salary, bonus, and remuneration) policy is tied to the employee’s performance evaluation and has been fully disclosed in the Company’s financial report, annual report, and TWSE reporting system. Relevant verifiable events are:</p> <p>(1) On June 17, 2022, the Company was once again listed as a constituent stock of the “TWSE RAFI Taiwan High Compensation 100 Index”, published by Taiwan Index Plus (TIP), and the 1111 Job Bank voted the Company as</p> | No material difference |

| Evaluation item | State of operations | | Summary description | Differences from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and reasons |
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| | Yes | No | | |
| | | | <p>the 2022 Happy Enterprise Silver Award, indicating that the salary and other benefits paid by the Company to employees are recognized by external institutions.</p> <p>(2) The Company's average salary (monthly salary excluding bonuses and remuneration) in 2022 was adjusted by 3.4%.</p> <p>(3) The distributable amount of employee remuneration allocated in accordance with the Company's Articles of Incorporation in 2022 was NT\$191,512 thousand (growth of 144% compared to 2020), distribution was completed on July 18, 2022, based on the employee performance evaluation.</p> <p>(4) Employee salaries with added remuneration and year-end/performance bonuses in 2022 reached NT\$778,666 thousand, an increase of 2.04% compared to 2021; if calculated based on the number of employees, the average salary of employees reached NT\$1,551 thousand, a decrease of 0.39% compared to 2021 (because the number of employees increased by 12, or 2.45%).</p> <p>(5) Including labor insurance, health insurance, pension, medical care insurance, employee benefits and other welfare expenditures, the total employee welfare expenses in 2022 reached NT\$884,721 thousand, an increase of 2.48% compared to 2021; if calculated by the number of employees, the average employee welfare expenses reached NT\$1,762 thousand, which was unchanged from 2021, although the number of employees increased by 12, or 2.45%.</p> | |

| Evaluation item | State of operations | | Summary description | Differences from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and reasons |
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| | Yes | No | | |
| | | | <p>(6) The Company has formed an Employee Welfare Committee to organize relevant employee welfare activities. The ratio of welfare expenditure to welfare income in 2022 was approximately 123%, which has increased by 68 percentage points compared to 2021 (due to the impact of the COVID-19 pandemic in 2021, several travel welfare activities were suspended).</p> <p>(7) To reinforce medical care for our employees, the Company has taken out group medical insurance for employees. From October 6, 2022, the Company agreed to increase the premiums of employee group medical insurance to require the insurance company to revise the terms of claim settlement, and relax the fact that all inpatient medical group health insurance can apply for claim settlement with a medical receipt duplicates from hospital, so that our employees can flexibly adjust their own insurance coverage and that of the Company. In 2022, the Company's employee group accident/hospitalization/cancer medical insurance claims accounted for 80.9% of the premium payment. In doing so, we provide our employees with peace of mind and support in terms of medical insurance.</p> <p>(8) The Company has established employee retirement measures in accordance with laws and regulations. Those who fall under the old labor pension system will have 2% of their monthly salary transferred to the Bank of Taiwan labor retirement fund every month. As of the end of November 2022, the account has NT\$137,397 thousand, which complies with the number of people who can retire before the end of the next year under the provisions of the Labor Standards Act. For those falling under the new labor pension system, 6% of their monthly salary is allocated to an individual pension account at the Bureau of Labor Insurance every month in accordance with the Table of</p> | |

| Evaluation item | State of operations | | Summary description | Differences from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and reasons |
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| | Yes | No | | |
| | | | Monthly Contribution Wages Classification of Labor Pension. Our employees are encouraged to engage in voluntary pension contributions to start saving pension in advance. | |
| (III) Has the Company provided employees with a safe and healthy workplace and regularly implemented safety and health education for employees? | ✓ | | <ol style="list-style-type: none"> 1. The Company has established an Occupational Safety and Health Committee, which convenes a meeting every three months. In 2022, four meetings were convened to report or discuss related occupational safety and health issues. The corporate governance structure consists of an Occupational Safety and Health Department, where employment safety and health affairs are conducted by certified personnel, including class A labor safety and health supervisors, class B occupational safety and health managers, full-time nurses, and fire management personnel, who are responsible for performing routine occupational safety and health operations to provide employees with a safe workplace. 2. In 2022, (1) we partnered with Kang-Ning General Hospital to conduct annual health examinations for employees, with an employee participation rate of 85.77% (excluding colleagues stationed overseas); (2) we collaborated with Cathay General Hospital's doctors to provide health care and consultation services for employees, with a total of 6 consultation services conducted in March, June, August, September, October, and December, each lasting 3 hours, bringing the total to 18 hours; (3) during the COVID-19 pandemic, to control the risk of infection, work from home (WFH) and staggered shift systems were implemented in February, April, May, and June for approximately 4 months, and employees were allowed to take pandemic prevention leave, care leave and vaccination leave if necessary; and when all employees returned to work in the Company, those who had family care needs could apply for flexible working hours or continue to WFH. | No material difference |

| Evaluation item | State of operations | | Summary description | Differences from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and reasons | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
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| | Yes | No | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | | | <p>3. In 2022, the Company hired nurses to regularly conduct. A total of 3 sanitation seminars took place for a total of 4.5 hours.</p> <table border="1"> <thead> <tr> <th rowspan="2">Date</th> <th rowspan="2">Number of hours (Hours)</th> <th rowspan="2">Contents</th> <th rowspan="2">Teaching unit</th> <th colspan="3">Number of participants</th> </tr> <tr> <th>Male</th> <th>Female</th> <th>Total</th> </tr> </thead> <tbody> <tr> <td>2022/2/24</td> <td>1</td> <td>Lower back pain</td> <td>MIDWAY Professional Health Team</td> <td>9</td> <td>10</td> <td>19</td> </tr> <tr> <td>2022/6/17</td> <td>1.5</td> <td>Cancer prevention diet</td> <td>Organic Living Environment Education Promotion Association of the Republic of China</td> <td>23</td> <td>28</td> <td>51</td> </tr> <tr> <td>2022/8/19</td> <td>2</td> <td>Workplace emotional health check and anti-stress "equipment"</td> <td>Department of Health, Taipei City Government</td> <td>36</td> <td>50</td> <td>86</td> </tr> <tr> <td>Total</td> <td>4.5</td> <td></td> <td></td> <td>68</td> <td>88</td> <td>156</td> </tr> </tbody> </table> <p>4. The Company tallies and reports employees' occupational accidents monthly as per the regulations. A total of 2 occupational accidents occurred in 2022 (accounting for 0.4% of all employees at the end of the year), and both were commuting traffic accidents. To prevent similar incidents from reoccurring, relevant safety and health education and training has been reinforced.</p> | Date | Number of hours (Hours) | Contents | Teaching unit | Number of participants | | | Male | Female | Total | 2022/2/24 | 1 | Lower back pain | MIDWAY Professional Health Team | 9 | 10 | 19 | 2022/6/17 | 1.5 | Cancer prevention diet | Organic Living Environment Education Promotion Association of the Republic of China | 23 | 28 | 51 | 2022/8/19 | 2 | Workplace emotional health check and anti-stress "equipment" | Department of Health, Taipei City Government | 36 | 50 | 86 | Total | 4.5 | | | 68 | 88 | 156 | |
| Date | Number of hours (Hours) | Contents | Teaching unit | | | | | Number of participants | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | | | | Male | Female | Total | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2022/2/24 | 1 | Lower back pain | MIDWAY Professional Health Team | 9 | 10 | 19 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2022/6/17 | 1.5 | Cancer prevention diet | Organic Living Environment Education Promotion Association of the Republic of China | 23 | 28 | 51 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2022/8/19 | 2 | Workplace emotional health check and anti-stress "equipment" | Department of Health, Taipei City Government | 36 | 50 | 86 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Total | 4.5 | | | 68 | 88 | 156 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |

| Evaluation item | State of operations | | Summary description | Differences from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and reasons | | | | | | | | | | | | | | | | | | | | |
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| | Yes | No | | | | | | | | | | | | | | | | | | | | | | |
| | | | <p>5. The Company's employee safety and health education and training in 2022 is illustrated in the following table: (No certification)</p> <table border="1"> <thead> <tr> <th>Contents</th> <th>Number of hours (Person-time hours)</th> <th>Male (persons)</th> <th>Female (persons)</th> <th>Total (persons)</th> </tr> </thead> <tbody> <tr> <td>General safety and health education and training</td> <td>168</td> <td>25</td> <td>31</td> <td>56</td> </tr> </tbody> </table> <p>6. The Company's fire management personnel has completed relevant education and training between 2021 and 2022.</p> <table border="1"> <thead> <tr> <th>Date</th> <th>Training organizer</th> <th>Training contents</th> <th>Number of hours (Hours)</th> <th>Certificates</th> </tr> </thead> <tbody> <tr> <td>2022.9.20</td> <td>China Productivity Center</td> <td>(1)Occupational safety and health-related regulations (2)Occupational safety personnel responsibilities and work safety analysis,</td> <td>6</td> <td>Bei-Shi-Lao-Zhi-Zi No. 1116105631 (Occupational safety and health business supervisors must receive retraining every 2 years)</td> </tr> </tbody> </table> | Contents | Number of hours (Person-time hours) | Male (persons) | Female (persons) | Total (persons) | General safety and health education and training | 168 | 25 | 31 | 56 | Date | Training organizer | Training contents | Number of hours (Hours) | Certificates | 2022.9.20 | China Productivity Center | (1)Occupational safety and health-related regulations (2)Occupational safety personnel responsibilities and work safety analysis, | 6 | Bei-Shi-Lao-Zhi-Zi No. 1116105631 (Occupational safety and health business supervisors must receive retraining every 2 years) | |
| Contents | Number of hours (Person-time hours) | Male (persons) | Female (persons) | Total (persons) | | | | | | | | | | | | | | | | | | | | |
| General safety and health education and training | 168 | 25 | 31 | 56 | | | | | | | | | | | | | | | | | | | | |
| Date | Training organizer | Training contents | Number of hours (Hours) | Certificates | | | | | | | | | | | | | | | | | | | | |
| 2022.9.20 | China Productivity Center | (1)Occupational safety and health-related regulations (2)Occupational safety personnel responsibilities and work safety analysis, | 6 | Bei-Shi-Lao-Zhi-Zi No. 1116105631 (Occupational safety and health business supervisors must receive retraining every 2 years) | | | | | | | | | | | | | | | | | | | | |

| Evaluation item | State of operations | | | Differences from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and reasons | | | | | | | | | | |
|--------------------------------------------------------------------------------------------------|---------------------------|---------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------|--|-------------------------------------------------|--|--|------------|---------------------------|---------------------------------------------------------------------------------------------------------------|---|---------------------------------------------------------------------------------------------|--|
| | Yes | No | Summary description | | | | | | | | | | | |
| | | | <table border="1"> <tr> <td></td> <td></td> <td>building a safe, secure, and friendly workplace</td> <td></td> <td></td> </tr> <tr> <td>2021.10.22</td> <td>China Productivity Center</td> <td>(1)Fire prevention management strategies (2 hours) (2)Education and training (3 hours) (3)Test (1 hour)</td> <td>6</td> <td>Certificate number: A110-Fu No. 02654 (Fire managers must receive retraining every 3 years)</td> </tr> </table> | | | building a safe, secure, and friendly workplace | | | 2021.10.22 | China Productivity Center | (1)Fire prevention management strategies (2 hours) (2)Education and training (3 hours) (3)Test (1 hour) | 6 | Certificate number: A110-Fu No. 02654 (Fire managers must receive retraining every 3 years) | |
| | | building a safe, secure, and friendly workplace | | | | | | | | | | | | |
| 2021.10.22 | China Productivity Center | (1)Fire prevention management strategies (2 hours) (2)Education and training (3 hours) (3)Test (1 hour) | 6 | Certificate number: A110-Fu No. 02654 (Fire managers must receive retraining every 3 years) | | | | | | | | | | |
| | | | 7. The Company's Taipei Head Office participated in and completed the annual fire drill in the factory office building on November 11, 2022 (the drill was conducted once this year due to COVID-19). The outcome of the drill was reported to the Neihu Battalion of the Third District HQ of the Taipei City Fire Department. | | | | | | | | | | | |
| (IV) Has the Company established an effective career development training program for employees? | ✓ | | <p>The Company has a continuing education and training program in place.</p> <p>1. Implementation by the Company</p> <p>(1) Regular training for new employees:</p> <ul style="list-style-type: none"> ① Understanding the Company's corporate philosophy and core values; ② Corporate governance, ethical corporate management, and sustainability policy requirements; ③ Introduction to the work functions of each department, network and information security, intellectual property protection requirements, and other points to note; | No material difference | | | | | | | | | | |

| Evaluation item | State of operations | | Summary description | Differences from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and reasons |
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| | Yes | No | | |
| | | | <p>④ On-the-job training (OJT) in the employee's department, focusing on job functions and ERP operations;</p> <p>(2) Work skill refinement training: In response to work processes, ERP system program function additions or management requirements, etc., the principal investigator implements work skill refinement training courses to fortify employees' essential learning ability, elevate work efficiency, and enhance their work value.</p> <p>(3) Leadership and control training: Education and training for the supervisors to bolster their leadership thinking and management knowledge, so that they can recognize the Company's values and the Company can cultivate a management team.</p> <p>2. Participation in external organization courses</p> <p>(1) We encourage employees to participate in professional skill or new knowledge training courses held by external organizations for application in the work process or management so that employees and the Company can achieve a win-win situation.</p> <p>(2) The training expenses of approved courses will be subsidized by the Company, and employees are encouraged to obtain the relevant certificate qualifications. Those who have obtained the relevant professional certificate qualifications and are judged as having added value to the Company's operations will be awarded professional bonuses.</p> | |

| Evaluation item | State of operations | | Summary description | Differences from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and reasons | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
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| | Yes | No | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | | | <p>3. The Company's implementation of relevant internal and external training in 2022:</p> <table border="1"> <thead> <tr> <th colspan="2">Classification</th> <th colspan="3">Person-times</th> <th colspan="4">Person-time hours</th> </tr> </thead> <tbody> <tr> <td rowspan="6">Internal training</td> <td rowspan="2">Education and training for new employees</td> <td>Male</td> <td>225</td> <td rowspan="2">504</td> <td rowspan="6">766</td> <td rowspan="6">479</td> <td>Male</td> <td>350</td> <td rowspan="2">784</td> <td rowspan="6">1,222.5</td> </tr> <tr> <td>Female</td> <td>279</td> <td>Female</td> <td>434</td> </tr> <tr> <td rowspan="2">Nurse safety and sanitation seminar</td> <td>Male</td> <td>68</td> <td rowspan="2">156</td> <td>Male</td> <td>115.5</td> <td rowspan="2">267.5</td> </tr> <tr> <td>Female</td> <td>88</td> <td>Female</td> <td>152</td> </tr> <tr> <td rowspan="2">Legal affairs education and training</td> <td>Male</td> <td>25</td> <td rowspan="2">106</td> <td>Male</td> <td>4.0</td> <td rowspan="2">171</td> </tr> <tr> <td>Female</td> <td>81</td> <td>Female</td> <td>8.0</td> </tr> <tr> <td rowspan="2">External training</td> <td rowspan="2">Professional continuing education and training</td> <td>Male</td> <td>390</td> <td rowspan="2">479</td> <td rowspan="2">479</td> <td>Male</td> <td>1,881.8</td> <td rowspan="2">2,120.6</td> <td rowspan="2">2,120.6</td> </tr> <tr> <td>Female</td> <td>89</td> <td>Female</td> <td>238.8</td> </tr> <tr> <td colspan="2">Total</td> <td colspan="3">1,245</td> <td colspan="4">3,343.1</td> </tr> </tbody> </table> | Classification | | Person-times | | | Person-time hours | | | | Internal training | Education and training for new employees | Male | 225 | 504 | 766 | 479 | Male | 350 | 784 | 1,222.5 | Female | 279 | Female | 434 | Nurse safety and sanitation seminar | Male | 68 | 156 | Male | 115.5 | 267.5 | Female | 88 | Female | 152 | Legal affairs education and training | Male | 25 | 106 | Male | 4.0 | 171 | Female | 81 | Female | 8.0 | External training | Professional continuing education and training | Male | 390 | 479 | 479 | Male | 1,881.8 | 2,120.6 | 2,120.6 | Female | 89 | Female | 238.8 | Total | | 1,245 | | | 3,343.1 | | | | |
| Classification | | Person-times | | | Person-time hours | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Internal training | Education and training for new employees | Male | 225 | 504 | 766 | 479 | Male | 350 | 784 | 1,222.5 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | | Female | 279 | | | | Female | 434 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | Nurse safety and sanitation seminar | Male | 68 | 156 | | | Male | 115.5 | 267.5 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | | Female | 88 | | | | Female | 152 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | Legal affairs education and training | Male | 25 | 106 | | | Male | 4.0 | 171 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | | Female | 81 | | | | Female | 8.0 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| External training | Professional continuing education and training | Male | 390 | 479 | 479 | Male | 1,881.8 | 2,120.6 | 2,120.6 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | | Female | 89 | | | Female | 238.8 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Total | | 1,245 | | | 3,343.1 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |

| Evaluation item | State of operations | | Summary description | Differences from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and reasons |
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| | Yes | No | | |
| (V) Concerning issues such as customer health and safety, customer privacy, marketing and labeling of products and services, has the Company complied with relevant laws and international standards, and formulated related consumer or customer rights protection policies and complaint procedures? | ✓ | | <p>According to the distribution contract, the intellectual property rights and brand values of the semiconductor parts and components for which the Company acts as a distributor belong to the vendors. Therefore, we provide sales services with the following measures:</p> <ol style="list-style-type: none"> 1. Based on the principle of ethical management, the Company has carried out business activities fairly and transparently and has stipulated business regulations that have been approved by the Board of Directors. These are used to regulate and review implementation, such as the “Ethical Corporate Management Best Practice Principles”, “Code of Ethical Conduct”, and “Whistleblowing System”, etc. Moreover, the Company signs purchase contracts according to the customers’ requests to regulate the integrity commitment, trade secret protection, and the Electronic Industry Code of Conduct (EICC), including labor and recruitment, health and safety, environmental responsibility, management system and ethics regulations/Responsible Business Alliance (RBA) Code of Conduct, etc. The Company has reviewed and implemented the relevant provisions. 2. Implementation of product labeling: <ol style="list-style-type: none"> (1) The products and services provided by the Company are based on the product distribution contracts signed with upstream vendors, and the contracts are regulated with respect to product intellectual property protection, product quality and safety, warranty and after-sales service, marketing, and labeling, etc., to protect the rights and interests of customers. (2) Since the distribution contracts of the IC product brands sold belong to the vendors, the relevant marketing activities must comply with the contract regulations, while marketing and promotion activities must be conducted in conjunction with the vendors. (3) For computer peripherals (software and hardware) distributed by the Company, such as AMD CPUs, ASRock, and | No material difference |

| Evaluation item | State of operations | | Summary description | Differences from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and reasons |
|-----------------|---------------------|----|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------|
| | Yes | No | | |
| | | | <p>Gigabyte mini PCs (NETTOP), besides the vendor color box, we have also complied with the information of the Department of Commerce, MOEA's Commodity Labeling Act regulations on information and communication-related consumer electronics products by adding product label stickers featuring product name, model, system requirements, rated voltage/frequency, total rated power consumption/input current, manufacturing year/number, country/region of manufacture, functional specifications/compatibility, instructions, emergency treatment method, warnings/precautions, distributor, manufacturer name, distributor service phone number, and other information on products. Only then are products sold and circulated on the market.</p> <ol style="list-style-type: none"> 3. For the design and manufacture of products, the production cycle of the upstream vendors, the raw materials, or other production elements, the vendors must submit proof that they comply with the EU RoHS and REACH substances of very high concern (SVHC) and other environmental protection regulations. Furthermore, the proof must be given to the Company to provide to its customers during sales; the product data sheet is given to ensure the customers' safety and health requirements. 4. In order to comply with product trade regulations, the Company has designed a customer screening engine to connect with the application programming interface (API) of the Consolidated Screening List (CSL) of the International Trade Administration (ITA) to ensure that operations at all stages, such as design in, quotation, order, and delivery, can be clarified whether the potential transaction or service object is on the export, re-export or transfer control list of the U.S. management authorities to ensure that customers have the right to legal transactions. 5. Based on the distribution contracts, all products sold have a warranty period. When a customer applies for an RMA, we perform the relevant RMA services after conducting a product defect analysis. 6. Customers can report problems by phone, email, and our website, and the relevant specialist will reply to customers' | |

| Evaluation item | State of operations | | Summary description | Differences from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and reasons |
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| | Yes | No | | |
| | | | <p>questions or complaints and handle the various applications.</p> <p>7. Enforcement of customer privacy:</p> <p>(1) As of the end of 2022, the Company had 502 employees (24 stationed overseas) in Taiwan, including 58 new employees who have signed a confidentiality agreement, which stipulates that they are obligated to keep confidential information about customers they learn or hold during their employment.</p> <p>(2) The Company has established the “Information and Cyber Security Policy and Management Regulations” to strengthen information security management through (A) personnel security management, (B) physical and environmental security management, (C) communication and operations management, and (D) access control to achieve the goal of protecting customer privacy.</p> <p>(3) When providing sales services, customer information will be kept confidential in accordance with the law, and we have signed purchase or NDA contracts with customers, with a total of 786 contracts signed as of the end of 2022.</p> | |
| (VI) Has the Company formulated supplier management policies that require suppliers to follow relevant regulations on issues such as environmental protection, occupational safety, health, or labor | ✓ | | <p>1. Weikeng is a professional semiconductor part and component and technical support service company and adheres to the role of a responsible distributor. In addition to cooperating with vendors to improve technology, quality, delivery, environmental protection, human rights, safety, and health, Weikeng also adheres to the Responsible Business Alliance (RBA) Code of Conduct for five major management themes: “labor”, “health and safety”, “environment”, “ethics”, and “management system”. This allows electronic product related enterprises, including vendors, the Company, and our customers, to take responsibility for sustainability and make every effort to develop a sustainable semiconductor supply chain.</p> | No material difference |

| Evaluation item | State of operations | | Summary description | Differences from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and reasons | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
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| | Yes | No | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| rights, and monitor their implementation? | | | <p>2. The Company's main vendors are major international IDM or Fabless plants that have already invested management resources in the 5 major aspects of labor, health and safety, the environment, ethical norms, and management systems, to comply with the regulatory requirements of RBA/Electronics Industry Citizenship Coalition (EICC). As the distributor of these upstream vendors, we will continue to consolidate downstream customers and partners in the entire supply chain to pay attention to social and environmental issues.</p> <p>3. The following is a list of information on the implementation of sustainability-related issues by the major foreign vendors we serve as a distributor:</p> <table border="1"> <thead> <tr> <th colspan="9">Key vendor supplier information disclosure</th> </tr> <tr> <th>Compliance item</th> <th>AMD</th> <th>Infineon</th> <th>Lattice</th> <th>Microchip</th> <th>Molex</th> <th>NXP</th> <th>Vishay</th> <th>WD</th> </tr> </thead> <tbody> <tr> <td>RoHS</td> <td>√</td> <td>√</td> <td>√</td> <td>√</td> <td>√</td> <td>√</td> <td>√</td> <td>√</td> </tr> <tr> <td>REACH</td> <td>√</td> <td>√</td> <td>√</td> <td>√</td> <td>√</td> <td>√</td> <td>√</td> <td>√</td> </tr> <tr> <td>Conflict-free minerals policy/responsible mineral sourcing policy</td> <td>√</td> <td>√</td> <td>√</td> <td>√</td> <td>√</td> <td>√</td> <td>√</td> <td>√</td> </tr> <tr> <td>Member of the RBA</td> <td>√</td> <td>√</td> <td></td> <td>√</td> <td>√</td> <td>√</td> <td>√</td> <td>√</td> </tr> <tr> <th colspan="9">Validated by the system</th> </tr> <tr> <td>ISO 9001 (Quality Management System)</td> <td>√</td> <td>√</td> <td></td> <td>√</td> <td>√</td> <td>√</td> <td>√</td> <td>√</td> </tr> <tr> <td>ISO 14001</td> <td>√</td> <td>√</td> <td>√</td> <td></td> <td>√</td> <td>√</td> <td></td> <td></td> </tr> </tbody> </table> | Key vendor supplier information disclosure | | | | | | | | | Compliance item | AMD | Infineon | Lattice | Microchip | Molex | NXP | Vishay | WD | RoHS | √ | √ | √ | √ | √ | √ | √ | √ | REACH | √ | √ | √ | √ | √ | √ | √ | √ | Conflict-free minerals policy/responsible mineral sourcing policy | √ | √ | √ | √ | √ | √ | √ | √ | Member of the RBA | √ | √ | | √ | √ | √ | √ | √ | Validated by the system | | | | | | | | | ISO 9001 (Quality Management System) | √ | √ | | √ | √ | √ | √ | √ | ISO 14001 | √ | √ | √ | | √ | √ | | | |
| Key vendor supplier information disclosure | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Compliance item | AMD | Infineon | Lattice | Microchip | Molex | NXP | Vishay | WD | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| RoHS | √ | √ | √ | √ | √ | √ | √ | √ | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| REACH | √ | √ | √ | √ | √ | √ | √ | √ | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Conflict-free minerals policy/responsible mineral sourcing policy | √ | √ | √ | √ | √ | √ | √ | √ | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Member of the RBA | √ | √ | | √ | √ | √ | √ | √ | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Validated by the system | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| ISO 9001 (Quality Management System) | √ | √ | | √ | √ | √ | √ | √ | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| ISO 14001 | √ | √ | √ | | √ | √ | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |

| Evaluation item | State of operations | | | | | | | | | | Differences from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and reasons | | |
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| | Yes | No | Summary description | | | | | | | | | | |
| | | | (Environmental Management System) | | | | | | | | | | |
| | | | ISO 14002 | | | | | | | | √ | | |
| | | | ISO 50001 (Energy Management System) | √ | √ | | | | | | | | |
| | | | OHSAS 18001/ ISO 45001 (Occupational Health and Safety Management System) | √ | √ | √ | | | | √ | | | |
| | | | ISO 13485 (Medical Devices Quality Management System) | | | √ | | | | | | | |
| | | | IATF 16949 (Automotive Quality System) | √ | √ | | | √ | | √ | √ | | |
| | | | IRIS (International Railway Industry Standards) | | | √ | | | | | | | |
| | | | 4. The design, production, and sale of green products are carried out by the vendors from three perspectives: product lifecycle consideration, low energy consumption product R&D, and non-hazardous material promotion. This is done with the hope of contributing to environmental protection. As a distributor for upstream vendors, Weikeng is committed | | | | | | | | | | |

| Evaluation item | State of operations | | Summary description | Differences from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and reasons |
|-----------------|---------------------|----|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------|
| | Yes | No | | |
| | | | <p>to developing a green supply chain for semiconductors by investing resources in sales, technology, and operating management systems to fulfill our responsibility for environmental protection.</p> <p>5. Although the important distribution contracts (18) signed between the Company and the vendors in Europe and the U.S. do not directly include the protection of human rights in the contracts, most of the aforementioned vendors' high-tech technologies come from the U.S. Therefore, they are required to comply with the relevant U.S. import and export laws and regulations according to the contract specifications. The U.S. will impose certain penalties, compliance items, or export/re-export restrictions on human rights violations per the relevant import/export laws and regulations. Therefore, the distribution contracts signed between the Company and the vendors according to the U.S. import and export laws and regulations, indirectly include the protection of human rights in the contracts and are mutually binding on both parties.</p> <p>6. For non-vendors (subcontractors and general service providers, etc.), the Company has established a "Code of Conduct for Suppliers" approved by the Board of Directors on May 14, 2020, for compliance:</p> <p>(1) As of the end of 2022, 65 non-vendors/subcontractors had signed the Responsible Business Alliance (RBA) Code of Conduct commitment.</p> <p>(2) Weikeng emphasizes "ethical corporate management", "risk management", and "supply optimization" and requires its partners to commit to providing responsible, quality, and legal supply chain services to Weikeng in the economic, environmental and social areas.</p> | |

| Evaluation item | State of operations | | Summary description | Differences from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and reasons |
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| | Yes | No | | |
| | | | (3) For subcontracted vendors, such as outsourced storage management and product programming, we regularly or irregularly review their operating sites and conduct compliance inventory assessments of standard operating procedures. | |
| V. Has the Company referred to international reporting standards or guidelines to prepare ESG or other reports that disclose non-financial information about the Company? Has the assurance or opinion from third-party certifying institutions been obtained for the aforementioned reports? | ✓ | | <p>1. The Company's "Sustainability Report Preparation and Verification Procedures" were completed and approved by the Board of Directors on September 28, 2022 in accordance with the TWSE's "Operational Measures for the Preparation and Submission of ESG Reports for TWSE-Listed Companies", and we have voluntarily published the 2021 ESG Sustainability Report one year in advance. The report was approved by the Sustainable Development Committee and the Board of Directors on September 28, 2022, and it was published on the Company's official website and MOPS. The 2022 ESG Sustainability Report, which is still in the process of data collection, is expected to be finalized before the end of June 2023. It will be submitted to the Sustainable Development Committee and the Board of Directors for approval before being reported to the competent authority and published on the Company's official website.</p> <p>2. The 2021 ESG Sustainability Report has not been verified by an impartial third party. To ensure the correctness of the report's content, various departments of the Company participated in the editing, revision, and review of the report.</p> | No material difference |
| VI. If the Company has formulated its own sustainable development best practice principles based on the "Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies", please state the differences between the two and the state of implementation: | | | | |

| Evaluation item | State of operations | | Summary description | Differences from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and reasons |
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| | Yes | No | | |
| | | | To implement the sustainable development policy more effectively, the Company proposed to the Board of Directors on March 25, 2022, to establish a “Sustainable Development Committee”, which is the highest guiding unit for the planning and discussion of sustainable development, with an independent director of the Board of Directors as the committee chair, and two functional groups for sustainable development and risk management under the Committee to ensure the promotion and implementation of work related to corporate sustainable development. | |
| VII. Other important information that is helpful to understand the implementation of sustainable development: | | | | |
| (I) Environmental protection issues | | | | |
| 1. To advocate environmental protection, care for the Earth, and strive to promote ecological sustainability, in July 2016, the Company donated 10 Hitachi hard disks as storage devices to assist in the filming of “Bao Dao”, a documentary film in the Taiwan nature reserve (at a cost of roughly NT\$118,000). The Forestry Bureau, Agriculture Committee, Executive Yuan, commissioned the ecological photographer Chan Chia-lung to complete the planning and shooting of the film over 2 years, which premiered in December 2017. | | | | |
| 2. From 2019 to 2022, the Company sponsored the “Earth Day” event of the “Commercial Times” for 3 years in a row, paying attention to the environmental protection activities for the Earth. In 2022, the total amount sponsored was NT\$40,000. | | | | |
| (II) Sponsorship of educational resources | | | | |
| 1. To bolster university education resources, the Company sponsored National Chiao Tung University (renamed National Yang Ming Chiao Tung University) and National Tsing Hua University a total of NT\$1.8 million from 2017 to 2018, and again sponsored National Yang Ming Chiao Tung University NT\$500,000 in October 2022. | | | | |
| 2. The Company is concerned about the serious educational gap in Taiwan’s remote townships. From May 2020 to August 2022, the Company sponsored the Boyo Social Welfare Foundation for three consecutive years. The Foundation’s mission is to provide remedial education in remote townships, train local counselors, and help graduating students become self-sufficient and self-improving to escape poverty. In 2022, we sponsored a total of NT\$ 1 million. | | | | |
| (III) Sponsorship of sports resources | | | | |
| To promote sports activities, the Company has sponsored the High Tech Charity Association for the past six years (2017-2022). These funds were used to promote professional | | | | |

| Evaluation item | State of operations | | Summary description | Differences from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and reasons |
|-----------------|---------------------|----|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------|
| | Yes | No | | |
| | | | golf in Taiwan, with a cumulative total of NT\$1.8 million in sponsorships by 2022. | |
| | | | (IV) Sponsorship of research institutes | |
| | | | 1. The Company sponsored the Chinese Society for Management of Technology from 2017 to 2022 in the hope of bringing together talent in the field of technology management to promote exchanges among industry, government departments, and academic research institutions. Up to 2022, the cumulative amount of sponsorship was NT\$1.2 million. | |
| | | | 2. To promote business evaluation activities and collaborate with the government to advance a knowledge-based economy and business evaluation activities, etc., the Company sponsored a total of NT\$850,000 to the Chinese Association of Valuation from 2015 to 2016 and in 2019, and 2022. | |
| | | | (V) Colleagues engaging in social welfare | |
| | | | 1. In May 2022, the Company participated in the "Feeding Love and Going - Meal Subsidy Scheme for Vulnerable School Children" hosted by the Next Generation Charity Association, donating a total NT\$400,000. The funds were donated to four groups including the Boyo Social Welfare Foundation's lesson plan, the Chinese Christian Relief Association 1919 Accompanied Reading Program, the HsinChu I-Link Neighbor Community Care Association's Green Light Seed Education Program, and the Taitung Hong-ye juvenile baseball team. In addition to donations from the Company, a total of 190 Weikeng's colleagues and family members fulfilled their social responsibilities through walking, and used their actions to speak out for schoolchildren from disadvantaged families and respond to social welfare. | |
| | | | 2. To perpetuate the power of life, gather blood with love, and facilitate a peaceful and loving society, the Company organized a one-day blood drive with the Taipei Blood Center of Taiwan Blood Services Foundation on November 2, 2022 (event location: Wall Street Technology Headquarters Building Square (near Neihu Road)), and invited other companies in the same building to support the event. A total of 48 colleagues from the Company participated in the blood drive, donating 15,500ml of blood. A total of 47 people from other companies donated 16,500ml of blood. A total of 95 people participated in the blood drive, donating 32,000ml of blood to perpetuate the power of life and spread love. | |

(vi) The Company's implementation of ethical corporate management and the differences from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and the reasons therefor

| Evaluation item | State of operations(Note 1) | | | Differences from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and reasons |
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| | Yes | No | Summary description | |
| <p>I. Establishment of the ethical corporate management policy and program</p> <p>(I) Has the Company formulated an ethical corporate management policy approved by the Board of Directors, and are the policy and practice of ethical corporate management stated in the Company's regulations and external documents, as well as the commitment of the Board of Directors and the senior management to actively implement the policy?</p> | ✓ | | <p>(I) The Company has established the "Code of Ethical Conduct" and "Ethical Corporate Management Best Practice Principles" which were submitted to the shareholders' meeting. These standards provide high ethical standards for all employees and are disclosed in the annual report and on the Company's official website. It is of paramount importance that the Board of Directors and management adopt the highest standards of integrity and ethics in the management of the Company and the work conduct of its employees, prohibiting bribery, corruption, deception and any other forms of improper conduct. Each employee must adhere to the ethical management policy.</p> | No material difference |
| <p>(II) Has the Company established a mechanism for evaluating the risk of</p> | ✓ | | <p>(II) In order to prevent any unethical conduct, employees must disclose any conduct that has or may have the potential to undermine these Principles, such as actual or potential conflicts of interest. Key employees and senior management must regularly declare their compliance</p> | No material difference |

| Evaluation item | State of operations(Note 1) | | | Differences from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and reasons |
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| | Yes | No | Summary description | |
| unethical conduct, and does it regularly analyze and evaluate the activities in its scope of business with a higher risk of unethical conduct, and, based on this, has it formulated a plan to prevent unethical conduct, which covers at least the preventive measures for the conduct set out in Paragraph 2 of Article 7 of the “Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies”? | | | with these Principles. Promotion to employees on core values is also conducted through education and training courses and emails. The Company requires all customers, suppliers and partners to declare in writing that they will not engage in any fraudulent or induced unethical conduct in their business dealings with the Company or with management and employees. The Company has established internal and external whistleblower reporting hotlines that can be used by any relevant personnel to report to the Company’s designated internal auditors and legal staff for the purpose of investigating any violations of ethical conduct expected of an individual. | |
| (III) Has the company clearly provided the operating procedures, conduct guidelines, disciplines for violations and a grievance system in its program to prevent unethical acts and | ✓ | | (III) The “Ethical Corporate Management Best Practice Principles” approved by the Company’s Board of Directors provide preventive measures against the following conducts: 1. Offering and accepting bribes; 2. Making illegal political contributions; 3. Improper charitable donations or sponsorships; 4. Offering or accepting unreasonable gifts, hospitality or other improper benefits; 5. Infringement of trade secrets, trademarks, patents, copyrights and other intellectual | No material difference |

| Evaluation item | State of operations(Note 1) | | | Differences from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and reasons |
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| | Yes | No | Summary description | |
| have these been implemented, and has the formally disclosed program been regularly reviewed and amended? | | | <p>property rights;</p> <p>6. Engaging in unfair competitive practices;</p> <p>7. The purchase, provision or sale of products and services that directly or indirectly harm the rights, health and safety of consumers or other stakeholders.</p> <p>The Company regularly publicizes the corporate governance of ethical corporate management at monthly operation meetings, quarterly staff meetings, and employee training sessions. There is also a whistleblower reporting system in place to promote ethical corporate management and self-discipline.</p> | |
| <p>II. Implementation of ethical corporate management</p> <p>(I) Does the Company evaluate the ethical records of its counterparties and specify the ethical conduct clauses in the contracts signed with the counterparties?</p> | ✓ | | <p>(I)-1 The Company holds monthly operation meetings and requires participants to communicate our ethical corporate management requirements to all business partners. In addition, every business contract contains ethics-related clauses. If these clauses are violated, the Company may terminate the partnership at any time without any other obligation or compensation.</p> <p>(I)-2 The Company’s main vendors are major international IDM or fabless plants that have already invested management resources in the 5 major aspects of labor, health and safety, the environment, ethical norms, and management systems, to comply with the regulatory requirements of RBA/Electronics Industry Citizenship Coalition (EICC). As the distributor of these upstream vendors, we will continue to consolidate downstream customers and partners in the entire supply chain to pay attention to social and environmental issues.</p> <p>(I)-3 In terms of non-vendor suppliers (contractors and common service providers), the “Supplier Code of Conduct” was approved by the Board of Directors on May 14 2020. Up until the end of 2022, a total of 65 non-vendor suppliers/contractors have signed the Letter of</p> | No material difference |

| Evaluation item | State of operations(Note 1) | | | Differences from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and reasons |
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| | Yes | No | Summary description | |
| | | | <p>Undertaking for Compliance with Responsible Business Alliance (RBA), and which general content of the Letter: The Company reiterates the importance of integrity and honesty in the business cooperation between the two parties. Weikeng firmly prohibits any corruption and/or bribery activities, and has the same requirements for its various businesses and its third-party suppliers. Weikeng will never condone accepting or giving gifts, presents or entertainment that may be considered as bribery, and has explicitly requested its employees (including their family members, relatives and friends) not to accept such gifts, presents or entertainment.</p> <p>(I)-4 As of the end of December 2022, a total of 32 vendors have signed distributor contracts with the Company that include anti-corruption/anti-bribery) and other clauses of similar meaning, and the content also requires the two parties to prohibit any dishonest behavior such as bribery during the commercial cooperation.</p> <p>(I)-5 As of the end of December 2022, a total of 270 customers of the Company have signed relevant integrity commitments and other similar integrity requirements with the Company, and the content also requires the two parties to prohibit any dishonest behavior such as bribery during the commercial cooperation.</p> | |
| (II) Does the Company have a dedicated unit under the Board of Directors to promote ethical corporate management and regularly report (at least once a year) to the Board of Directors on its ethical management | ✓ | | (II) Based on duties and responsibilities, the Sustainable Development Committee is the supervisory unit that oversees the formulation of the Company's objectives, strategies and implementation plans for the Company's ethical management. A Sustainable Development Group has been set up under the Committee, responsible for the implementation and promotion of corporate governance and ethical management. The members of the Sustainable Development Group are part of the Company's Chairman's Office and President's Office. Matters in connection with the implementation are reported to the Sustainability Committee and the Board of Directors on a quarterly basis, with an annual | No material difference |

| Evaluation item | State of operations(Note 1) | | | Differences from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and reasons |
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| | Yes | No | Summary description | |
| policy and does it plan to prevent unethical conduct and monitor its implementation? | | | summary report prepared at the end of the year. | |
| (III) Does the Company have a policy to prevent conflicts of interest, provide appropriate channels for explanation, and implement it? | ✓ | | <p>(III)-1 In addition to establishing the “Code of Ethical Conduct”, “Ethical Corporate Management Best Practice Principles”, “Corporate Governance Best Practice Principles”, “Code of Conduct for Suppliers”, “Sustainable Development Policy”, “Sustainable Development Best Practice Principles”, “Operating Procedures For Handling Material Inside Information”, and “Whistle-blowing System”, approved by the Board of Directors to handle conflicts of interest, we also thoroughly comply with the “Company Act”, “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 regulations regarding TWSE-listed companies.</p> <p>(III)-2 The product distribution contract entered into between the Company and upstream vendors meets the requirements of domestic and foreign vendors. At the same time, when we conduct trade transactions with downstream customers, the procurement contract or integrity pledge entered into between the Company and the customer specifies a conflict of interest management mechanism.</p> <p>(III)-3 In accordance with the whistle-blowing system, we have established reporting channels, and provide an internal audit supervisor and legal supervisor hotline and email to receive and submit information regarding conflicts of interest.</p> | No material difference |
| (IV) Has the Company | ✓ | | (IV) The Company has established an accounting and internal control system to ensure ethical | No material difference |

| Evaluation item | State of operations(Note 1) | | | | Differences from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and reasons | | |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------|----|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------|-----------------------------------------------------------------------------------------------------------------------|-----------------|--------------------|
| | Yes | No | Summary description | | | | |
| established an effective accounting system and internal control system for the implementation of ethical corporate management, and does the internal audit unit draw up relevant audit plans based on the evaluation results of risk of unethical conduct and audit the compliance of the plan to prevent unethical conduct or entrusts CPAs to perform the audit? | | | corporate management. The internal audit supervisor conducts risk assessment based on possible unethical business practices, includes these items in the annual audit plan, and reports the audit results to the Audit Committee and the Board of Directors. Up to now, the Company has not appointed any CPAs to perform audits. | | | | |
| (V) Does the company organize internal or external training on a regular basis to maintain ethical management? | ✓ | | (V) The Company conducts regular education on ethical practices, code of ethical conduct, conflict of interest avoidance, and all other related topics by senior management and the legal supervisor at monthly operating meetings and quarterly all staff meetings. 1. In 2022, the legal supervisor and chief financial officer performed training and promotion on ethical practices, the code of ethical conduct, and the prohibition of insider/swing trading at training courses for new employees as well as all other staff. 2. Annual anti-corruption training for all employees, supervisors and newcomers for 2022 | | No material difference | | |
| | | | Date | Promotion sessions | Number of participants | Number of hours | Education contents |

| Evaluation item | State of operations(Note 1) | | | | | | Differences from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and reasons |
|-----------------|-----------------------------|----|---------------------|-----------------------|----|-----|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| | Yes | No | Summary description | | | | |
| | | | 2022/01/18 & 20 | New employee training | 13 | 1.0 | Anti-corruption/ethical corporate management/ insider and short swing trading prohibition |
| | | | 2022/07/12 & 14 | | 16 | 1.0 | |
| | | | 2022/10/25 & 27 | | 27 | 1.0 | |
| | | | 2022/3/31 | Operating meeting | 39 | 0.5 | 4. Definition of news for insider trading/swing trading 5. Civil and criminal liability as set forth by the Securities and Exchange Act 6. Insiders are prohibited from trading the Company's issued stocks or equity-type securities during the lock-up period before the financial report is published (annual report: 30 days before the day of publication/quarterly report: 15 days before the day of publication) and precipitation period after the annual report is published (18 hours before and after the day of publication). |

| Evaluation item | State of operations(Note 1) | | | | | Differences from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and reasons | | |
|-----------------|-----------------------------|----|---------------------------------------------------------------------------------------------------|------------------------------|---------------------------|-----------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------|----------------------------|
| | Yes | No | Summary description | | | | | |
| | | | 2022/10/14 | All staff meeting | 373 | 0.5 | Prevention of Insider Trading - Introduction to Laws and Regulations for Insider Trading (Source: TWSE) | |
| | | | 3. Director's continuing education (anti-corruption/ethical corporate management related courses) | | | | | |
| | | | Title | Name | Continuing education date | Training organizer | Course name | Continuing education hours |
| | | | Director | HU, CHIU-CHIANG(@Douglas Hu) | 2022/05/13 | Taiwan Corporate Governance Association | Prevention of Insider Trading | 3 |
| | | | Director | CHI, TING-FANG(@Stan Chi) | 2022/05/13 | Taiwan Corporate Governance Association | Prevention of Insider Trading | 3 |
| | | | Independent director | YU, HSUEH-PING (@Peggy Yu) | 2022/07/22 | Securities and Futures Institute | Emerging Fintech Crimes and Anti-Money Laundering from | 3 |

| Evaluation item | State of operations(Note 1) | | | | | | Differences from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and reasons |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------|----|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------|------------|-----------------------------------------|-----------------------------------------------------------------------------------------------------------------------|
| | Yes | No | Summary description | | | | |
| | | | | | | a Corporate Perspective | |
| | | | Director | CHEN, KUAN-HUA(@Bill Chen) | 2022/05/13 | Taiwan Corporate Governance Association | Prevention of Insider Trading 3 |
| III. Operation of the Company's whistleblower system (I) Has the Company set up a specific whistleblower reporting and reward system, a convenient reporting channel, and are appropriate personnel designated to deal with the reported matters? | ✓ | | (I)-1 The Company's whistle-blowing system was formulated by the Board of Directors on January 24, 2017, and revised by the Board of Directors on July 24, 2018, and November 11, 2022. (I)-2 Internal and external whistleblowers may file a whistleblower complaint by letter, email and telephone: 1. Address: Whistleblower Unit, 11F, No. 308, Sec. 1, Neihu Rd, Neihu Dist., Taipei City 2. Email: whistleblower@weikeng.com.tw (Emails will be automatically forwarded to the audit supervisor and the head of the Legal Office). 3. Whistleblower hotline: +886-2-26590202, extension 531 for Mr. Chiu, head of the Audit Office; extension 533 for Mr. Tsai, head of the Legal Office. | | | | No material difference |
| (II) Has the Company formulated standard | ✓ | | (II)-1 In the whistle-blowing system, we have specified the process for handling whistleblowing with respect to the registration, acceptance, investigation and reporting | | | | No material difference |

| Evaluation item | State of operations(Note 1) | | | Differences from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and reasons |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------|----|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------|
| | Yes | No | Summary description | |
| operating procedures for the investigation of the reported matters, follow-up measures to be taken after the completion of the investigation, and the relevant confidentiality mechanisms? | | | <p>process for compliance.</p> <p>(II)-2 The staff who receive a report from a whistleblower shall handle the information associated with the whistleblower and the specific content of the matter being reported in strict confidentiality. The relevant investigation shall be carried out without exposing the identity of the whistleblower. Unless agreed by the whistleblower, under no circumstances shall the name, workplace, or contact information of the whistleblower be made public. For any breach of confidentiality or improper performance of duties by the staff who receive reports from whistleblowers, disciplinary action will be taken according to the circumstances and consequences.</p> <p>(II)-3 After the investigation team has completed the necessary investigation procedures, a corresponding investigation report is issued based on the verified facts. The report is provided to the HR department when necessary. The responsible unit will report the whistleblowing matter, handling method and subsequent improvement measures to the Audit Committee and Board of Directors. Whistleblowing matters proven to be true and in significant violation of national law will be referred to the judicial authorities.</p> | |
| (III) Does the Company take measures to protect whistleblowers from being improperly handled due to reporting? | ✓ | | <p>(III)-1 The Company takes whistleblower protection very seriously and its core purpose is to protect employees who work hard to identify potential unlawful practices from being retaliated against. If not necessary, whistleblowers will refrain from meeting directly with the person being reported on in order to prevent any risks to the whistleblower. No unit or individual may block or suppress a whistleblowing matter or retaliate against the whistleblower and the investigator. If proven true, those who retaliate against the whistleblower or the investigator will be handled in accordance with the Company's regulations and referred to the judicial authorities if the crime is significant.</p> <p>(III)-2 The Company has a whistleblower protection hotline. If necessary, senior executives, independent directors and the Board of Directors can directly review and determine the</p> | No material difference |

| Evaluation item | State of operations(Note 1) | | | Differences from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and reasons |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------|----|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------|
| | Yes | No | Summary description | |
| | | | appropriate action to respond to retaliation. | |
| IV. Enhancement of information disclosure Does the Company disclose the content and effectiveness of its Ethical Corporate Management Principles on its website and the Market Observation Post System? | ✓ | | The Company discloses its Ethical Corporate Management Best Practice Principles on the Company's website and the Market Observation Post System. In 2022, there was no violation of the Ethical Corporate Management Best Practice Principles or any reports against the Company. | No material difference |
| V. For companies that have established Ethical Corporate Management Best-Practice Principles in accordance with the "Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies", please describe the current practice and differences from the principles: There is no material difference, but the Company keeps an eye on the development of domestic and international regulations related to ethical corporate management and encourages directors, managerial officers and employees to make suggestions to review and improve the Company's Ethical Corporate Management Best Practice Principles in order to enhance the effectiveness of the Company's ethical corporate management. | | | | |
| VI. Other important information that is helpful to understand the implementation of ethical corporate management (for example, if the Company reviews and amends its ethical corporate management principles): 1. The Company's "Operating Procedures for Handling Material Inside Information" have been amended in line with the regulation stating that insiders, included not limited to directors, may not trade in the Company's shares listed on the TPEX or other equity-type securities of the Company during the lock-up period before the publication of the annual report. The amendment was approved by the Board of Directors on March 25, 2022. 2. For material contingencies information, the reporting system is clearly defined to ensure that all members of the Board are able to fully grasp the Company's material contingencies information, so that the directors can better fulfill their roles. Provisions of the "Reporting procedures of material contingencies" will be added to Article 14-1 in Chapter 4 of the "Operating Procedures for Handling Material Inside Information". This is due to be reported to the Audit Committee and Board meeting on January 13, 2023, for resolution, so that the reporting process will have a written system and be more systematic. | | | | |

(vii) Corporate Governance Guidelines and Regulations

Please refer to the major internal policies, rules, and procedures in the corporate governance section of the Company's official website.

(viii) Other Important Information Regarding Corporate Governance

Please refer to the relevant information in the corporate governance section of the Company's official website.

(ix) Implementation of Internal Control Systems

1. Internal Control System Statement

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

Date: March 15, 2023

In 2022, 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, 2022 (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 15, 2023, with none of the seven attending Directors expressing dissenting opinions, and the remainder all affirming the content of this Statement.

**Chairman: HU, CHIU-CHIANG
President: CHI, TING-FANG**

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

(x) 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.

(xi) 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.

| Meeting | Date | Major resolutions | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|-------------------------------------------------------|--------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------|----------------------|-------------------------------------------------|-------------------|-------------------------------------------------|---------------------------|--------|------------|--------|--------|--------|-------------|--------------------------------------------------|--------|-----------------------------------------|---|-------------------------------------------------|-------------------------------------------------------|----------------|--|-------------------|---------------|---------------------------|--------|------------|--------|--------|--------|-------------|--------------------------------------------------|--------|-----------------------------------------|---|-------------------------------------------------|----------------------|----------------|--|-----------|----------------------|-----------|-----------|-----------|-------------------------------------------------------|----------------|--|-------------------|---------------|---------------------------|--------|------------|--------|--------|--------|-------------|--------------------------------------------------|--------|-------------------------------------------|---|-------------------------------------------------|
| Shareholders' Meeting | 2021/7/20 | <p>1. Acknowledgement on the 2021 Business Report and the Financial Statements, including individual financial statements and consolidated financial statements RESOLVED : Approved after voting, voting results were as follows:</p> <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>Percentage</th> <th>Number</th> <th>Number</th> <th>number</th> </tr> </thead> <tbody> <tr> <td>286,492,646</td> <td>269,540,346 (including E-Voting : 24,479,540)</td> <td>94.08%</td> <td>12,267 (Including E-Voting : 12,267)</td> <td>0</td> <td>16,940,033 (Including E-Voting : 16,737,033)</td> </tr> </tbody> </table> <p>Implementation: The Company disclosed it on the Company's official website, which was then acknowledged by the shareholders meeting.</p> <p>2. Acknowledgement on the 2021 Earnings Distribution Plan RESOLVED : Approved after voting, voting results were as follows:</p> <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>Percentage</th> <th>Number</th> <th>Number</th> <th>number</th> </tr> </thead> <tbody> <tr> <td>286,492,646</td> <td>269,982,979 (including E-Voting : 24,922,173)</td> <td>94.23%</td> <td>46,267 (Including E-Voting : 46,267)</td> <td>0</td> <td>16,463,400 (Including E-Voting : 16,260,400)</td> </tr> </tbody> </table> <p>Implementation:</p> <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>2022/7/31</td> <td>@3.007259</td> <td>2022/8/25</td> </tr> </tbody> </table> <p>3. Discussion on the amendments of some articles to the Company's Articles of Incorporation RESOLVED : Approved after voting, voting results are as follows:</p> <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>Percentage</th> <th>Number</th> <th>Number</th> <th>number</th> </tr> </thead> <tbody> <tr> <td>286,492,646</td> <td>269,264,887 (including E-Voting : 24,204,081)</td> <td>93.98%</td> <td>379,506 (Including E-Voting : 379,506)</td> <td>0</td> <td>16,848,253 (Including E-Voting : 16,645,253)</td> </tr> </tbody> </table> <p>Implementation: The Company's amended Articles of Incorporation had been approved for registration on June 28, 2022 by the Ministry of Economic Affairs, R.O.C.</p> <p>4. Discussion on the Amendment of some articles to the Company's "Procedures for Acquisition or Disposal of Assets" RESOLVED : Approved after voting, voting results are as follows:</p> | Number of votes represented by attending shareholders | Approval Votes | | Disapproval Votes | Invalid Votes | Abstention Votes/No Votes | Number | Percentage | Number | Number | number | 286,492,646 | 269,540,346 (including E-Voting : 24,479,540) | 94.08% | 12,267 (Including E-Voting : 12,267) | 0 | 16,940,033 (Including E-Voting : 16,737,033) | Number of votes represented by attending shareholders | Approval Votes | | Disapproval Votes | Invalid Votes | Abstention Votes/No Votes | Number | Percentage | Number | Number | number | 286,492,646 | 269,982,979 (including E-Voting : 24,922,173) | 94.23% | 46,267 (Including E-Voting : 46,267) | 0 | 16,463,400 (Including E-Voting : 16,260,400) | Date of Ex-dividends | Cash Dividends | | Per Share | Date of Distribution | 2022/7/31 | @3.007259 | 2022/8/25 | Number of votes represented by attending shareholders | Approval Votes | | Disapproval Votes | Invalid Votes | Abstention Votes/No Votes | Number | Percentage | Number | Number | number | 286,492,646 | 269,264,887 (including E-Voting : 24,204,081) | 93.98% | 379,506 (Including E-Voting : 379,506) | 0 | 16,848,253 (Including E-Voting : 16,645,253) |
| | | Number of votes represented by attending shareholders | | Approval Votes | | Disapproval Votes | Invalid Votes | Abstention Votes/No Votes | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | | | Number | Percentage | Number | Number | number | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | | 286,492,646 | 269,540,346 (including E-Voting : 24,479,540) | 94.08% | 12,267 (Including E-Voting : 12,267) | 0 | 16,940,033 (Including E-Voting : 16,737,033) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | | Number of votes represented by attending shareholders | Approval Votes | | Disapproval Votes | Invalid Votes | Abstention Votes/No Votes | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | | | Number | Percentage | Number | Number | number | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | | 286,492,646 | 269,982,979 (including E-Voting : 24,922,173) | 94.23% | 46,267 (Including E-Voting : 46,267) | 0 | 16,463,400 (Including E-Voting : 16,260,400) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | | Date of Ex-dividends | Cash Dividends | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | | | Per Share | Date of Distribution | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | | 2022/7/31 | @3.007259 | 2022/8/25 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Number of votes represented by attending shareholders | Approval Votes | | Disapproval Votes | Invalid Votes | Abstention Votes/No Votes | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | Number | Percentage | Number | Number | number | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 286,492,646 | 269,264,887 (including E-Voting : 24,204,081) | 93.98% | 379,506 (Including E-Voting : 379,506) | 0 | 16,848,253 (Including E-Voting : 16,645,253) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |

| | | | <table border="1"> <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>Percentage</th> <th>Number</th> <th>Number</th> <th>number</th> </tr> <tr> <td>286,492,646</td> <td>269,632,060 (including E-Voting : 24,571,254)</td> <td>94.11%</td> <td>14,442 (Including E-Voting : 14,442)</td> <td>0</td> <td>16,846,144 (Including E-Voting : 16,643,144)</td> </tr> </table> <p>Implementation: It has been approved by the shareholders' meeting, and the amended full text has been published on the corporate governance section of the Company's official website.</p> <p>5. Discussion on the Amendment of Some Articles to the Company's Rules of Procedure for Shareholders' Meeting RESOLVED : Approved after voting, voting results were as follows:</p> <table border="1"> <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>Percentage</th> <th>Number</th> <th>Number</th> <th>number</th> </tr> <tr> <td>286,492,646</td> <td>269,629,964 (including E-Voting : 24,569,158)</td> <td>94.11%</td> <td>15,433 (Including E-Voting : 15,433)</td> <td>0</td> <td>16,847,249 (Including E-Voting : 16,644,249)</td> </tr> </table> <p>Implementation: It has been approved by the shareholders' meeting, and the amended full text has been published on the corporate governance section of the Company's official website.</p> | Number of votes represented by attending shareholders | Approval Votes | | Disapproval Votes | Invalid Votes | Abstention Votes/No Votes | Number | Percentage | Number | Number | number | 286,492,646 | 269,632,060 (including E-Voting : 24,571,254) | 94.11% | 14,442 (Including E-Voting : 14,442) | 0 | 16,846,144 (Including E-Voting : 16,643,144) | Number of votes represented by attending shareholders | Approval Votes | | Disapproval Votes | Invalid Votes | Abstention Votes/No Votes | Number | Percentage | Number | Number | number | 286,492,646 | 269,629,964 (including E-Voting : 24,569,158) | 94.11% | 15,433 (Including E-Voting : 15,433) | 0 | 16,847,249 (Including E-Voting : 16,644,249) |
|-----------------------------------------------------------------------|-----------------------------------------------------|---------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------|---------------------------|-------------------|---------------|---------------------------|--------|------------|--------|--------|--------|-------------|-----------------------------------------------------|--------|--------------------------------------------|---|----------------------------------------------------|-------------------------------------------------------|----------------|--|-------------------|---------------|---------------------------|--------|------------|--------|--------|--------|-------------|-----------------------------------------------------|--------|--------------------------------------------|---|----------------------------------------------------|
| Number of votes represented by attending shareholders | Approval Votes | | Disapproval Votes | | Invalid Votes | Abstention Votes/No Votes | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | Number | Percentage | Number | Number | number | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 286,492,646 | 269,632,060 (including E-Voting : 24,571,254) | 94.11% | 14,442 (Including E-Voting : 14,442) | 0 | 16,846,144 (Including E-Voting : 16,643,144) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Number of votes represented by attending shareholders | Approval Votes | | Disapproval Votes | Invalid Votes | Abstention Votes/No Votes | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | Number | Percentage | Number | Number | number | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 286,492,646 | 269,629,964 (including E-Voting : 24,569,158) | 94.11% | 15,433 (Including E-Voting : 15,433) | 0 | 16,847,249 (Including E-Voting : 16,644,249) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Board Meeting | Date of Meeting | Meeting Sessions | Contents of Motion | Resolution | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | 2022/1/14 | 1 st meeting in 2022 | 1. Discussion on the 2021 year-end bonus for Executive Officers of the Company and its important subsidiary WEIKENG INTERNATIONAL CO., LTD. | Except for directors HU, CHIU-CHIANG (@Douglas Hu) and CHI, TING-FANG (@Stan Chi) who also served as executive officers and did not participate in voting due to their own interests, the chairman appointed acting chairman independent director TSAI, YU-PING (@Edward Tsai) to consult the remaining directors present, and the motion was approved as proposed. | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | 2022/3/25 | 2 nd meeting in 2022 | 1. Discussion on the approval of accounting entry for the Company's remuneration of employees and directors in 2021 | Approved as proposed after the chairperson consulted all present directors. | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | | | 2. Recognition on the 2021 Financial Statements, including individual financial statements and consolidated financial statements | Approved as proposed after the chairperson consulted all present directors. | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | | | 3. Discussion on the Company's 2021 business report | Approved as proposed after the chairperson consulted all present directors. | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | | | 4. Discussion on the appointment of Certified Public Accountants for the Company's 2022 financial statements | Approved as proposed after the chairperson consulted all present directors. | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | | | 5. Discussion on the evaluation of CPA's independence and suitability for the Company's 2022 annual financial statements | Approved as proposed after the chairperson consulted all present directors. | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | | | 6. Discussion on the 2021 Surplus Earnings Distribution Plan | Approved as proposed after the chairperson consulted all present directors. | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 7. Discussion on the Company's 2021 Internal Control System Statement | | | Approved as proposed after the chairperson consulted all present directors. | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |

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| | | | 8. Discussion on the amendment of some articles to the Company's Articles of Incorporation | Approved as proposed after the chairperson consulted all present directors. |
| | | | 9. Discussion on the amendment of some articles to the Company's "Procedures for Acquisition or Disposal of Assets" | Approved as proposed after the chairperson consulted all present directors. |
| | | | 10. Discussion on the amendment of some articles to the Company's "Operating Procedures For Handling Material Inside Information" | Approved as proposed after the chairperson consulted all present directors. |
| | | | 11. Discussion on enacting the Company's "Nominating Committee Charter" | Approved as proposed after the chairperson consulted all present directors. |
| | | | 12. Discussion on the appointment of members of the Company's Nominating Committee | Except for directors HU, CHIU-CHIANG (@Douglas Hu) and all independent directors, TSAI, YU-PING (@Edward Tsai), LIN, HUNG (@Vincent Lin), and YU, HSUEH-PING (@Peggy Yu), who did not participate in voting due to their own interests, the chairman appointed acting chairman director CHEN, CHENG-FONG (@Eric Chen) to consult the remaining directors present, and the motion was approved as proposed. |
| | | | 13. Discussion on enacting the Company's "Sustainable Development Committee Charter" | Approved as proposed after the chairperson consulted all present directors. |
| | | | 14. Discussion on the appointment of members of the Company's Sustainable Development Committee | Except for directors HU, CHIU-CHIANG (@Douglas Hu), CHI, TING-FANG (@Stan Chi), and all independent directors, TSAI, YU-PING (@Edward Tsai), LIN, HUNG (@Vincent Lin), and YU, HSUEH-PING (@Peggy Yu), who did not participate in voting due to their own interests, the chairman appointed acting chairman director CHEN, CHENG-FONG (@Eric Chen) to consult the remaining directors present, and the motion was approved as proposed. |
| | | | 15. Discussion on the Company's issuance of the 6th domestic unsecured convertible corporate bond | Approved as proposed after the chairperson consulted all present directors. |
| | | | 16. Discussion on the amendment of some articles to the Company's "Rules and Procedures of Shareholders Meeting" | Approved as proposed after the chairperson consulted all present directors. |
| | | | 17. Discussion on the amendment of some articles to the Company's "Audit Committee Charter" | Approved as proposed after the chairperson consulted all present directors. |
| | | | 18. Discussion on the Company's application for the renewal or increase of banking facilities | Approved as proposed after the chairperson consulted all present directors. |
| | | | 19. Discussion on the application for the renewal or increase of the banking facilities to the subsidiary Weikeng International (Shanghai) Co., Ltd. | Approved as proposed after the chairperson consulted all present directors. |
| | | | 20. Discussion on the Company's endorsements and guarantees for 100% owned subsidiary WEIKENG INTERNATIONAL CO., LTD. | Approved as proposed after the chairperson consulted all present directors. |
| | | | 21. Discussion on the Company's endorsements and guarantees for 100% owned subsidiary WEIKENG TECHNOLOGY PTE LTD. | Approved as proposed after the chairperson consulted all present directors. |
| | | | 22. Discussion on the Company's endorsements and guarantees for 100% owned subsidiary WEIKENG | Approved as proposed after the chairperson consulted all present directors. |

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| | | | INTERNATIONAL (SHANGHAI) CO., LTD. | |
| | | | 23. Discussion on the record date of capital increase for the conversion of the Company's 5th domestic unsecured convertible corporate bonds into new shares | Approved as proposed after the chairperson consulted all present directors. |
| | | | 24. Discussion on the holding date and time, venue, proposal and related matters of the Company's 2022 Annual General Meeting of shareholders | Approved as proposed after the chairperson consulted all present directors. |
| 2022/4/20 | 3 rd meeting in 2022 | 1. | Discussion on the amendment of some articles to the Company's "Procedures for Acquisition or Disposal of Assets" | Approved as proposed after the chairperson consulted all present directors. |
| | | 2. | Discussion on the ratification of the Company's acquisition of the right-of-use assets from its 100% subsidiary Weikeng International Co., Ltd. | Approved as proposed after the chairperson consulted all present directors. |
| 2022/5/12 | 4 th meeting in 2022 | 1. | Acknowledgement on the Company's consolidated financial report for the 1 st quarter of 2022 | Approved as proposed after the chairperson consulted all present directors. |
| | | 2. | Discussion on the Company's application for the renewal or increase of banking facilities | Approved as proposed after the chairperson consulted all present 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 present 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 present directors. |
| 2022/6/28 | 5 th meeting in 2022 | 1. | Discussion on the determination of the ex-dividend date for the distribution of 2021 cash dividends on ordinary shares of the Company in 2022 | Approved as proposed after the chairperson consulted all present directors. |
| | | 2. | Discussion on the determination of the suspended conversion period of the Company's 5 th domestic unsecured convertible corporate bonds | Approved as proposed after the chairperson consulted all present directors. |
| | | 3. | Discussion on the conversion price adjustment of the Company's 5 th and 6 th domestic unsecured convertible corporate bonds | Approved as proposed after the chairperson consulted all present directors. |
| | | 4. | Discussion on the record date of capital increase for the conversion of the Company's 5 th domestic unsecured convertible corporate bonds into new shares | Approved as proposed after the chairperson consulted all present directors. |
| | | 5. | 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 present directors. |
| | | 6. | Discussion on the amendment of some articles to the Company's "Risk Management Policies and Procedures" | Approved as proposed after the chairperson consulted all present directors. |
| | | 7. | Discussion on the approval of the Greenhouse Gas (GHG) inventory and verification schedule of the Company and its consolidated subsidiaries | Approved as proposed after the chairperson consulted all present directors. |

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| | | | 8. Discussion on the Company's application for the renewal or increase of banking facilities | Approved as proposed after the chairperson consulted all present directors. |
| | | | 9. Discussion on the Company's endorsements and guarantees for 100% owned subsidiary WEIKENG INTERNATIONAL CO., LTD. | Approved as proposed after the chairperson consulted all present directors. |
| | | | 10. 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 present directors. |
| | 2022/7/15 | 6 th meeting in 2022 | 1. Discussion on the Company's 2021 employee remuneration distribution and 2022 salary adjustment proposal to executive officers | Except for directors HU, CHIU-CHIANG (@Douglas Hu) and CHI, TING-FANG (@Stan Chi) who also served as executive officers and did not participate in voting due to their own interests, the chairman appointed acting chairman independent director TSAI, YU-PING (@Edward Tsai) to consult the remaining directors present, and the motion was approved as proposed. |
| | | | 2. Discussion on the Company's 5 th domestic unsecured convertible corporate bonds redemption and the termination of TPEx listing | Approved as proposed after the chairperson consulted all present directors. |
| | 2022/8/10 | 7 th meeting in 2022 | 1. Acknowledgement on the Company's consolidated financial report for the 2 nd quarter of 2022 | Approved as proposed after the chairperson consulted all present directors. |
| | | | 2. Discussion on appointing Mr. CHI, TING-FANG (@Stan Chi) as the President of the Company | Except for the director CHI, TING-FANG (@Stan Chi), who did not participate in the voting due to his own interests, the chairman consulted the remaining directors present, and the motion was approved as proposed. |
| | | | 3. Discussion on newly establishing the Chief Strategy Officer and appointing the Chairman Mr. HU, CHIU-CHIANG (@Douglas Hu) as the Chief Strategy Officer of the Company | Except for the director HU, CHIU-CHIANG (@Douglas Hu), who did not participate in the voting due to his own interests, the chairman appointed acting chairman independent director LIN, HUNG (@Vincent Lin) to consult the remaining directors present, and the motion was approved as proposed. |
| | | | 4. Discussion on appointing Mr. CHANG, CHIN-HAO (@Asser Chang) as the Chief Operating Officer of the Company | Approved as proposed after the chairperson consulted all present directors. |
| | | | 5. Discussion on appointing Mr. CHOU, KAN-LIN (@Fama Chou) as the Chief Financial Officer of the Company | Approved as proposed after the chairperson consulted all present directors. |
| | | | 6. Discussion on appointing Mr. Shia, Jane-Jone (@Steve Shia) as the Information Security Director of the Company | Approved as proposed after the chairperson consulted all present directors. |
| | | | 7. Discussion on appointing an external institution to evaluate the performance of the Company's board of directors | Approved as proposed after the chairperson consulted all present directors. |
| | | | 8. Discussion on the Company's endorsements and guarantees for 100% owned subsidiary WEIKENG TECHNOLOGY PTE LTD. | Approved as proposed after the chairperson consulted all present directors. |
| | | | 9. Discussion on the Company's endorsements and guarantees for 100% owned subsidiary WEIKENG INTERNATIONAL CO., LTD. | Approved as proposed after the chairperson consulted all present directors. |
| | | | 10. Discussion on the Company's application for the renewal or increase of banking facilities | Approved as proposed after the chairperson consulted all present directors. |

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| | | | 11. 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 present directors. |
| | 2022/9/28 | 8 th meeting in 2022 | 1. Discussion on the record date of capital increase for the conversion of the Company's 5 th domestic unsecured convertible corporate bonds into new shares | Approved as proposed after the chairperson consulted all present directors. |
| | | | 2. Discussion on the amendment of some articles to the Company's "internal control system" and the addition of some provisions of the "internal audit system" | Approved as proposed after the chairperson consulted all present directors. |
| | | | 3. Discussion on the amendment of some articles to the Company's "Operation and Management Measures for Overseas Subsidiaries" | Approved as proposed after the chairperson consulted all present directors. |
| | | | 4. Discussion on the amendment of some articles to the Company's "Measures for the Supervision of Reinvested Businesses with Controlling Power" | Approved as proposed after the chairperson consulted all present directors. |
| | | | 5. Discussion on the amendment of some articles to the Company's " Rules and Procedures of Board of Directors Meeting " | Approved as proposed after the chairperson consulted all present directors. |
| | | | 6. Discussion on the addition of the Company's "Sustainability Report Preparation and Verification Procedures" | Approved as proposed after the chairperson consulted all present directors. |
| | | | 7. Discussion on the amendment of some articles to the Company's " Information and Cyber Security Policy and Management Regulations" | Approved as proposed after the chairperson consulted all present directors. |
| | | | 8. Discussion on the additions and amendments of the Company's " Policy and Procedures of Risk Management " | Approved as proposed after the chairperson consulted all present directors. |
| | | | 9. Discussion on the Company's 2021 ESG Sustainability Report | Approved as proposed after the chairperson consulted all present directors. |
| | | | 10. Discussion on the Company's application for the renewal or increase of banking facilities | Approved as proposed after the chairperson consulted all present directors. |
| | | | 11. Discussion on the Company's endorsements and guarantees for 100% owned subsidiary WEIKENG INTERNATIONAL CO., LTD. | Approved as proposed after the chairperson consulted all present directors. |
| | | | 12. 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 present directors. |
| | 2022/11/11 | 9 th meeting in 2022 | 1. Acknowledgement on the Company's consolidated financial report for the 3 rd quarter of 2022 | Approved as proposed after the chairperson consulted all present directors |
| | | | 2. Discussion on the audit plan of the Company (including subsidiaries) for 2023. | Approved as proposed after the chairperson consulted all present directors |
| | | | 3. Discussion on the amendment of some articles to the Company's "Operating Procedures For Handling Material Inside Information" | Approved as proposed after the chairperson consulted all present directors |

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| | | | 4. Discussion on the amendment of some articles to the operation items of the Company's "internal audit system" | Approved as proposed after the chairperson consulted all present directors |
| | | | 5. Discussion on the s amendment of some articles to the Company's " Whistle-blowing system" | Approved as proposed after the chairperson consulted all present directors |
| | | | 6. Discussion on the proposal of formulating the Company's "General Principles of Pre-Approved Non-Assurance Service Policy" | Approved as proposed after the chairperson consulted all present directors |
| | | | 7. Discussion on the Company's application for the renewal or increase of banking facilities | Approved as proposed after the chairperson consulted all present directors |
| | | | 8. Discussion on the Company's endorsements and guarantees for 100% owned subsidiary WEIKENG INTERNATIONAL CO., LTD. | Approved as proposed after the chairperson consulted all present directors |
| | | | 9. 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 present directors |
| | 2023/1/13 | 1 st meeting in 2023 | 1. Acknowledgement on the Board Performance Evaluation Report issued by the "Taiwan Corporate Governance Association" | Approved as proposed after the chairperson consulted all present directors. |
| | | | 2. Discussion on the amendments of the Company's "Succession Planning for Board Members and Key Senior Management" | Approved as proposed after the chairperson consulted all present directors. |
| | | | 3. Discussion on the some amendments to the Company's "Corporate Governance Best Practice Principles" | Approved as proposed after the chairperson consulted all present directors. |
| | | | 4. Discussion on the some amendments to the Company's "Standard Operating Procedures for Handling Directors' Requests" | Approved as proposed after the chairperson consulted all present directors. |
| | | | 5. Discussion on the Company's professional fees of CPAs of KPMG Taiwan for 2023 | Approved as proposed after the chairperson consulted all present directors. |
| | | | 6. Discussion on the evaluation of CPA's independence and suitability for the Company's 2023 annual financial statements | Approved as proposed after the chairperson consulted all present directors. |
| | | | 7. Discussion on the some amendments to the Company's "Operating Procedures For Handling Material Inside Information" | Approved as proposed after the chairperson consulted all present directors. |
| | | | 8. Discussion on the Company's endorsements and guarantees for 100% owned subsidiary WEIKENG INTERNATIONAL CO., LTD. | Approved as proposed after the chairperson consulted all present directors. |
| | | | 9. Discussion on the Company's endorsements and guarantees for 100% owned subsidiary WEIKENG TECHNOLOGY PTE LTD. | Approved as proposed after the chairperson consulted all present directors. |
| | | | 10. Discussion on the amendments of some articles of the Company's " Protection of Human Rights Policy " | Approved as proposed after the chairperson consulted all present directors. |
| | | | 11. Discussion on the preparation of the Company's 2022 operating budget | Approved as proposed after the chairperson consulted all present directors. |

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| | | | 12. Discussion on the Company's "Emoluments Policy for directors and employees (including executive officers) | Approved as proposed after the chairperson consulted all present directors. |
| | | | 13. Discussion on the 2021 year-end bonus for Executive Officers of the Company and its important subsidiary WEIKENG INTERNATIONAL CO., LTD. | Except for directors HU, CHIU-CHIANG (@Douglas Hu) and CHI, TING-FANG (@Stan Chi) who also served as executive officers and did not participate in voting due to their own interests, the chairman appointed acting chairman director CHEN, CHENG-FONG (@Eric Chen) to consult the remaining directors present, and the motion was approved as proposed. |
| | | | 14. Discussion on the Company's application for the renewal or increase of banking facilities | Approved as proposed after the chairperson consulted all present directors. |
| | 2023/3/15 | 2 nd meeting in 2023 | 1. Discussion on the approval of accounting entry for the Company's remuneration of employees and directors in 2022 | Approved as proposed after the chairperson consulted all present directors. |
| | | | 2. Acknowledgment of the Company's 2022 self-assessed financial information and financial reports | Approved as proposed after the chairperson consulted all present directors. |
| | | | 3. Discussion on the Company's 2022 Internal Control System Statement | Approved as proposed after the chairperson consulted all present directors. |
| | | | 4. Discussion on the amendment of the Company's "General Principles of Pre-Approved Non-Assurance Service Policy" | Approved as proposed after the chairperson consulted all present directors. |
| | | | 5. Discussion on the Company's endorsements and guarantees for 100% owned subsidiary WEIKENG INTERNATIONAL CO., LTD. | Approved as proposed after the chairperson consulted all present directors. |
| | | | 6. Discussion on the Company's endorsements and guarantees for 100% owned subsidiary WEIKENG TECHNOLOGY PTE LTD. | Approved as proposed after the chairperson consulted all present directors. |
| | | | 7. Discussion on the Company's application for the renewal or increase of banking facilities | Approved as proposed after the chairperson consulted all present directors. |
| | | | 8. Discussion on the holding date and time, venue, proposal and related matters of the Company's 2023 Annual General Meeting of shareholders | Approved as proposed after the chairperson consulted all present directors. |
| | | | 9. Discussion on the amendment of some articles to the Company's "Remuneration Management Rules for Directors and Executive Officers" | Approved as proposed after the chairperson consulted all present directors. |
| | 2023/4/28 | 3 rd meeting in 2023 | 1. Discussion on the Company's 2022 business report | Approved as proposed after the chairperson consulted all present directors. |
| | | | 2. Discussion on the 2022 Surplus Earnings Distribution Plan | Approved as proposed after the chairperson consulted all present directors. |
| | | | 3. Discussion on the addition and revision of the Company's "Rules Governing Financial and Business Matters Between the Company and its Related Parties" | Approved as proposed after the chairperson consulted all present directors. |
| | | | 4. Discussion on the amendment of some provisions to the Company's "Rules for Monitoring and Controlling Operations of Subsidiaries", "Measures for the Supervision of Reinvested Businesses with Controlling Power", and "Operation and Management Measures for Overseas Subsidiaries" | Approved as proposed after the chairperson consulted all present directors. |

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| | | | 5. Discussion on the amendment of some provisions to the Company's "Administrative Measures for Collection of Bank Facility Guarantee Service Fees and Management Service Consulting Fees for Franchise of Product Lines from Subsidiaries " and its attachments | Approved as proposed after the chairperson consulted all present directors. |
| | | | 6. Discussion on the major themes of the Company's 2022 ESG Sustainability report | Approved as proposed after the chairperson consulted all present directors. |
| | | | 7. Discussion on the amendment of some articles to the Company's " Sustainable Development Committee Charter" | Approved as proposed after the chairperson consulted all present directors. |
| | | | 8. Discussion on the amendment of some articles to the Company's " Policy and Procedures of Risk Management " | Approved as proposed after the chairperson consulted all present directors. |
| | | | 9. Discussion on the amendment of some articles to the Company's Articles of Incorporation | Approved as proposed after the chairperson consulted all present directors. |
| | | | 10. Discussion on the correction of the causes for convening the Company's 2023 Annual General Meeting of Shareholders and the addition of new proposals | Approved as proposed after the chairperson consulted all present directors. |
| | | | 11. Discussion on the approval of the Company's Board members diversity policy and its specific management objectives | Approved as proposed after the chairperson consulted all present directors. |
| | | | 12. Discussion on the Company's endorsements and guarantees for 100% owned subsidiary WEIKENG INTERNATIONAL CO., LTD. | Approved as proposed after the chairperson consulted all present directors. |
| | | | 13. Discussion on the application for the renewal or increase of banking facilities to the subsidiary WEIKENG INTERNATIONAL (Shanghai) CO., LTD | Approved as proposed after the chairperson consulted all present directors. |
| | | | 14. Discussion on the Company's application for the renewal or increase of banking facilities | Approved as proposed after the chairperson consulted all present directors. |

(xii) Major Issues of Record or Written Statements Made by Any Director or Supervisor Dissenting to Important Resolutions Passed by the Board of Directors

None.

(xiii) 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 the professional fees of the attesting CPAs

- (i) The amounts of the audit fees and non-audit fees paid to the attesting CPAs and to the accounting firm to which they belong and to any affiliated enterprises as well as the details of non-audit services**

| Accounting Firm | Name of CPA | Period Covered by CPA's Audit | Audit fees (NT\$ thousand) | Non-audit fees (NT\$ thousand) | Total (NT\$ thousand) | Remarks/specify details |
|-----------------|----------------|-------------------------------|-------------------------------------------------------------------------|-------------------------------------------------------|-----------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| KPMG Taiwan | Au, Yiu-Kwan | 2022/1/1~2022/12/31 | Fees for auditing, attesting, and reviewing of financial reports: 3,550 | Fees for tax service and business registration: 1,345 | 4,895 | The Company's Administrative Division regularly evaluates the independence of the attesting CPAs in accordance with Article 47 of the Certified Public Accountant Act, Bulletin No. 10 of the Norm of Professional Ethics for Certified Public Accountant and the independence declaration/independence and competence evaluation form issued by KPMG. After an evaluation by the Audit Committee and the Board of Directors on March 25, 2022 and January 13, 2023 respectively, it was resolved that the two CPAs listed in the left column have met the evaluation criteria of independence and suitability to audit and attest the 2022 and 2023 financial report. |
| | Kuo, Kuan-Ying | 2022/1/1~2022/12/31 | | | | |

1. **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:** Details as the above table.
2. **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.
3. **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.

(ii) The audit fees referred to in the preceding item means the professional fees paid by the Company to KPMG, Taiwan for auditing, attesting, and reviewing of financial reports.

vi. Information on Replacement of Certified Public Accountant

(i) Regarding the former CPA

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| Replacement Date | March 25, 2022 | | |
| Replacement reasons and explanations | The former CPAs of the Company were Lo, Jui-Lan and Au, Yiu-Kwan from KPMG, Taiwan firm. Due to internal restructuring at KPMG, Taiwan firm , the CPAs of the Company were changed to Au, Yiu-Kwan and Kuo, Kuan-Ying , beginning March 25, 2022 | | |
| Describe whether the Company terminated or the CPA did not accept the engagement | Parties | CPA | The Company |
| | Status | | |
| | Termination of engagement | √ | - |
| | No longer accepted (discontinued) the engagement | - | - |
| If the CPAs issued an audit report expressing any opinion other than an unqualified opinion during the 2 most recent years, specify the opinion and the reasons | None | | |
| Disagreement with the Company | Yes | - | Accounting principles or practices |
| | | - | Disclosure of Financial Statements |
| | | - | Audit scope or steps |
| | | - | Others |
| | None | √ | |
| | Remarks/specify details: | | |
| Other disclosures (Any matters required to be disclosed under sub-items d to g of Article 10.6.A) | None | | |

(ii) Regarding the successor CPA

| | |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Name of accounting firm | KPMG, Taiwan |
| Name of CPA | Kuo, Kuan-Ying |
| Date of engagement | March 25, 2022, 1 st quarter 2022 financial report onwards |
| Subjects discussed and results of any consultation with the CPAs prior to the engagement, regarding the accounting treatment of or application of accounting principles to any specified transaction, or the type of audit opinion that might be issued on the company's financial report | None |
| Successor CPAs' written opinion regarding the matters of disagreement between the Company and the former CPA | None |
| Remarks/specify details | The Company's Administrative Division regularly evaluates the independence of the attesting CPAs in accordance with Article 47 of the Certified Public Accountant Act, Bulletin No. 10 of the Norm of Professional Ethics for Certified Public Accountant and the independence declaration/independence and competence evaluation form issued by KPMG. After an evaluation by the Audit Committee and the Board of Directors on March 25, 2022, it was resolved that the two CPAs, Au, Yiu-Kwan and Kuo, Kuan-Ying, have met the evaluation criteria of independence and suitability for the audit of 2022 annual financial report. |

(iii) 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, President, and executive officers in charge of its finance and accounting operations did not hold any positions in the Company's independent auditing firm or its affiliates during 2022.

viii. Changes in Shareholding of Directors, Supervisors, Managers and Major Shareholders

Unit: Shares

| Title | Name | 2022 | | 2023 as of the publication of the Annual Report | |
|----------------|-------------------------------|----------------------------------|------------------------------------------|-------------------------------------------------|------------------------------------------|
| | | Shareholding Increase (Decrease) | Pledged Shareholding Increase (Decrease) | Shareholding Increase (Decrease) | Pledged Shareholding Increase (Decrease) |
| Chairman & CSO | HU, CHIU-CHIANG (@Douglas Hu) | --- | --- | --- | --- |

| Title | Name | 2022 | | 2023 as of the publication of the Annual Report | |
|----------------------------|------------------------------|----------------------------------|------------------------------------------|-------------------------------------------------|------------------------------------------|
| | | Shareholding Increase (Decrease) | Pledged Shareholding Increase (Decrease) | Shareholding Increase (Decrease) | Pledged Shareholding Increase (Decrease) |
| Director & President & CEO | CHI, TING-FANG (@Stan Chi) | --- | --- | --- | --- |
| Director | WEIJI INVESTMENT CO., LTD. | --- | --- | --- | --- |
| Director | CHEN, KUAN-HUA (@Bill Chen) | --- | --- | --- | --- |
| Independent Director | TSAI, YU-PING (@Edward Tsai) | --- | --- | --- | --- |
| Independent Director | LIN, HUNG (@Vincent Lin) | --- | --- | --- | --- |
| Independent Director | YU, HSUEH-PING (@Peggy Yu) | --- | --- | --- | --- |

(i) Shares Trading with Related Parties: None

(ii) Shares Pledge with Related Parties: None.

ix. Relationship among the Top Ten Shareholders

As of 04/16/2023

| 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 | 7.18 | --- | --- | --- | --- | Hu, Chiu-Chiang | Chairman | --- |
| Chairman: Hu, Chiu-Chiang | 8,843,627 | 2.09 | --- | --- | --- | --- | --- | --- | --- |
| Yung Hsin Yeh Investment Ltd. | 9,689,000 | 2.29 | --- | --- | --- | --- | --- | --- | --- |
| Chairman: Tai, Fu-Jen | 10,000 | 0.00 | --- | --- | --- | --- | --- | --- | --- |
| Hu, Chiu-Chiang | 8,843,627 | 2.09 | 467,059 | 0.11 | --- | --- | --- | --- | --- |
| Liu, Ying-Da | 6,982,160 | 1.65 | --- | --- | --- | --- | Liu, Yueh-Hsiu | Father-Son | --- |
| Chi, Ting-Fang | 6,278,150 | 1.48 | 146,817 | 0.03 | --- | --- | --- | --- | --- |
| Chang, Chin-Hao | 4,102,704 | 0.97 | 5,940 | 0.00 | --- | --- | --- | --- | --- |
| Liu, Yueh-Hsiu | 3,033,760 | 0.72 | 30,979 | 0.00 | --- | --- | Liu, Ying-Da | Father-Son | --- |
| Emerging Markets Core Equity Portfolio of DFA Investment Dimensions Group Inc. | 2,797,979 | 0.66 | --- | --- | --- | --- | --- | --- | --- |
| J.P. Morgan Securities Plc | 2,659,545 | 0.63 | --- | --- | --- | --- | --- | --- | --- |
| WisdomTree Trust – WisdomTree Emerging Markets SmallCap Dividend Fund | 2,249,431 | 0.53 | --- | --- | --- | --- | --- | --- | --- |

x. Ownership of Shares in Affiliated Enterprises

As of 2023/3/31

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 | 552,450 | 100.00 % | --- | --- | 552,450 | 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

(i) Source of Capital

1. 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 |
| 01/2022 | 10 | 550,000,000 | 5,500,000,000 | 415,772,269 | 4,157,722,690 | conversion of convertible corporate bonds: 16,716,826 shares | None | --- |
| 04/2022 | 10 | 550,000,000 | 5,500,000,000 | 420,562,843 | 4,205,628,430 | conversion of convertible corporate bonds: 4,790,576 shares | None | --- |
| 07/2022 | 10 | 600,000,000 | 6,000,000,000 | 422,254,600 | 4,222,546,000 | conversion of convertible corporate bonds: 1,691,757 shares | None | --- |
| 10/2022 | 10 | 600,000,000 | 6,000,000,000 | 423,543,164 | 4,235,431,640 | conversion of convertible corporate bonds: 1,288,564 shares | None | --- |

2. Type of Stock

| Share Type | Authorized Capital | | | Remarks |
|---------------|--------------------|------------------|--------------|---------|
| | Issued Shares | Un-issued Shares | Total Shares | |
| Common Shares | 423,543,164 | 176,456,836 | 600,000,000 | Note 1 |

Note 1: 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.

(ii) Status of Shareholders

As of 4/16/2023

| 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 | 297 | 65,460 | 99 | 65,859 |
| Shareholding (shares) | 661,013 | 1,920,000 | 1 | 50,920,802 | 342,802,539 | 27,238,809 | 423,543,164 |
| Percentage | 0.16% | 0.45 % | 0.00 % | 12.02% | 80.94 % | 6.43 % | 100.00 % |

(iii) Shareholding Distribution Status

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

As of 4/16/2023

| Class of Shareholding (Unit: Share) | Number of Shareholders | Shareholding (Shares) | Percentage |
|-------------------------------------|------------------------|-----------------------|------------|
| 1 ~ 999 | 31,231 | 1,554,453 | 0.37 % |
| 1,000 ~ 5,000 | 23,857 | 51,960,814 | 12.27 % |
| 5,001 ~ 10,000 | 5,278 | 40,952,513 | 9.67 % |
| 10,001 ~ 15,000 | 1,720 | 21,602,745 | 5.10 % |
| 15,001 ~ 20,000 | 1,003 | 18,514,530 | 4.37 % |
| 20,001 ~ 30,000 | 970 | 24,597,831 | 5.81 % |
| 30,001 ~ 40,000 | 504 | 17,925,869 | 4.23 % |
| 40,001 ~ 50,000 | 324 | 15,016,550 | 3.55 % |
| 50,001 ~ 100,000 | 579 | 40,393,380 | 9.54 % |
| 100,001 ~ 200,000 | 226 | 31,343,839 | 7.40 % |
| 200,001 ~ 400,000 | 84 | 22,705,969 | 5.36 % |

| | | | |
|-------------------|--------|-------------|----------|
| 400,001 ~ 600,000 | 32 | 15,553,908 | 3.67 % |
| 600,001 ~ 800,000 | 12 | 8,205,471 | 1.94 % |
| 800,001~1,000,000 | 15 | 13,544,628 | 3.20 % |
| 1,000,001 or over | 24 | 99,670,664 | 23.52 % |
| Total | 65,859 | 423,543,164 | 100.00 % |

(iv) List of Major Shareholders

As of 4/16/2023

| Shareholder's Name | Shareholding | |
|--------------------------------------------------------------------------------|--------------|------|
| | Shares | % |
| WEIJI Investment Co., Ltd | 30,426,876 | 7.18 |
| Yung Hsin Yeh Investment Ltd. | 9,689,000 | 2.29 |
| Hu, Chiu-Chiang | 8,843,627 | 2.09 |
| Liu, Ying-Da | 6,982,160 | 1.65 |
| Chi, Ting-Fang | 6,278,150 | 1.48 |
| Chang, Chin-Hao | 4,102,704 | 0.97 |
| Liu, Yueh-Hsiu | 3,033,760 | 0.72 |
| Emerging Markets Core Equity Portfolio of DFA Investment Dimensions Group Inc. | 2,797,979 | 0.66 |
| J.P. Morgan Securities Plc | 2,659,545 | 0.63 |
| WisdomTree Trust – WisdomTree Emerging Markets SmallCap Dividend Fund | 2,249,431 | 0.53 |

(v) Market Price, Net Worth, Earnings, and Dividends per Share

Unit: NT\$

| Items | 2021 | 2022 | As of March 31, 2023 |
|-------------------------------------------|---------|---------|----------------------|
| Market Price per Share | | | |
| Highest Market Price | 33.50 | 34.75 | 30.20 |
| Lowest Market Price | 18.00 | 24.90 | 26.10 |
| Average Market Price | 26.94 | 30.11 | 28.54 |
| Net Worth per Share | | | |
| Before Distribution | 19.29 | 21.67 | 22.00 |
| After Distribution | 16.23 | 18.57 | --- |
| Earnings per Share | | | |
| Weighted Average Shares (thousand shares) | 378,742 | 421,319 | 423,543 |
| Basic Earnings Per Share | 4.54 | 4.03 | 0.40 |
| Adjusted Diluted Earnings Per Share | --- | --- | --- |
| Dividends per Share | | | |
| Cash Dividends | 3.00725 | 3.10 | --- |
| Stock Dividends | | | |
| • Dividends from Retained Earnings | --- | --- | --- |
| • Dividends from Capital Surplus | --- | --- | --- |
| Accumulated Undistributed Dividends | --- | --- | --- |
| Return on Investment | | | |
| Price / Earnings Ratio (Note 1) | 5.35 | 7.11 | --- |
| Price / Dividend Ratio (Note 2) | 8..08 | 9.24 | --- |

| | | | |
|-----------------------------------|--------|--------|-----|
| Cash Dividend Yield Rate (Note 3) | 12.38% | 10.82% | --- |
|-----------------------------------|--------|--------|-----|

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

(vi) Dividend Policy and Implementation Status

1. 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.

2. Circumstances of the Proposed Distribution of Dividend at the 2023 Shareholders Meeting

(1) The Company's 2022 earnings distribution plan will be fully distributed in cash dividends, totaling NT\$ 1,312,988,000, which 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 April 28, 2023. Board of Directors authorized the Chairman to set the ex-dividend 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 2023 Annual General Meeting, the total issued and outstanding ordinary shares are 423,543,164 shares and the proposed declared cash dividend is NT\$3.10 per share. Where the total number of issued and outstanding shares of the Company subsequently changes and the aforesaid cash dividends distributed to each ordinary share needs to 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.

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

2022 Earnings Distribution Plan

Expressed in NT\$

| | | |
|--------------------------------------------------------------------------------------------|---------------|---------------|
| Net Income after Tax in 2022 | 1,699,134,049 | |
| Plus: Remeasurements of Defined Benefit Plans | 24,762,400 | |
| Sub-Total | | 1,723,896,449 |
| Less : 10% Legal Reserve | | (172,389,645) |
| Plus: Reverse of Special Reserve | | 454,583,030 |
| Total Distributable Earnings in 2022 | | 2,006,089,834 |
| Plus: Beginning Undistributed Surplus Earnings | | 184,739,247 |
| Surplus Earnings Available for Distribution | | 2,190,829,081 |
| Distribution Items: | | |
| Cash Dividends on Ordinary Shares | | 1,312,988,000 |
| Ending Undistributed Surplus Earnings | | 877,841,081 |
| Chairman : Hu, Chiu-Chiang President : Chi, Ting-Fang Accounting Manager: Huang, Li-Hsiang | | |

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

(viii) **Remuneration of Employees and Directors**

1. **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.

2. **The basis for estimating the amount of employee and director remuneration, 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.

3. **Distribution of Remuneration of Employees and Directors for 2022**

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 for 2022, of which for employees and directors were NT\$189,923,200 and NT\$47,480,800, respectively. The above remuneration had been resolved by the Board of Directors on April 28, 2023 with no less than two-thirds of directors present, and approved by more than half of directors attending the meeting. Both of which will be paid in cash after this 2023 Annual General Meeting and there will be no difference from the expense appropriated in the financial statements of 2022.
- (2) The employee's remuneration for 2022 will not be paid in the form of stocks.
4. **Information of 2021 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 2021 employee's remuneration NT\$19,512,000 and the directors' remuneration NT\$47,878,000 had been resolved by the Board of Directors on March 25, 2022 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 2022 Annual General Meeting and there were no difference from the expense appropriated in the financial statements of 2020 and the resolution of the Board of Directors.

(ix) **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.**

(i) Convertible Corporate Bonds

| Corporate Bond Type | Domestic 6th Unsecured Convertible Corporate Bonds |
|----------------------------------|----------------------------------------------------------------------|
| Issued date | June 1, 2022 (Expected) |
| Denomination | NT\$100,000 |
| Issuing and transaction location | Taiwan, Taipei Exchange |
| Issued price | Issue by denomination |
| Total price | NT\$2,000,000,000 |
| Coupon rate | 0% |
| Tenor | 5 years, Maturity: June 1, 2027 (Expected) |
| 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 |

| Corporate Bond Type | | Domestic 6 th Unsecured Convertible Corporate Bonds |
|-----------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Outstanding principal | | NT\$1,998,300,000 |
| 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 (@30.32), the balance of the convertible corporate bonds is NT\$ 1,998,300,000. In the future, if the balance is converted into ordinary shares by the bond holders, it is expected that the number of ordinary shares will increase by about 65,906,992 shares, and then the Company's total issuance of ordinary shares will be about 489,450,156 shares, which will dilute about 13.47% of the current equity (423,543,164 shares); however, the funds raised by the Company will improve the financial structure of long-term and short-term funding sources, enhance the liquidity of solvency, increase the deployment space for flexible use of funds, and reduce the impact of interest rate risks. |
| Transfer agent | | None |

| Corporate bond type | | Domestic 6 th Unsecured Convertible Corporate Bonds | |
|---------------------------------------------|---------|------------------------------------------------------------------------|-----------------|
| Year | | 2022 | As of 2023/3/31 |
| Market price of the convertible bond | Highest | 104 | 102 |
| | Lowest | 95.50 | 99.05 |
| | Average | 100.87 | 100.61 |
| Conversion Price | | 34.27; 30.32 | 30.32 |
| Issue date and conversion price at issuance | | Issued Date: 2022/6/1 Conversion price at issuance: NT\$34.27/share | |

| | |
|---------------------|----------------------------------------------------------------|
| Corporate bond type | Domestic 6 th Unsecured Convertible Corporate Bonds |
| 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

- (i) The unexpired employee subscription warrants issued by the Company in existence as of the date of publication of the annual report: None.

- (ii) List of Executives Receiving Employee Stock Options and the Top Ten Employees with Stock Warrants

1. the first issuance, 1st 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 Senior VP (Resigned) | LIN, CHI-HSIANG (@Miky Lin) | | | | | | | | | | |
| | Administration & Financing Division Senior VP & Spokesperson | CHOU, KAN-LIN (@Fama Chou) | | | | | | | | | | |
| | Administration | WU, CHE-PIN | | | | | | | | | | |

| 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 |
| | & Financing Division Corporate VP | (@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 SeniorVP | HUNG, TUNG-HUI (@Tony Hung) | | | | | | | | | | |
| | Chairman Office (Overseas) Senior VP | LU, CHAO-CHIEH (@Bert Lu) | | | | | | | | | | |

2. the first issuance, 2nd 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 Divisio 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 SeniorVP | HUNG, TUNG-HUI (@Tony Hung) | | | | | | | | | | |
| | FAE Division Senior VP | HSIEH, CHI-HUNG (@Kevin Hsieh) | | | | | | | | | | |
| | Chairman Office (Overseas) Senior VP | LU, CHAO-CHIEH (@Bert Lu) | | | | | | | | | | |

3. the first issuance, 3rd Tranche (expired date: 2010/5/13)

| Description | Title | Name | No. of Stock Options | Stock Options as a Percentage | Exercised | | | | Unexercised | | | |
|-------------|-------|------|----------------------|-------------------------------|-------------------------|---------------------|-------------------------|----------------------------------|-------------------------|---------------------|-------------------------|----------------------------------|
| | | | | | No. of Shares Converted | Strike Price (NT\$) | Amount (NT\$ thousands) | Converted Shares as a Percentage | No. of Shares Converted | Strike Price (NT\$) | Amount (NT\$ thousands) | Converted Shares as a Percentage |

| | | | | of Shares Issued | | | | of Shares Issued | | | | 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: 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:

On April 22, 2022, the Company registered to the Securities and Futures Bureau of the Financial Supervisory Commission to raise and issue the 6th domestic unsecured convertible corporate bond of NT\$2 billion. As of the publication date of this annual report, its raising and issuance operations are still in progress. The purpose of this fund-raising project is to repay the borrowings of financial institutions, and it is expected to reduce interest expenses. In 2022, it will save about NT\$11,096 thousand in interest expenses, and NT\$20,390 thousand every year in the future. This plan not only reduces the financial burden, but also improves the financial structure, enhances the solvency, reduces the dependence on bank borrowings, and increases the deployment space for flexible use of funds.

V. Operation Overview

i. Business Content

(i) Business Scope

1. Major Business Content and Sales Percentage

The Company's major business is the distribution of electronic components and computer peripherals, technical services, and import/export business. In 2022, approximately 100% of the business proportion of the Company was the sales of electronic components and peripheral equipment as a franchisee. The Group operates mainly in Greater China (Taiwan, Hong Kong, and China) and Southeast Asia (Singapore, Philippines, Malaysia, Thailand, and Vietnam). The Group's companies continue to play the role of connecting technology and creating value in the semiconductor industry chain with the spirit of proactively meeting challenges and overcoming difficulties, and continue to strengthen the portfolio of the franchising product lines we resell to meet the changing market demands. Currently, the Group currently distributes products for a wide range of semiconductor component brands including IDM or IC design companies, such as AMD, Amlogic, Cypress, Infineon, Lattice, Microchip, Molex, NXP, Sinopower, Vishay, Western Digital, etc. However, we still continue to develop new products and applications in the semiconductor market, continue to seek new opportunities for distribution cooperation, and create new customer needs. Currently, in the fields of industrial electronics, automotive electronics, mobile communications, consumer electronics, computer peripherals, and AI/5G applications, the Group's regional companies are capable of providing competitive components, technical support services, and efficient supply chain management services to achieve a win-win-win situation through the Group's intermediary role by linking upstream vendors and downstream customers.

2. The Company's current products (services) offerings

The franchising products the Company resells as a distributor can be categorized into chipsets/special application standard ICs, mixed signals, and discrete components according to the characteristics of the products we resell.

3. New products (services) to be developed

At this stage, the Group's companies are developing the product solutions for 5G (smartphones, Customer Premise Equipment (CPE), Open Radio Access Networks (O-RAN), small cell stations, etc), artificial intelligence/Internet of Things (AIoT), WiFi 6, automotive electronics (including electric vehicles, electric locomotives, charging piles, etc), consumer electronics (PC, TV, Smartphone), industrial control, Type C-Power Delivery (PD), and various types of power supply applications. At the same time, we also devote various resources to the development of relevant application product solutions for servers/data centers, motor control, battery energy storage management systems, in-vehicle infotainment systems, car radar, tire pressure monitoring systems (TPMS), and human-machine interfaces for Center Information Displays (CID), in order to provide customers with immediate product reference solutions. All of these solutions are now available to customers in succession.

(ii) Industry Overview

1. Current Status and Development of the Industry

After experiencing a large stock shortage in 2021, the semiconductor industry faced a slowdown in 2022. In the second half of 2022, the globe faced inflationary pressures, rising interest rates, increasing energy costs and other factors that affected the global supply chain. The upstream, midstream, and downstream of the electronics industry regarded “destocking” as their top priority, so in 2022, the inventory was adjusted in the semiconductor industry, and the adjustment extended to 2023. According to the annual report of the USA Semiconductor Industry Association (SIA), the global semiconductor industry is expected to see a rebound in demand in the second half of 2023, and various research institutions forecast that the demand side will warm up and continue to grow in 2024.

According to the information released by the USA Semiconductor Industry Association (SIA), total global semiconductor sales increased by 3.2% in 2022, reaching USD 573.5 billion, higher than USD 555.9 billion in 2021. The demand for terminal consumer electronics declined after the recession of the stay-at-home economy. According to the observations of the Taiwan Industrial Technology Research Institute, even though the demand for terminal consumer electronics products shrank, the demand for semiconductors related to innovative applications, such as AI, IoT, automotive, and HPC, etc, continuously increased, and kept pace with the global semiconductor trends. The momentum of Taiwan's semiconductor industry in 2022 also came from the foregoing new applications, and the total output value increased to NTD 4.7 trillion, equivalently representing a growth rate of 15.6%. The growth rate was better than the average growth level of the global semiconductor industry.

By categories of semiconductor products, WSTS data showed that the total sales amount of analog chips reached USD 89 billion in 2022, representing an annual growth rate of 7.5%. The sales amounts of logic chips and memory chips in 2022 were USD 176 billion and USD 130 billion, respectively. The sales amount of automotive chips in 2022 reached a new high of USD 34 billion, representing an annual increase of over 29%. By product applications, Gartner pointed out that in 2022, the growth rate and market scale of global emerging technology applications were quite high. For example, the growth rate of artificial intelligence (AI) applications reached nearly 20% (IDC data), the growth rate of Internet of Things (IoT) applications reached 22.4% (IoT Analytics), and the growth rate of automotive semiconductor applications reached 14.5%.

In November 2022, WSTS forecast that other regions other than the Asia Pacific region would have double-digit growth according to the analysis of geographical regional divisions. The largest semiconductor market, the Asia Pacific region, is forecast to decline by 2%, American countries are forecast to grow by 17.0%, Europe by 12.6%, and Japan by 10.0%. At the same time, it also forecast that the global semiconductor market value is forecast to decline by 7.5% in the Asia Pacific region, and it will remain stable in other regions in 2023.

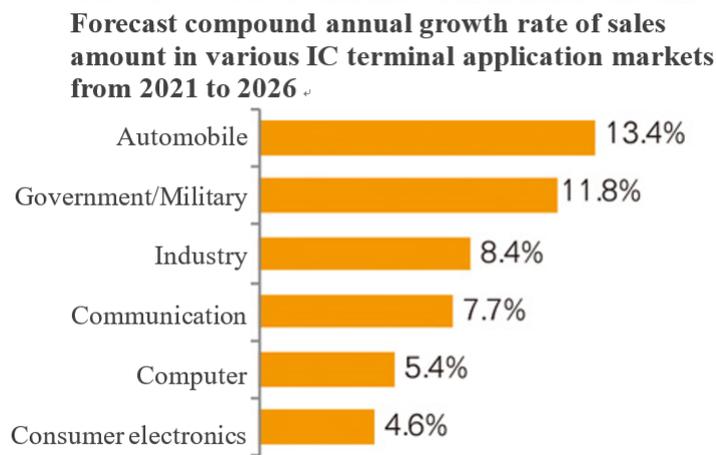
The International Institute of Industrial Science and the Taiwan Industrial Technology Research Institute pointed out that in 2022 Taiwan's semiconductor industry would still benefit from innovative applications, such as AI, IoT, automotive, and high-performance computing (HPC), etc,

to drive growth and effectively raise the total output value to exceed the historical record of NTD 4.7 trillion. The growth rate in 2022 reached 15.6%, which was better than the average growth level of the global semiconductor industry. The Institute also forecast that the total output value of Taiwan's semiconductor industry will continue to increase to NTD 5.0 trillion in 2023, representing an annual growth rate of 6.1%, better than the global growth rate of -3.6%.

WSTS also forecasts that the global semiconductor market will face negative growth in 2023, with a market contraction of 4.1% (compared with a global semiconductor sales amount of USD 580.1 billion according to the statistics of WSTS for 2022), and the total sales amount in the global semiconductor market will decline to USD 557 billion, mainly because the total sales amount in the memory product market will decline by 17%, and the sales amount of this type of chip is forecast to decline to USD 112 billion, while analog chips, induction chips, optical chips, and distributed components will also face single digit growth. According to the market survey of Canalys, among 247 companies with a PC business, over 60% believed that revenue from the PC business will remain stable or decline in 2023. To sum up, in 2023, the main growth drivers of the semiconductor industry will come from the automotive, data center, and industrial control fields. The revenue from communications and mobile phones will remain stable. Destocking will affect market performance throughout 2023, and the total sales amount of PC and consumer electronic products will decline.

The various research institutes are still optimistic about the medium and long-term semiconductor market. Semiconductor industry analysts from DIGITIMES pointed out that the global semiconductor market will reach USD 1 trillion by 2030, equivalently representing a compound growth rate of 7%. By terminal applications, the automotive chips will have the highest growth rate, reaching a forecast compound growth rate of 12%, with the sales amount of USD 145 billion. The growth rate of industrial semiconductors will also be higher than the market average. It is forecast that the compound growth rate will reach 9% and the sales amount will reach USD 130 billion. The sales in the information and computing market still accounts for more than 60% of the total semiconductor market sales, with a compound growth rate of about 6%, while the total sales amount of consumer electronic semiconductors is USD 84 billion, representing a compound growth rate of about 6%. Gartner, a research and survey institute, forecast that the compound annual growth rate (CAGR) in the semiconductor market will still be 5.8% from 2022 to 2026. Another research institution, IC Insights, also forecast the compound annual growth rate of sales amounts in various IC terminal application markets from 2021 to 2026, as shown in Figure 1.

Figure 1.



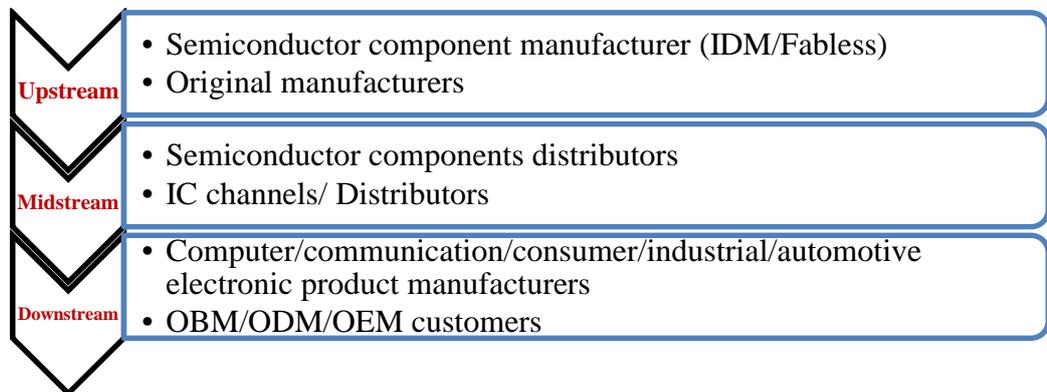
Source: IC Insight, sorted out by DIGITIMES, 9/2022

In the second half of 2022, the inventory problem in the semiconductor industry chain was severe. The USA's control of China for semiconductors and the decline of the memory market, in conjunction with the economic recession caused by price inflation, resulted in semiconductor manufacturers revising their capital expenditures one by one. All the top ten semiconductor manufacturers in the world, including TSMC, Intel, SK Hynix, Micron, and other major manufacturers, revised the total capital expenditure down to NTD 600 billion. The reduced scope of capital expenditures covered foundry, memory, and sealed tests. IC Insights originally forecast that global semiconductor capital expenditures would reach USD 190.4 billion, revised down to USD 181.7 billion, and originally forecast that the annual growth rate would reach 24%, revised down to 19%. The forecast capital expenditures of TSMC in 2023 are between NTD 974.6 billion and NTD 1.09 trillion (USD 32 billion to USD 36 billion), slightly lower than the NTD 1.1 trillion (USD 36.3 billion) in 2022. The above situation shows that although the budgets for global semiconductor capital expenditures in 2022 were cut down in the midway, they still reached a new high. IC Insights forecast that capital expenditures in 2023 will decline by 19%, mainly because capital expenditures of memory manufacturers will reduce by 25%, and the capital expenditures of semiconductors in mainland China will be reduced by 30% after the US sanctioned the semiconductor industry of mainland China. However, because competition in the semiconductor market is highly intense in terms of technology, and the introduction of emerging applications will only increase, not decrease, it is forecast that capital expenditures in 2023 will reach USD 146.6 billion. In the post epidemic era, the semiconductor industry is still one of the key development industries supporting the economy, national infrastructure construction and even national security, covering health care and medical equipment, telecommunications, energy, finance, transportation, agriculture and manufacturing, etc. They are a key component of the technology that controls critical infrastructure such as water systems, energy grids, and communication networks. Also, they support the IT systems that make it possible to work remotely and connect essential services in various fields, including medicine, finance, education, government, and food distribution.

Ensuring the continuity of semiconductors and related supply chains is therefore essential to support the realization of a wider range of services for digitization. Accordingly, the semiconductor industry and its supply chain have been defined as “essential infrastructure” and/or “essential business” in real economic activity. The Weikeng Group plays the important role of distributor in the supply chain of the semiconductor industry.

2. Explanations on the correlation among the upstream, midstream, and downstream of this industry according to electronic components and peripheral equipment products

In the semiconductor component industry, the upstream supply chain of franchisees is mainly composed of various semiconductor component manufacturers, and the downstream is mainly composed of information, communication, consumptive, industrial, automotive, and other end product manufacturers. For upstream manufacturers, the franchisees not only can set up a complete sales and technical service network to help the upstream manufacturers avoid directly facing numerous clients and save their sales and management costs, but also play a role of an information provider, and create an important communication channel with downstream electronic product manufacturers. For the downstream manufacturers, the franchisees not only can quickly provide them with necessary components and technical support, reduce their research and development costs, and provide them with analysis and suggestions according to market trends, but also play multiple roles as suppliers, consultants, and analysts. Therefore, semiconductor component distributors have frequent communication with upstream and downstream manufacturers, and provide professional supply chain management and technical support services to original manufacturers and customers. It is not just a simple buying and selling relationship.



3. Various development trends of products:

The Group's sales of semiconductor components it resells are mainly in the fields of computer and peripheral devices, network communications, consumer electronics, industrial control and automotive electronics, depending on the applications of the downstream customers. In 2023, the long-distance consumption pattern due to the pandemic will gradually disappear. The demand for terminal electronic products began to decline in the second half of 2022. The inventory reduction and control of related semiconductor components have become a focus in the industry, including the Group, in the second half of 2022 and 2023. Although upstream chip suppliers reduced their capital expenditures, the amount remains at the level

before 2021, indicating that the upstream chip manufacturers are still optimistic about the continued increase of semiconductor content in future terminal application products, including automotive chips, 5G, AIoT, high-performance computing, low orbit satellites, and other applications.

In the face of the global net zero emission trend in 2050, both major upstream semiconductor manufacturers and downstream technology application manufacturers have made commitments to actively reduce carbon emissions, and require their supply chains to take actions for carbon neutrality. Under this trend, business opportunities from green energy, consumer product appeals, and the industries' focus on energy conservation and carbon reduction jointly promote the improvement of power efficiency and the introduction speed of and demand for green energy and energy storage-related semiconductors. International semiconductor companies have successively proposed to comply with RE100 and implement green transformation standards, including Apple, a major U.S. technology company, which requires its supply chain to be carbon neutral by 2030, and TSMC, the global leader in OEM foundry, which has also made carbon reduction an important indicator for procurement, requiring supply chain vendors to save 20% on energy by 2030. The industries face pressure from the transition to net-zero, which affects Taiwan's semiconductor and related electronics companies, as well as the product portfolio strategy of Weikeng Group in recent years. The semiconductor and related electronics companies have penetrated from the electronics industry to the automotive industry and green energy supply chains, including three large supply chains of solar energy, wind energy, and energy storage, and as long as they seize the related green business opportunities, they can achieve sustainable development. Under the concept of the global circular economy, semiconductor components are penetrating the green supply chain rapidly, and creating sustainable global business opportunities. The semiconductor industry is also playing an important and active role in developing green technology. Weikeng Group will continuously develop relevant applications and provide the clients with green technology and emerging application solutions to grasp the sustainable business opportunities.

4. Competition

Currently, most of the main international IDMs and Fabless semiconductor manufacturers have granted distributors franchises through multiple distributor agreements rather than exclusive contracts, dozens of players play a role as midstream semiconductor component distributors with the franchises in the domestic semiconductor industry, and in addition to the Company, the other major players include WPG Holdings, Synnex, WT Microelectronics, EDOM, Promate, Zenitron and Supreme, etc.

(iii) Technology and R&D Overview

1. R&D expenses and successful technologies or products developed in the latest year and the current year up to the date of publication of the Annual Report

Unit: NT\$ thousand

| Item/Year | 2022 | By the end of March 31, 2023 |
|--------------|---------|------------------------------|
| R&D expenses | 133,093 | 44,153 |

Under the planning and active efforts of the “Marketing Development Division”, the Company has successfully represented the product lines of

well-known domestic and foreign semiconductor manufacturers, and even successfully maintained or expanded the franchises granted by the upstream vendors after consolidation. In addition to continuing to establish a firm foothold in 3C electronic applications, the “FAE Division” also actively technically supports IC products from original manufacturers and customers in emerging applications to increase the Company's business territory, provides customers with technical support for product applications, helps customers save R&D expenses, shortens time-to-market, and enhances service levels to strengthen the cooperative relationship with original manufacturers and customers.

In the “Solution Division”, we are moving into the field of R&D and design, specializing in overall product reference solutions. The semiconductor industry is widely used and its application scheme is continuously updated. In addition to acting as a franchisee for the product lines of domestic and well-known foreign semiconductor manufacturers, the Company will direct the “Marketing Development Division” to take the lead in finding new product lines to be franchised, pay close attention to and evaluate the application and development of a start-up company's products, including the applications and development related to the green economy, timely input the development resources of the “Marketing Development Division”, and then introduce the technical support and services created from demand of the “FAE Division”.

At this stage, the Group's companies are developing the product solutions for 5G (smartphones, Customer Premise Equipment (CPE), Open Radio Access Networks (O-RAN), small cell stations, etc), artificial intelligence/Internet of Things (AIoT), WiFi 6, automotive electronics (including electric vehicles, electric locomotives, charging piles, etc), consumer electronics (PC, TV, Smartphone), industrial control, Type C-Power Delivery (PD), and various types of power supply applications. At the same time, we also devote various resources to the development of relevant application product solutions for servers/data centers, motor control, battery energy storage management systems, in-vehicle infotainment systems, car radar, tire pressure monitoring systems (TPMS), and human-machine interfaces for Center Information Displays (CID), in order to provide customers with immediate product reference solutions. All of these solutions are now available to customers in succession.

(iv) Long-term and short-term business development plans

1. Long-term plan:

- (1) To attach importance to the green economy and sustainable development, grasp the development trend of “new technology” and “green economy” products, and create sustainable business opportunities

The international semiconductor companies have successively proposed to comply with RE100 and implement green transformation. The industry faces a transition to net-zero, responds to actions for green power or carbon reduction, which brings “new technology” and “green economy” business opportunities. The Company will actively cooperate with upstream vendors for the long term, invest resources, and continuously provide clients with competitive components. In the relevant green energy (solar energy, wind energy, energy storage) supply chain, Weikeng Group will, through providing technical support services

and research and development projects, achieve connection with green technology in the industrial chain, and create a triple-win value, to obtain sustainable green business opportunities, and make contributions to sustainable development under the concept of the global circular economy.

- (2) To focus on operational performance and efficiency, and emphasize operational and climate change risk management

The operating scales of the companies within the Group and the sales portfolio of franchising products represented are growing day by day, the Group emphasizes the cost-efficiency and risk of working capital. Therefore, the management of both operational risk and financial risk must be taken into account in the operation management strategy, so as to facilitate regulating business and financing activities. In addition, in the face of the risk of exchange rate fluctuations, the Group will strictly control the timing of inventory purchases, management of inventory levels, and customer credit management to prevent the exchange rate fluctuation from reducing gross profits and management assets as much as possible, so as to ensure the achievement of profit for companies within the Group. Also, the Group will strengthen efforts to assess climate change risks, align with international norms, and regularly review the climate change risks and their countermeasures.

- (3) To timely increase the injection of equity capital

Based on the operational needs, although financial institutions are currently the main source of operating capital, for financial leverage, the Group still requires a balance of equity capital in order to build a better financial structure. Therefore, we will assess the financing activities of the Group's companies and the balance of the capital structure from time to time, and increase equity capital injections in a timely manner to balance direct and indirect financing.

- (4) To comply with regulations on the export and import of strategic high-tech goods

Because the high-tech IC products represented may belong to dual-use products for military and commercial purposes, it is necessary to screen clients, product categories, and the end use of transactions for the import and export of products, improve the "Know Your Customer" (KYC) process and records to comply with the relevant import and export laws and regulations of Taiwan and countries where the franchising vendors belong to, and exclude the possibility that the counterparty may use the high-tech IC products for the production or development of nuclear, biochemical, missile, and other military weapons.

2. Short-term plan:

- (1) To be cautious in facing the destocking situation in the industrial chain in 2023

To actively manage and evaluate the speed of purchases and sales, carefully prevent the loss of falling inventory prices, strengthen the efficiency of working capital, strengthen the control measures for the prevention of dead inventory, and improve the countermeasures for the treatment of dead inventory.

(2) To grasp the diversified deployment and construction of customers' production bases and supply chains in real-time.

To timely grasp the dynamic adjustment of suppliers and customers due to trade policies or geopolitical factors, such as the “China+1” layout of semiconductor application electronics manufacturers. In order to relocate a production base, move, or adjust the production lines according to its plan, the Company must also be able to build transnational and trans-regional capacity and flexibility of strategy establishment, and expand its product portfolio on the premise of compliance with the provisions of the United States’ (various countries) import and export laws and regulations.

(3) To grasp the market demand in the post pandemic era and for new technologies

In the face of a changing market and uncertainty, to continue to pay attention to the price and demand changes of each item, master the development trends of application-end technology products, invest appropriate R&D resources, and cooperate with industry partners to continue to create added value and competitiveness.

(4) To closely pay attention to the green economy and sustainable development

To focus on the green economy and sustainable development, continue to provide customers with competitive components, and through technical support services and research and development projects, achieve technological links in the industry chain, support the industry chain to promote the carbon reduction operational mode, and grasp business opportunities from the green energy industry, as well as work with upstream and downstream partners to build a green and sustainable industry chain.

(5) To implement countermeasures for operational risks

To continue to comply with the risk management system and code of business with integrity, strengthen the operational efficiency, pay attention to the needs and feelings of employees, take a stable business model as the principle, analyze the profitability of revenue growth, and take appropriate measures to grasp market opportunities.

ii. Market and Production and Sales Overview

(i) Market Analysis

1. Sales (Offering) Region of Major Products (Services)

Unit: NT\$ thousand

| Year | 2022 | |
|-----------------|------------|--------|
| | Amount | % |
| Sales region | | |
| Taiwan | 7,286,106 | 10.37 |
| China | 58,136,241 | 82.72 |
| Other Countries | 4,858,832 | 6.91 |
| Total | 70,281,179 | 100.00 |

2. Major Competitors

Currently, most of the main international IDMs and Fabless semiconductor manufacturers have granted distributors franchises through multiple

distributor agreements rather than exclusive contracts, dozens of players play a role as midstream semiconductor component distributors with the franchises in the domestic semiconductor industry, and in addition to the Company, the other major players include WPG Holdings, WT Microelectronics, Synnex, Supreme, EDOM, Zennitron and Promate, etc.

3. Approximate market share

| Item | Company and peer players | | | | | | | | |
|--------------------------------------|--------------------------|--------------|---------------------|-------------|-------------|-------------|------------|------------|-------|
| | Weikeng | WPG Holdings | WT Microelectronics | Synnex | Supreme | EDOM | Zennitron | Promate | |
| Sales Revenue (1) (NT\$ thousand) | 70,281,179 | 775,232,422 | 571,197,118 | 424,550,420 | 174,074,521 | 118,707,037 | 40,022,922 | 28,073,205 | |
| Market share (%) | Domestic (2) | 1.50% | 16.49% | 12.15% | 9.03% | 3.70% | 2.53% | 0.85% | 0.60 |
| | Global (3) | 0.41% | 4.54% | 3.34% | 2.49% | 1.02% | 0.70% | 0.23% | 0.16% |

Source:

1. Based on each company's published financial statements for 2022
2. The output value of Taiwan's IC industry in 2022 according to the statistics of ITRI NT\$ 4.7 trillion
3. According to the Semiconductor Industry Association (SIA), global semiconductor sales totaled US\$573.5 billion in 2022, equivalent to NT\$17.08 trillion.

4. Future Market Supply and Demand Situation and Growth

(1) Supply Side

As the semiconductor industry and its supply chain are considered “essential infrastructure” and/or “essential business” in real economic activities, the upstream semiconductor companies and wafer manufacturers have been making great efforts to develop advanced process and packaging technologies for the design and manufacturing of semiconductor components, hoping that the supply of semiconductor components developed through advanced technologies will create or meet the needs of new applications. One of the tasks of semiconductor component distributors is to link up with the advanced semiconductor technology development of upstream vendors to meet the “induced demand” of customers and play the role of a professional and value-added “demand creation” provider in the semiconductor industry.

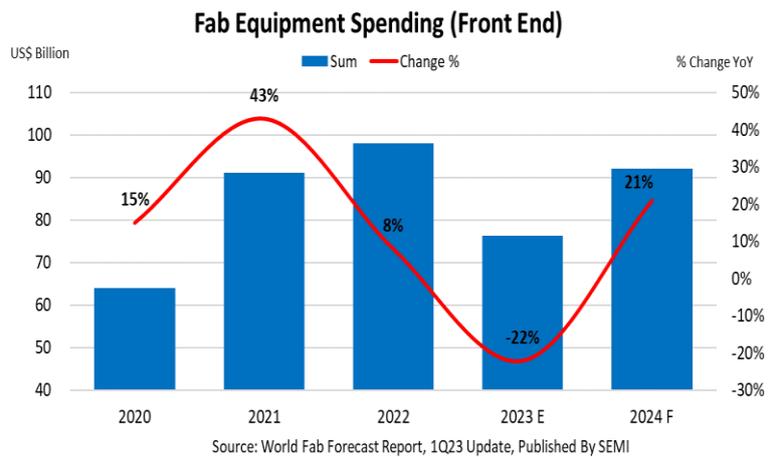
The suppliers of semiconductor component distributors are the upstream semiconductor component manufacturers (IDMs or Fabless companies). The rise and fall of the semiconductor industry's output value directly affect the supply side. In the past few years, capital expenditures in the semiconductor industry have continued to expand. Since the coming of the post pandemic era, the pressure of destocking in the industrial chain has risen. The manufacturers of upstream semiconductor components have successively revised their capital expenditure budgets down. In addition, geopolitics have continuously affected the supply side of the semiconductor industry, but the overall supply still continues to grow.

Considering the geopolitical relationship, the global semiconductor supply chain is gradually being divided. In addition to the Sino-US dispute, the United States proposed a chip policy that limits the import of technology, equipment, and scientific and technological personnel, which has gradually resulted in the trend of industrial anti-globalization and sounded an alarm bell that the supply chain has to be moved away

from China. Because production and operation in China had to be stopped due to control measures during the pandemic situation, countries investing in the establishment of factories in China have felt the over-concentration risk of their production and supply chain in China. Therefore, according to consideration for risk diversification, the “China+1” model for establishing a factory in other countries is now continuously adopted, such as returning to the home country or establishing factories on the “edge of the market” for manufacturing. Geopolitics will continue to affect the supply side of the semiconductor industry. The United States, the European Union, Japan, South Korea, and China have initiated localization of semiconductor production and manufacturing, positively granted various subsidies, and actively cooperated with overseas semiconductor manufacturers. For example, both the Chips and Science Act enacted by the United States in August 2022, and the draft of the EU Chips Act proposed by the European Commission in 2022 aimed at localizing the industrial chain, or actively cooperating with overseas semiconductor manufacturers, and dispersing or changing the territory distribution, and increasing their semiconductor market share. The semiconductor industry has indeed become a strategic industry in international relations. In terms of Taiwan, there is pressure to diversify the risks of over-concentration of production bases worldwide. The industrial chain migration or the “China+1” model brought about due to the geopolitical situation of semiconductors have increased the costs of semiconductor manufacturers. Research institutions pointed out that the subsidies granted in accordance with the 2023 USA Chips and Science Act will only make up for part of the costs of existing semiconductor manufacturers, and to a limited extent, stimulate the manufacturers to additionally increase expenditures or make investment. Therefore, semiconductor capital expenditures this year shall be still viewed conservatively.

IC Insight forecast at the end of 2022 that in 2023, fab equipment spending would decline by 19%, while Semiconductor Equipment and Materials International (SEMI) forecast in the first quarter of 2023 that in 2023, fab equipment spending will decline by 22%, as shown in Figure 2 below, the growth rate in 2024 will be 21%, and the fab equipment spending will return to the level of 2021. DIGITIMES pointed out that almost all logic and memory system manufacturers forecast that the market demand will rebound from 2024 to 2025, and it is forecast that fab equipment spending will grow significantly, including new fabs which are being built or in which equipment is installed, by Intel, Micron, Samsung Electronics, TSMC, and TI in the United States, all of which are expected to put into commercial production as scheduled.

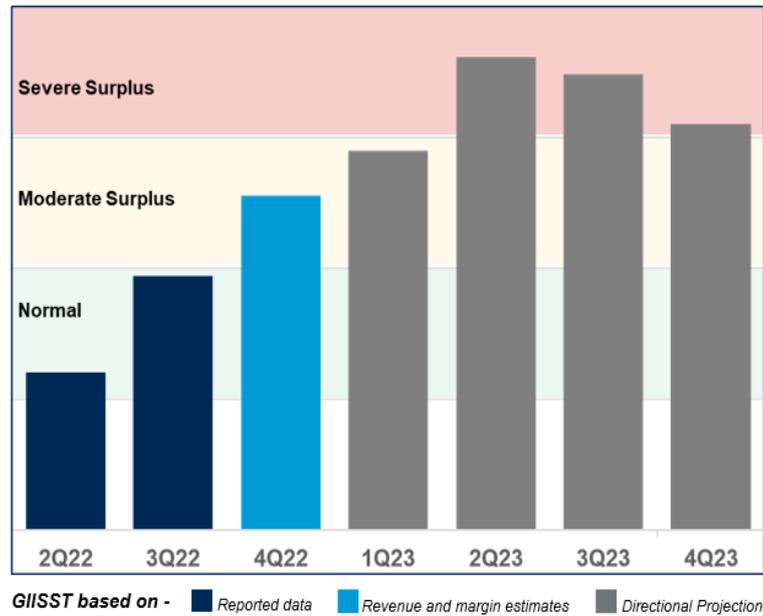
Figure 2. Forecast for Fab Equipment Spending



To sum up, there are still many uncertainties in the global chip supply side. According to Gartner's forecasts, the semiconductor industry's oversupply situation will peak in the second quarter of 2023 (as shown in Figure 3 below), and will slow down in the third quarter of 2023. However, the fourth quarter is still at the level of severe surplus. While looking into changes in downstream destocking, the semiconductor component manufacturers are also facing changes in the industrial chain brought about due to geopolitics, pressure from chip diplomacy, and technological competition.

Figure 3. Gartner Index of Inventory Semiconductor Supply Chain Tracking – Projected Worldwide Semiconductor Inventory Index Movement, 2022-2023

(Gartner Index of Inventory Semiconductor Supply Chain Tracking - Projected Worldwide Semiconductor Inventory Index Movement, 2022-2023)



(2) Demand Side

The demand for semiconductor components comes from end-use applications. Semiconductor component distributors are facing demands from manufacturers of electronic products for information,

network communication, consumer, industrial, automotive, and other new technology applications, including OBM, ODM, and OEMs. In 2023, because the world economy is facing the risk of economic stagnation, and at the same time, facing pressure from the United States Federal Reserve's raising of interest rates, the interference of the Russia-Ukraine War, and the changes in the anti-inflation policies of various economies, the forecast on the global economic growth rate will be more conservative than that in 2022. According to the projection of the International Monetary Fund (IMF) in the World Economic Outlook in January 2023 (for details, see Figure 4), the global output is forecast to grow by 2.9%, The forecast economic growth of developed and emerging countries is 1.9% and 4.0%, respectively. According to the data released by the General Statistics Division of the Taiwan General Accounting Office on January 18, 2023, Taiwan's economic growth rate in 2022 was 2.34%. In 2023, because the global economy will continue to become weak, and the performance of foreign trade and private investment will weaken, too, according to the latest forecast released by the Taiwan Institute of Economic Research in January 2023, the domestic economic growth rate will be 2.58%, revised down 0.33% from the forecast in November 2022.

Figure 4. IMF World Economic Outlook Projection

| Latest World Economic Outlook Growth Projections | | | |
|---------------------------------------------------------|------------|-------------|------------|
| | ESTIMATE | PROJECTIONS | |
| (real GDP, annual percent change) | 2022 | 2023 | 2024 |
| World Output | 3.4 | 2.9 | 3.1 |
| Advanced Economies | 2.7 | 1.2 | 1.4 |
| United States | 2.0 | 1.4 | 1.0 |
| Euro Area | 3.5 | 0.7 | 1.6 |
| Germany | 1.9 | 0.1 | 1.4 |
| France | 2.6 | 0.7 | 1.6 |
| Italy | 3.9 | 0.6 | 0.9 |
| Spain | 5.2 | 1.1 | 2.4 |
| Japan | 1.4 | 1.8 | 0.9 |
| United Kingdom | 4.1 | -0.6 | 0.9 |
| Canada | 3.5 | 1.5 | 1.5 |
| Other Advanced Economies | 2.8 | 2.0 | 2.4 |
| Emerging Market and Developing Economies | 3.9 | 4.0 | 4.2 |
| Emerging and Developing Asia | 4.3 | 5.3 | 5.2 |
| China | 3.0 | 5.2 | 4.5 |
| India | 6.8 | 6.1 | 6.8 |
| Emerging and Developing Europe | 0.7 | 1.5 | 2.6 |
| Russia | -2.2 | 0.3 | 2.1 |
| Latin America and the Caribbean | 3.9 | 1.8 | 2.1 |
| Brazil | 3.1 | 1.2 | 1.5 |
| Mexico | 3.1 | 1.7 | 1.6 |
| Middle East and Central Asia | 5.3 | 3.2 | 3.7 |
| Saudi Arabia | 8.7 | 2.6 | 3.4 |
| Sub-Saharan Africa | 3.8 | 3.8 | 4.1 |
| Nigeria | 3.0 | 3.2 | 2.9 |
| South Africa | 2.6 | 1.2 | 1.3 |
| Memorandum | | | |
| Emerging Market and Middle-Income Economies | 3.8 | 4.0 | 4.1 |
| Low-Income Developing Countries | 4.9 | 4.9 | 5.6 |

Source: IMF, World Economic Outlook Update, January 2023

Note: For India, data and forecasts are presented on a fiscal year basis, with FY 2022/23 (starting in April 2022) shown in the 2022 column. India's growth projections are 5.4 percent in 2023 and 6.8 percent in 2024 based on calendar year.

INTERNATIONAL MONETARY FUND

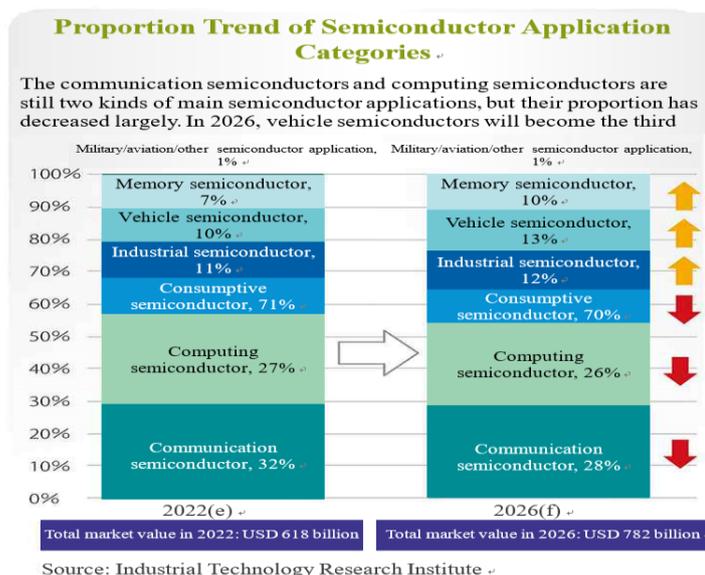
IMF.org

In 2023, due to inflationary pressure and the pressure from interest rate rising in major economies, major semiconductor manufacturing countries are facing a trend of slowing down manufacturing activities. Taiwan's Manufacturing PMI released by the Chung-Hua Institution for Economics Research fell to 40.4 in January, representing the lowest

point in nearly a year. In February, it stopped falling and rebounded to 51.4, and the contraction for seven consecutive months ended. China's manufacturing PMI rebounded rapidly after the removal of lockdowns, rose 2.5 to 52.6 in February compared with January, and reached a new high in the past 11 months. The comprehensive purchasing managers index in the United States and the Eurozone also rebounded, reaching 50.2 and 52.3, respectively. However, the manufacturing PMI is still in a state of further contraction, reaching 47.8 and 47.4, respectively. In February, the manufacturing PMI in the United States was higher than the one in January, while in the Eurozone, it was lower than the one in January, and had been in a state of contraction for four consecutive months. Japan's manufacturing PMI had been in a state of contraction for four consecutive months, and its index in February reached 47.4, representing a new low after nearly 30 months, indicating that its economy was in a downturn and showed no signs of recovery compared to other economies.

By categories of applications, the data of the International Institute of Industrial Science, Industrial Technology Research Institute (Figure 5 below) showed that in 2026, wireless communication semiconductors and computing semiconductors will still account for the largest proportion in the global semiconductor market scale, but it is forecast that their respective proportions will decline from 32% and 27% in 2022 to 28% and 26%, respectively. Under the important development trend of intelligence and electrification for vehicle carriers, it is forecast that the costs of chips per vehicle will increase at an annual growth rate of 8%~10%. The average costs of semiconductors per vehicle amounted to USD 489 in 2020, and it is forecast that the average costs of semiconductors will amount to more than USD 716 in 2025, making the vehicle semiconductors rank third in semiconductor applications, with a compound growth rate of 13.8%, and the proportion of vehicle semiconductor applications will rise to 13% by 2026.

Figure 5. Proportion Trend of Semiconductor Application Categories Forecast by the Industrial Technology Research Institute for 2022 vs 2026



The Industrial Technology Research Institute forecasts that Taiwan's semiconductor industry is expected to reach the milestone of NTD 5 trillion's output value in 2023, with an annual growth rate of 6.1%. Compared with the negative growth of the global semiconductor industry in 2023, forecast by various research institutions, Taiwan continues to maintain a better momentum performance than the global average level.

To sum up, since the second half of 2022, the semiconductor industry has experienced a decline in demand. The growth rate for 2023 will continue to slow down due to inflation and other factors. In the next few years, the growth momentum will be driven by automotive chips. In the medium and long term, because new technologies, new applications, and green markets will also gradually mature, the growth of demand will be dominated by the applications of automotive semiconductors, 5G, and AIoT. The various research institutions are optimistic that the total market value of semiconductors will return to the growth trend after 2024. The International Institute of Industrial Science, Industrial Technology Research Institute, forecast that the total market value of semiconductors in the world will reach USD 782 billion in 2026.

(3) High Potential for Market Growth

In terms of technology development, the key element of any technological device or equipment is the semiconductor chip that controls and executes the multiple functional requirements of the device or equipment through the compilation process of the instruction set program code. Semiconductor applications span smartphones, automobiles, networking, edge computing, cloud data, industrial automation, smart homes, and various consumer electronics products. In addition, the application of green technology covers energy reserves and optimization of energy use. The industrial demand for the development of key semiconductor technologies and the supply of components is growing day by day, driving the steady expansion of the overall potential market.

With the development of semiconductor applications with high growth potential, including the rise of automotive semiconductors, charging stations, green information centers in colleges and universities and other fields, Group III semiconductors (SiC, GaN power components) have entered a stage of rapid development, in which SiC accounts for 80% of the total output value of the class III semiconductors, which is suitable for applications in high voltage and high current scenarios, such as the optimization of electric vehicle efficiency and renewable energy equipment system efficiency, etc. According to statistics from TrendForce in its research, the overall market output value of SiC power components in 2023 will reach USD 2.28 billion, equivalently representing an annual growth of 41.4%. TrendForce pointed out that the SiC power components are entering a period of rapid development, and forecast that the compound growth rate of their market scale will reach 35% from 2022 to 2026. The main applications of GaN power components are low-power consumer electronics applications, such as fast charging, etc, which have entered the Red Sea Market. With the

maturity of new technologies and the reduction of costs, the GaN power components will expand to medium and large power energy storage, data centers, household micro inverters, communication base stations, automobiles and other fields in the future. TrendForce forecast that the compound growth rate of their market scale will reach 61% from 2022 to 2026.

TrendForce pointed out in its research that in 2023, with the upgrading of network and communication equipment, 5G introduction will still be one of the factors to promote the growth of the semiconductor industry. The applications of 5G cover a wide range, including industrial manufacturing Intelligentization, smart energy management, smart medicine, smart cars, public transport, and series connection of smart home appliances. By 2023, the forecast market value of 5G will reach USD 14.5 billion, and by 2026, it will reach USD 37 billion, equivalently representing an annual compound growth rate of 11%. It is expected that the explosive growth of metaverse-related applications in the next 2-3 years will further drive the 5G market demand.

The types of artificial intelligence chips are divided into edge computing and cloud computing, accounting for 75% and 25% of the artificial intelligence chip market in 2022, respectively. According to Precedence Research, the artificial intelligence chip market reached USD 16.8 billion in 2022, extending the continuous growth of artificial intelligence chips in data center applications over the past few years. As a result, the cloud technology field has become the largest market for artificial intelligence chips. In response to the large cloud computing needs, the rapid growth of data centers has led to a significant increase in demand for high-computing AI chips. Precedence Research forecast that the artificial intelligence chip market will reach USD 227.48 billion in 2032, equivalently representing a compound annual growth rate of 29.72%.

From the perspective of growth potential in the medium and long term, the global semiconductor industry will continue to grow in all aspects after confronting recession in 2023. SIA forecast that the sales amount of all semiconductors in 2023 will reach USD 556.5 billion, 2.9% lower than USD 573.5 billion in 2022. WSTS and Gartner, a survey and research institute, respectively forecast that the scale of the global semiconductor market will decrease by 4.1% and 3.6% in 2023, while Statista, a statistics institute, forecast that the semiconductor market will grow to USD 737 billion in 2025. The International Institute of Industrial Economy, Industrial Technology Research Institute forecast that the total market value of global semiconductors will reach USD 782 billion in 2026.

DIGITIMES Research pointed out that by 2025, AI chips for data centers will be the largest market in the hot semiconductor field in recent years. In terms of demand for edge computing, Gartner predicts that 75% of enterprise infrastructure will be deployed at the edge by 2025, and Statista estimates that the market for edge computing data centers will reach USD13.5 billion by 2024. Artificial intelligence chips in data center applications will continue to grow, and the cloud technology field has become the largest market for artificial

intelligence chips. In response to the large cloud computing needs, the rapid growth of data centers has led to a significant increase in demand for high-computing AI chips. GAFA (Google, Apple, Facebook, Amazon), the four major companies, invested in their own design and development of dedicated AI chips, self-made high-capacity AI chips, with software and datacenter platforms, hoping to reduce power consumption to improve performance. In response to chip performance optimization, the corresponding data center high-speed access devices will face a generational change. In the future, they will switch from traditional HDDs to NAND Flash-based SSDs.

Automotive HPC will be the only field with a market value of more than USD 5 billion and a compound growth rate of more than 50% in 2025, and will be the growth focus of the semiconductor industry in the near future. Gartner forecast that the global automotive HPC market scale will reach USD 8.03 billion in 2025, representing a high annual growth rate of 58%. The automotive HPC includes “cockpit HPC” and “body HPC”. On the whole, the demand for automotive semiconductors continues to grow, and the growth potential of components, such as control unit sensors and memories, etc, is optimistic. The Company has been in the automotive electronics supply chain for many years, and will continue to maintain its position and keep up with the market growth potential to address the large volume of semiconductor components in automotive electronic devices and subsystems driven by the future development of automotive automation, electrification, networking, and security systems.

To sum up, the development of electronic technology is changing day by day. Green energy technology and power efficiency improvement are the core of the overall semiconductor development momentum. The introduction of the above emerging materials with high growth potential in the market (compounds/class III semiconductors), product applications driven by 5G and AIoT, technological development of heterogeneous integration design architecture systems and other technological developments will still be engines of driving the continuous growth of semiconductor demand. In addition to the existing product demand solutions in computer, communication, consumer electronics, industrial and automotive electronics, etc, for supply to customers, the Group has also been cooperating with upstream vendors and downstream customers to actively grasp relevant product solutions with growth opportunities, such as cloud or edge applications, industrial AI applications, IoT applications, 5G applications, power optimization, charging stations, etc, to enable the Group to stand out in a timely manner in the future with these business opportunities.

5. Competitive Advantage

(1) Complete Product Portfolio

With years of experience in marketing electronic components and keen judgment of electronic component market trends, the Company has evolved into a professional electronic component distributor, cooperating with world-class original manufacturers, such as AMD, Amazing, Cypress, Infineon, Lattice, Microchip, Molex, NXP,

Sinopower, Vishay, Western Digital, etc. The product lines we resell can be categorized into chipsets/ASICs, mixed-signal and distributed components according to product characteristics, covering 3C, industrial, automotive, industrial AI, IoT, cloud/edge, and 5G applications, and we have become a major distributor for these major suppliers.

(2) Highly-Recognized Demand Creation Capabilities

The Company can quickly grasp the latest developments in the technology market, and convey the latest product solution information to our customers and provide timely services. We often invite professionals or suppliers to hold seminars on product and industry information, such as new product launches and seminars on new technology trends, so that our customers can participate in the discussions and keep abreast of the latest information. Meanwhile, in order to provide comprehensive technical services for product solutions and to respond promptly to customers' questions regarding component technology, and to save R&D and design costs and shorten the time to market for new products for customers, the Company and its subsidiaries have set up the FAE Division and Solution Division to provide professional technical services in R&D and design for customer-side demand creation. We have been recognized by both upstream vendors and downstream customers for our expertise in demand creation, which is an important competitive advantage in securing franchise and new project orders from customers.

(3) Strong management team and emphasis on talent cultivation

Our management team is committed to the professional spirit of “linking technology, creating value” and demonstrating the spirit of teamwork in order to enhance our competitiveness in the market. In addition, each of the Group's companies emphasizes the development and training of management successors, and has been cultivating available business and administrative talents in each operating region to let them begin to demonstrate leadership experience and look forward to innovative management thinking. The management team has a good management philosophy and tacit understanding. With the Company's long-standing dedication and persistence to the electronic components and peripherals channel, the management team is constantly thinking about the management strategy of electronic components distribution, and creating the market value of the channel.

(4) Solid Sales Channel Network

The Group's business is focused on the Asia Pacific market, which is not the largest in the industry but is solid. In order to meet the needs of our customers in terms of the timeliness of supply, we respond to the demand for components from overseas plants of downstream customers by increasing the flexibility of inventory management. In addition to Taiwan, the Weikeng Group has set up subsidiaries in Hong Kong, China, and Singapore, which are responsible for marketing and technical services in the Greater China region (Taiwan, Hong Kong, China) and Southeast Asian markets. By covering the Asia Pacific region and having a complete sales system empowered by our distribution bases, we have formed a solid sales channel and technical

service base that not only effectively enhances the competitiveness of both the Company and our customers, but also strengthens our ability to win the franchise for new product lines.

6. Favorable and Unfavorable Factors and Countermeasures for Development Prospects

(1) Favorable Factors

① Considered as “essential infrastructure” and/or “essential business”
As the semiconductor industry and its supply chain are considered “essential infrastructure” and/or “essential business” in real economic activities, upstream semiconductor companies and wafer manufacturers have been making great efforts to develop advanced process and packaging technologies for the design and manufacturing of semiconductor components, hoping that the supply of semiconductor components developed through advanced technologies will create the needs for new applications. One of the tasks of semiconductor component distributors is to link up with the advanced semiconductor technology development of upstream vendors to meet the “induced demand” of customers and play the role of a professional and value-added “demand creation” provider in the semiconductor industry.

② High Potential for Application Market Growth

In terms of technology development, the key element of any technological device or equipment is the semiconductor chip that controls and executes the multiple functional requirements of the device or equipment through the compilation process of the instruction set program code. Semiconductor applications span smartphones, automobiles, networking, edge computing, cloud data, industrial automation, smart homes, and various consumer electronics products. The increasing demand for key semiconductor technology development and component supply from the industrial side is driving the overall potential market to expand steadily.

In terms of global economic trends, the rise of the digital economy will lead to new directions in economic activities and industry development. With information and communication (ICT) technology and manufacturing technology in place, integration of front-end sensing, IoT communication technology, virtual-real integrated systems, cloud computing, and big data analytics will enhance production efficiency, respond to flexible production, and solve labor shortages, leading to future industry innovation.

An important industry development trend worth mentioning is the arrival of the AI and 5G generation. The rapid advances in electronic technology will often drive a surge in demand for semiconductors. In addition to the existing product demand solutions in computer, communication, consumer electronics, industrial and automotive electronics, etc, for supply to customers, the Group has also been cooperating with upstream vendors and downstream customers to actively grasp relevant product solutions with growth opportunities, such as cloud or edge applications, industrial AI applications, IoT applications, 5G applications, power optimization, charging stations, etc, to enable the Group to stand out in a timely manner in the future

with these business opportunities.

③ Stable Franchises

Over the years, the Company has maintained a good relationship with upstream suppliers, which have granted their franchises to us. These world-leading companies have been able to rely on our professional sales capability, which is also very conducive to the Company's business expansion. In the face of parallel integration of suppliers, we are able to obtain new franchises or strengthen existing relationships due to our good cooperative relationship.

(2) Unfavorable Factors and Countermeasures

① Short Lifecycle of End Products

The short life cycle of electronic products and the introduction of new products that gives rise to generational changes will test the Company's ability to control inventory and master product information. Countermeasures include:

- a. The sales department should hold regular or occasional business meetings to review the market supply and demand and customer needs. They can accurately grasp the lifecycle status of customers' product plans, formulate corresponding preventive measures, and adjust the inventory stock level in a timely manner.
- b. In response to the market trends and technological developments, the Company sets future development directions, grasps opportunities, actively acquires star product franchises, and develops new customers to optimize the convergence of the product portfolio in order to grasp the growth opportunities of replacement and reduce risks.

② External disturbances blunt economic activities

Due to the global pandemic, the Russia-Ukraine War, and trade brinkmanship, all countries are exposed to the risk of stagnating inflation, and the major economies or countries in Europe and the United States have also implemented a strong “cold turkey policy” (significantly tightening monetary policy), which increases the Company's operational risks and financial costs. The corresponding measures are: Countermeasures include:

- a. Regularly review the Company's internal operation management, review the impact, and establish a rapid response crisis communication channel, with employees, management team, customers, and business partners, to protect the Company's normal operations.
- b. Be loyal to our customers and effectively assist them in solving supply chain problems or even raising alerts, which will deepen their close relationship.
- c. Based on the trend of scientific and technological development, to continuously develop the franchises of new products, and continuously deepen the product strategies of researching and developing new product solutions, so that the Company can accumulate the strength to stand out in the future.
- d. Exchange market information with upstream vendors and downstream customers without being interrupted by interfering factors, so as to grasp the dynamics of opportunities.

- e. Strengthen the management wealth for operational risks caused by interfering factors, such as customer credit and collection management, exchange rate risk management, and inventory risk management. Focus on cash management to enhance liquidity and reduce the rate of capital burn rate with a prudent and proactive policy as the guiding principle.
- f. Pay attention to international sanction regulations at any time, keep abreast of the response strategies and structures of customers' production bases and supply chains, establish rapid response communication channels, and strengthen support, service dynamics, and flexibility to maintain the normal operation of the Company and supply chain partners.
- g. To grasp the industrial development trend, strengthen and expand the product portfolios, timely increase the product franchises in various regions, and expand the product portfolios participating in the supply chains to comply with legal restrictions on the supply of products of European and American system to China.

(ii) Major Product Applications and Production Processes

The franchising products the Company resells as a distributor can be categorized into chipsets/standard ICs (ASIC) for special applications, mixed-signal and decentralized components according to the characteristics of the products we resell, and their important applications are listed below:

| Application Segment | Customer Product Applications |
|-----------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Computing | PCs, Notebooks, Motherboards, AIO Computers, Servers, 2-in-1 Laptops, Enterprise Storage Devices, Miners, AI (Artificial Intelligence), Data Centers, Edge Computing |
| Industry | IPC, UPS, BMS, motor control, charging stations/piles, drones, POS systems, FM pumps, power tools, lighting, security control/surveillance (DVR/NVR), welding machines, remote controlled cars, textile machines, PLCs, hydropower meters, smart grids, wind power, solar power generation inverter, server power supply, testing instrument, telecom power supply, medical. |
| Consumer | Smart speakers, augmented/virtual reality (AR/VR), Internet of Things (IoT) devices, digital video converters (STBs), projectors, headphones, smart/feature phones, e-book readers, tablets, POS, portable navigation devices (PNDs), LCD/Mini LED TVs, media players, wearable devices, home appliances, white goods, alarm devices, home automation, electronic locks, toys, IP CAM. |
| Network Communication | Ethernet switch, Gateway, WiFi AP router, xDSL, NIC, Ethernet/Infinite band, GPON/EPON, Cable modem, digital set-top box (STB), micro base station (Femtocell), 4G/5G base station, 5G (Basestation/CPE/Small Cell) |
| Automotive | Battery Management System (BMS), Body Control Module (BCM), Dashboard, CID, Infotainment, |

| Application Segment | Customer Product Applications |
|---------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| | Remote Keyless Entry (RKE), Advanced Driver Assistance System (ADAS), Car Radar, Tire Pressure Monitoring System (TPMS), Power Windows, In-vehicle TBOX, Head-Up Display (HUD), Motor Control |

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

(iii) Supply Status of Main Materials

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

(iv) Major Suppliers and Clients

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

Unit: NT\$ thousands

| Item | 2021 | | | | 2022 | | | | 2023 (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 | 12,619,359 | 18.11 | None | TV007 | 13,327,673 | 18.83 | None | TV007 | 4,514,190 | 31.91 | None |
| 2 | TV001 | 7,072,753 | 10.15 | None | TV002 | 8,424,222 | 11.90 | None | TV006 | 1,754,292 | 12.40 | None |
| 3 | — | — | — | — | TV008 | 7,204,539 | 10.18 | — | TV002 | 1,638,103 | 11.58 | — |
| 4 | Others | 49,981,044 | 71.74 | — | Others | 41,814,341 | 59.09 | — | Others | 6,238,982 | 44.11 | — |
| | Net Total Supplies | 69,673,156 | 100.00 | — | Net Total Supplies | 70,770,775 | 100.00 | — | Net Total Supplies | 14,145,567 | 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.

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

There were not any clients accounting for more than 10% of total sales.

(v) Production in the Last Two Years

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

(vi) Shipments and Sales in the Last Two Years

Unit: NT\$ thousands; Quantity: thousands

| Major Products | 2021 | | | | 2022 | | | |
|----------------------------------------|----------|-----------|-----------|------------|----------|-----------|-----------|------------|
| | Local | | Export | | Local | | Export | |
| | Quantity | Amount | Quantity | Amount | Quantity | Amount | Quantity | Amount |
| Chipsets / ASIC Components | 105,652 | 3,049,674 | 2,036,022 | 23,788,457 | 135,742 | 3,407,673 | 3,776,479 | 23,430,261 |
| Mixed signals and Discrete components | 425,150 | 3,498,625 | 7,942,311 | 42,060,594 | 267,288 | 3,773,560 | 5,478,438 | 39,664,138 |
| Labor services, Commissions and Others | | 2,458 | 322 | 5,078 | | 1,718 | | 3,829 |
| Total | 530,802 | 6,550,757 | 9,978,655 | 65,854,129 | 403,030 | 7,182,952 | 9,254,917 | 63,098,228 |

iii. Human Resources

| Year | | 2021 | 2022 | 2023 (As of March 31) |
|--------------------------|--------------------------|-------|-------|--------------------------|
| Number of Employees | Business Division | 765 | 796 | 781 |
| | FAE & RD Division | 246 | 243 | 243 |
| | Administration Division | 244 | 252 | 251 |
| | Total | 1,255 | 1,291 | 1,275 |
| Average Age | | 38.13 | 38.67 | 39.22 |
| Average Years of Service | | 7.49 | 7.85 | 8.07 |
| Education (%) | Ph.D. | 0.08 | 0.08 | 0.08 |
| | Masters | 6.46 | 6.12 | 6.12 |
| | Bachelor's Degree | 81.83 | 82.80 | 82.98 |
| | Senior High School | 9.40 | 8.52 | 8.39 |
| | Below Senior High School | 2.23 | 2.48 | 2.43 |

iv. Disbursements for environmental protection: 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.

v. Labor Relations

(i) 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.

1. Implementation of welfare measures

(1) 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.
- (2) 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.
- (3) The Company has formulated and implemented reasonable employee welfare measures (including remuneration, vacation and other benefits, etc.), and appropriately reflects operating performance or results in employee remuneration. For relevant explanations, please refer to (2) of IV. Social Issues in the List of “Implementation of sustainable development and the differences from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies the reasons” in this annual report.
- (4) The Company provides employees with a safe and healthy working environment, and related education. For relevant explanations, please refer to (3) of IV. Social Issues in the List of “Implementation of sustainable development and the differences from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies the reasons” in this annual report.
2. Situation of further education and training
- (1) Executed by the Company:
- ① Regular training for new colleagues:
 - a. Understanding the Company's corporate philosophy and core values;
 - b. Corporate governance, ethical corporate management and sustainability policy requirements;
 - c. Introduction to the work functions of each department, network and information security, intellectual property protection requirements and other points to note;
 - d. On the Job Training (OJT) of the department to which the trainees belong, focusing on job functions and ERP operations.
 - ② Job skill refinement training: In response to the work processes, ERP system program and function addition or management requirements, the program leader will arrange work skill refinement training courses to enhance the essential capability of employees and improve work efficiency so that employees can enhance their work value. 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 and governance training: Education and training for the development of management officers to strengthen the leadership thinking and management knowledge of supervisors, let them identify with the Company's values, and cultivate the management in succession.

(2) Participate in courses of external training institutions

- ① We encourage employees to participate in professional skills or new knowledge training courses held by external organizations for application in the work process or management, so that employees and the company can have a win-win achievement.
- ② The Company subsidizes the training fees of all the courses attended after approval. Those who have obtained the relevant professional licenses or qualifications will be rewarded with professional incentives if they are evaluated as having added value to the Company's operations.

(3) In 2022 and as of March 31, 2023, the Company conducted internal and external training as described below.

① In 2022

| Classification | | Person-times | | | Person-time hours | | | | |
|-------------------|------------------------------------------------|--------------|-----|-----|-------------------|--------|---------|---------|---------|
| Internal training | Education and training for new employees | Male | 225 | 504 | 766 | Male | 350 | 784 | 1,222.5 |
| | | Female | 279 | | | Female | 434 | | |
| | Nurse safety and sanitation seminar | Male | 68 | 156 | | Male | 115.5 | 267.5 | |
| | | Female | 88 | | | Female | 152 | | |
| | Legal affairs education and training | Male | 25 | 106 | | Male | 4.0 | 171 | |
| | | Female | 81 | | | Female | 8.0 | | |
| External training | Professional continuing education and training | Male | 390 | 479 | 479 | Male | 1,881.8 | 2,120.6 | 2,120.6 |
| | | Female | 89 | | | Female | 238.8 | | |
| Total | | 1,245 | | | 3,343.1 | | | | |

(4) As of March 31, 2023

| Classification | | Person-times | | | Person-time hours | | | | |
|-------------------|-------------------------------------|--------------|----|----|-------------------|--------|------|-----|-----|
| Internal training | Nurse safety and sanitation seminar | Male | 28 | 72 | 169 | Male | 28 | 72 | 190 |
| | | Female | 44 | | | Female | 44 | | |
| | Sales support training | Male | 16 | 97 | | Male | 20.5 | 118 | |
| | | Female | 81 | | | Female | 97.5 | | |

| Classification | | Person-times | | | | Person-time hours | | | |
|-------------------|------------------------------------------------|--------------|-----|-----|-----|-------------------|-----|-----|-----|
| External training | Professional continuing education and training | Male | 143 | 172 | 172 | Male | 741 | 831 | 831 |
| | | Female | 29 | | | Female | 90 | | |
| Total | | 341 | | | | 1,021 | | | |

3. Implementation of the Retirement System:

The Company has established an employee retirement measure in accordance with the law. For employees entitled to the old scheme of labor pension, 2% of the total monthly salary of the labors is appropriated to the labor pension reserve account in the Bank of Taiwan. In contrast, for employees who are entitled to the new scheme of labor pension, 6% is contributed to their personal pension accounts at the Bureau of Labor Insurance according to the “Table of Monthly Contribution Classification of Labor Pension”. Employees are also encouraged to make self-contributions for early planning of pension accumulation arrangements.

4. Negotiation between Employer and Employee, and Employee Rights Protection

- (1) The Company has a labor-management meeting where labor representatives can express their opinions and serve as a bridge with the management. There have been no labor disputes in recent years.
- (2) 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 employees remuneration distribution that will benefit employees. Therefore, on June 17, 2022, the Company was once again listed as a constituent stock of the "Taiwan HC 100 Index" published by Taiwan Index Plus (TIP), and the 1111 Job Bank voted the Company as the 2022 Happy Enterprise Silver Award, which shows that the Company's salary and other benefits paid to employees have been recognized by external institutions.
- (3) 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.
- (4) In accordance with the Gender Equality Act, the Labor Standards Act, the government's population policy, and the family policy, the

Company implements a service map to take care of its employees, including the promotion of gender equality at work, prevention of sexual harassment in the workplace, promotion of emergency assistance programs for employees, corporate childcare measures, workplace maternal health counseling, promotion of family-friendly measures, promotion of work-life balance measures, and assistance in childcare/ work suspension/ reinstatement, in order to establish a friendly workplace as one of the Company's competitive advantages, which will help enhance the organizational commitment and performance of employees.

(5) In order to protect the basic human rights of employees, based on fulfilling its social responsibilities and supporting various international human rights conventions such as the United Nations Universal Declaration of Human Rights, the United Nations Global Covenant, Two International Bill of Human Rights -International Covenant on Civil and Political Rights and International Covenant on Economic, Social and Cultural Rights, and the International Labor Organization-Declaration of Fundamental Principles and Rights at Work, the Company eliminates any violations of human rights, so that all employees of the Company can be treated fairly and with dignity. The Board of Directors promulgated the "Protection of Human Rights Policy" on June 29, 2021, which was revised and approved by the Sustainable Development Committee and the Board of Directors on December 28, 2022 and January 13, 2023 respectively, covering: (1) comply with the relevant local labor and environment regulations and international standards in each business area of Weikeng group, (2) diversity and tolerance of selected talents and equal opportunities for labor rights, (3) remunerations and benefits, (4) humane treatment, and (5) healthy and safe workplace. For the relevant implementation situation, please refer to the list of (1) of IV. Social Issues in the List of "Implementation of sustainable development and the differences from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies the reasons" in this annual report or the Company's official website for Sustainability_ Sustainable Workplace_ Employee Rights or Stakeholders_ Stakeholders and Communication_ Employee.

(ii) 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.

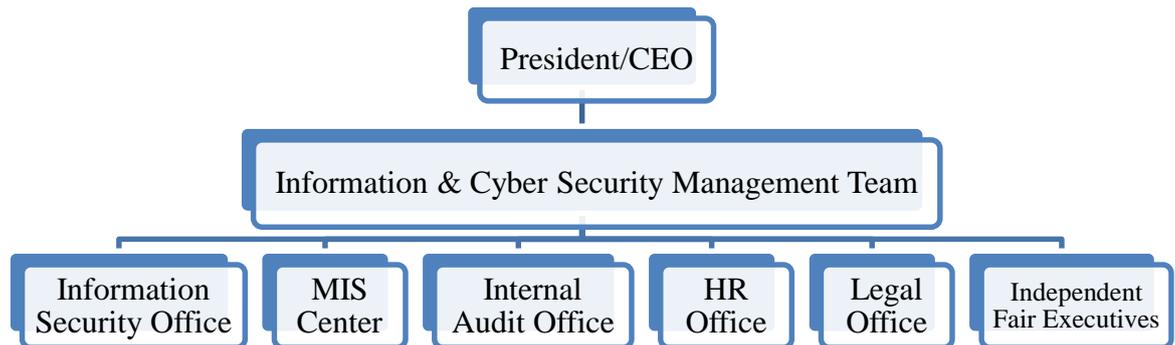
In the most recent year and up to the date of publication of the annual report, the Company did not have any of the above incidents.

vi. Cyber security management:

(i) Describe the cyber security risk management framework, cyber security policies, concrete management programs, and investments in resources for cyber security management.

1. Information and Cyber Security Risk Management Framework

The Company has established an information security office since September 1, 2022, with a dedicated supervisor (division director) and a dedicated information security specialist, and the president/CEO (the former Chief Operating Officer) serves as the convener of the information and cyber security management team. In addition to the information security office, the information and cyber security management team includes MIS center, internal audit office, HR office, legal office, and independent fair executives (management levels of various business divisions and functional units) with the relevant expertise and knowledge, responsible for coordinating, planning, executing and analyzing information and cyber security incidents, and evaluating information and cyber security policies at least once a year.



- (1) The Information Security Office is responsible for establishing the Company's information security policies, strategies and projects, and proposing information security sustainability plans, loss prevention and fraud prevention, and privacy protection to protect employees, information assets and technology.
- (2) The MIS Center and the Legal Office cooperate with the policies, strategies and projects proposed by the Information Security Office, and are responsible for handling information security related plans, measures and technical specifications, as well as research, construction and evaluation of security technologies.
- (3) The HR office is in charge of the employment security assessment.
- (4) The Internal Audit office shall work with the Information Security Office, MIS Center, and related units to take charge of the maintenance of information confidentiality and management matters for audit use.
- (5) The Legal Office is responsible for the review of the project contract, and provides timely publicity, training and education on the laws and regulations of information ethics, including but not limited to privacy, accuracy, property, and accessibility.
- (6) The Independent Fair Executives (management level of various divisions and functional units) shall be in charge of the research on the need for the data, information and cyber system security, and access management and protection thereof, as well as authorization recommendations, assessments and managements of personnel who can use confidential and sensitive data management.

2. Information and Cyber Security Policy

The so-called information and cyber security policy maintains the regular operation of the Company without violating local regulations, ethics and cultural norms, adopts necessary and cost-effective management, controls

risks within an acceptable level, and uses safety protection means, measures or mechanisms, such as operation control and technology tools, to precisely protect the Company's information assets from any unfair use, disclosure, tampering, theft or destruction, and take the necessary responsive actions promptly and recover normal operations immediately in the event of emergencies, such as malicious attacks, destruction or unfair use, and mitigate the damage caused by the incident that can potentially affect and compromise the Company's operations. For details, please refer to the "Information and Cyber Security Policy and Management Regulations" published on the Company's official website.

3. Concrete management programs

In 2022, the Information Security Office and the MIS Center have implemented information and cyber security management in accordance with the "Information and Cyber Security Policy and Management Regulations" revised and approved by the Board of Directors on November 11, 2020, and the above Regulations have been revised and approved by the board of directors on September 28, 2022:

(1) Information and cyber security threats and protection: The Company's e-mail uses the Microsoft office 365 cloud system of international manufacturer:

A. Number of emails in 2022, normal emails: 12,116,273, spam emails: 757,247, and threat emails: 195,282.

B. Interception accuracy: 99.87% (statistics from 2022/01/01 ~ 2022/12/31).

The Company's main information operation system is located in Chunghwa Telecom's IDC computer room, which successfully blocks tens of thousands of network attacks every week and maintains the normal operation of the group's information system.

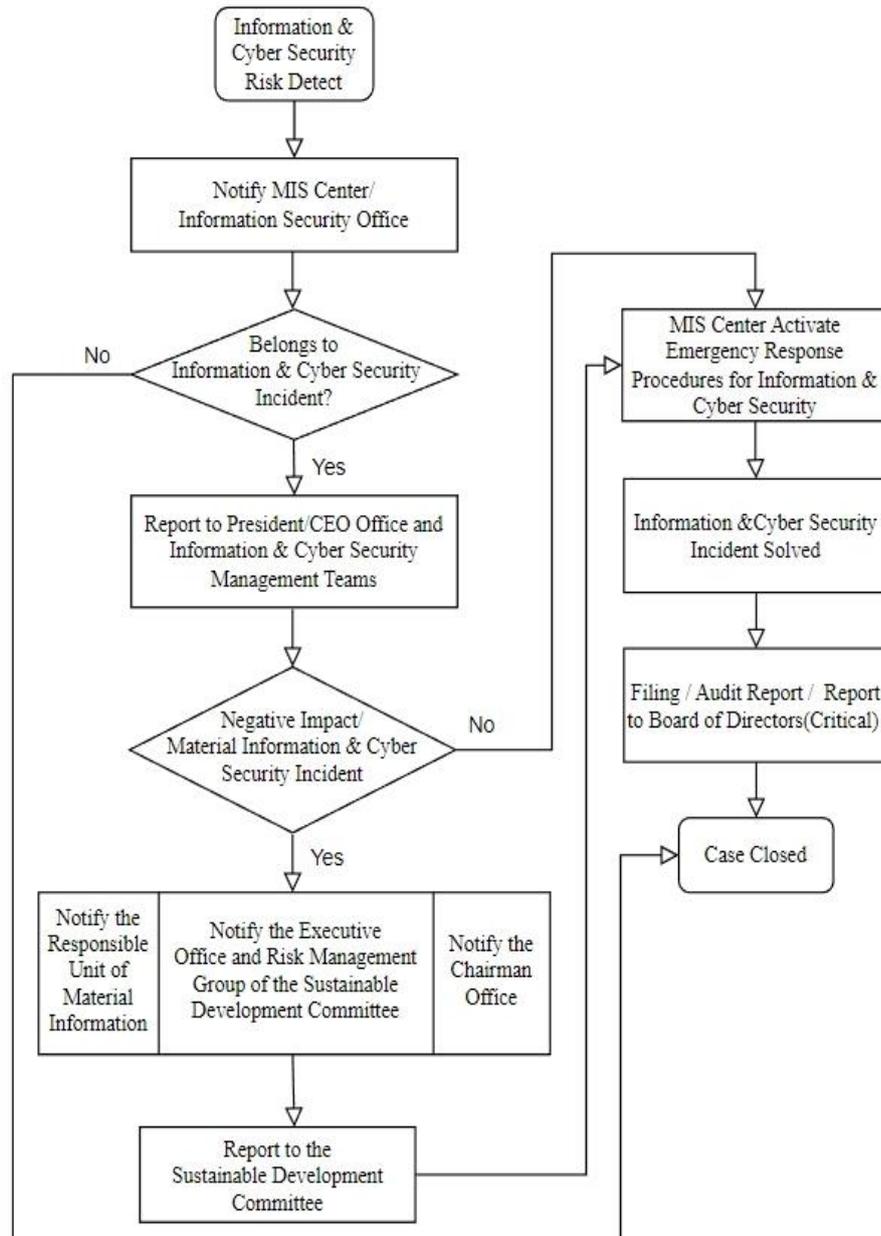
C. The Company is a member of Taiwan Computer Emergency Response Team/ Coordination Center (TWCERT/CC), and will receive relevant information and reports on information security from time to time, and will log in to the firewall as a prohibited service for warning websites.

(2) Information and cyber security education and publicity:

A. Information and cyber security publicity: MIS conducts regular email publicity every month, and the Information Security Office collects information and cyber security information, and conducts irregular email publicity. In 2022, 25 promotional messages have been issued.

B. Information and cyber security education: MIS/ISO (Information Security Office) provides explanations and publicity on topics such as hackers, viruses, phishing, computer worms, social engineering, and password maintenance during quarterly newcomer training. In 2022, 3 sessions have been publicized, and a total of 56 people participated.

(3) Procedures of Information and Cyber Security Incident Notification



(ii) List any losses suffered by the company in the most recent fiscal year and up to the annual report publication date due to significant cyber security incidents, the possible impacts therefrom, 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.

In 2022 and as of the date of publication of the annual report, the Company's information assets have not been misused, leaked, tampered with, stolen, or damaged, and there have been no emergencies such as malicious attacks, damages, or misuse. Therefore, there is no loss or impact on operations and goodwill due to the occurrence of major information security incidents.

vii. 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 | None |

| Nature of Contract | Contractual Party | Contract Validity | Main Content | Restriction Clause |
|--------------------|-------------------------------------------------------|-------------------|------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| | | | Electronic Components | |
| 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 |
| Distribution | Hui Zhou TCL King High Frequency Electronics Co., LTD | Since 2012/10 | Franchise of Electronic Components | None |
| Distribution | Sinopower Semiconductor Inc. | Sinc3 2013/11 | Franchise of Electronic Components | None |
| Distribution | Realtek Semiconductor Corporation | Since 2014 /01 | Franchise of Electronic Components | <ol style="list-style-type: none"> 1. No sales, quotation or other marketing activities or distribution outside the distribution territory t 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 |

| Nature of Contract | Contractual Party | Contract Validity | Main Content | Restriction Clause |
|--------------------|--------------------------------------------|-------------------|------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| | | | | <p>vendor, or acts to disrupt the market order</p> <p>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</p> <p>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.</p> |
| 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 | Infineon Technologies Asia Pacific Pte Ltd | Since 2015/06 | 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 | NXP Semiconductors Netherlands B.V. | Since 2016/07 | Franchise of Electronic Components | Comply with U.S Import/Export Regulations |
| 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 | None |

| Nature of Contract | Contractual Party | Contract Validity | Main Content | Restriction Clause |
|--------------------|------------------------------------------------------------------------|---------------------------------------------|-------------------------------------------------------------------|-------------------------------------------|
| | | | Electronic Components | |
| 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 | Comply with U.S Import/Export Regulations |
| Lease | Beijing Jinguanda Real Estate Development Co., Ltd. Donghuang Hotel | 2017/12/16~2024/12/15 | Weikeng International (Shanghai) Co., Ltd. Beijing Branch Office | None |
| Distribution | GIGADEVICE SEMICONDUCTOR(HK) LIMITED | Since 2018/06 | Franchise of Electronic Components | None |
| Distribution | EVE Energy Co., Ltd | Since 2018/06 | Franchise of Electronic Components | None |
| Distribution | Active-Semi Hong Kong Limited | Since 2018 /11 | Franchise of Electronic Components | None |
| Lease | Sen Heng Pte Ltd | 2019/1/1~2022/10/31 2022/11/1~2025/10/31 | Weikeng Technology Pte Ltd Office and warehouse | |
| Distribution | SkyHigh Memory Limited | Since 2019/04 | Franchise of Electronic Components | Comply with U.S Import/Export Regulations |
| Lease | Hu Yuan Industrial Co., Ltd. | 2019/5/1~2023/4/30 | The Company's Taipei Warehouse | None |
| Distribution | MULTICOREWARE, Inc | Since 2019/07 | Franchise of Electronic Components | None |
| Distribution | AirBeam Wireless Technologies Inc. | Since 2019/07 | Franchise of Electronic Components | None |
| Lease | Shenzhen GrenTech Communication Co., Ltd. | 2019/7/16~2022/7/15 2022/7/16~2025/7/15 | Weikeng International (Shanghai) Co., Ltd. Shenzhen Branch Office | None |
| 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 |

| Nature of Contract | Contractual Party | Contract Validity | Main Content | Restriction Clause |
|--------------------|------------------------------------------------------|---------------------|-----------------------------------------------------------------------|-------------------------------------------|
| Distribution | Tantiv4 Inc. | 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 | SIGOLD OPTICS INC. | Since 2020/05 | Franchise of Semiconductor Equipment | None |
| Distribution | CHERNGER TECH. CO., LTD.. | Since 2020/06 | Franchise of Semiconductor Equipment | None |
| Distribution | ETAS GmbH | Since 2020/08 | Franchise of solutions for the automotive and other embedded industry | None |
| Logistics | Feili Logistics(Shenzhen)Co., | 2020/8/26~2022/8/25 | The Company | None |

| Nature of Contract | Contractual Party | Contract Validity | Main Content | Restriction Clause |
|--------------------|--------------------------------------------------------------------------------------------|----------------------------------------------|--------------------------------------------------------------------------|-------------------------------------------|
| Management | Ltd. | 2022/8/26~2025/8/25 | and subsidiary Weikeng International Co., Ltd. Shenzhen Futian Warehouse | |
| Distribution | Memic Semiconductor (Tianjin) Co., Ltd | Since 2020/09 | Franchise of Electronic Components | Comply with U.S Import/Export Regulations |
| Lease | Weikeng International Co., Ltd. | 2020/9/26~2022/8/25 | Sub-lease Shenzhen Futian Warehouse t | None |
| | WU, O-LAN | 2020/11/1~2022/10/31 2022/11/1~2024/10/31 | The Company's Kaohsiung Office | None |
| Distribution | Ningbo Aura Semiconductor Limited | Since 2020/12 | Franchise of Electronic Components | None |
| Distribution | AP Memory Technology Corp | Since 2021/01 | Franchise of Electronic Components | None |
| Lease | Xinfa Industrial Co., Ltd. Lian Fu Industrial Co., Ltd. HEALTH.COM BIOTECH CO., LTD. | 2021/1/6~2023/1/5 2023/1/6~2027/1/5 | The Company's Taipei office | None |
| | Cang Long Industrial Co., Ltd. | 2021/5/1~2023/1/5 2023/1/6~2027/1/5 | | |
| | CHANG,O-LAN LIN,O-LUNG | 2019/1/6~112/1/5 2023/1/6~2027/1/5 | | |
| | SU, O-WEN | 2020/7/6~2023/1/5 2023/1/6~2027/1/5 | | |
| Distribution | Blaize, Inc. | Since 2021/03 | Franchise of Electronic Components | Comply with U.S Import/Export Regulations |
| Lease | Synnex Technology International (Shanghai) Co., Ltd. | 2021/4/1~2027/3/31 | Weikeng International (Shanghai) Co., Ltd. Office | None |
| Distribution | SiTune Corporation | Since 2021/04 | Franchise of Electronic Components | Comply with U.S Import/Export Regulations |
| Distribution | Kandou Bus S.A., | Since 2021/06 | Franchise of Electronic Components | Comply with U.S Import/Export Regulations |
| Distribution | Suzhou NOVOSENSE Microelectronics Co., Ltd.) | Since 2021/06 | Franchise of Electronic Components | None |
| Distribution | MACHVISION Inc Co., LTD | Since 2021/06 | Franchise of Semiconductor Equipment | None |
| D&O | Insurance Company of North | 2021/6/16-2022/6/16 | All directors, | None |

| Nature of Contract | Contractual Party | Contract Validity | Main Content | Restriction Clause |
|-----------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------|-------------------------------------------------------------------------------------------------|-------------------------------------------|
| Insurance | America, Taiwan Branch | 2022/6/16~2023/6/16 | supervisors and important staff personal liability insurance and company compensation insurance | |
| Lease | Hangzhou Gudangwan Joint-Stock Economic Cooperative | 2021/6/18~2022/6/17 2022/6/18~2023/6/17 | Weikeng International (Shanghai) Co., Ltd. Hangzhou Branch Office | None |
| Distribution | Shanghai Sillumin Semiconductor Co., Ltd. | Since 2021/07 | Franchise of Electronic Components | None |
| Distribution | RICHWAVE TECHNOLOGY CORP. | Since 2021/07 | Franchise of Electronic Components | None |
| Distribution | SG Micro Corp. / SG Micro (HK) Limited | Since 2021/09 | Franchise of Electronic Components | None |
| Distribution | ITE Tech. Inc. | Since 2021/09 | Franchise of Electronic Components | None |
| Reseller | GLOBALFOUNDRIES Singapore Pte. Ltd. | Since 2021/10 | Purchase and Distribute products to End Customers | Comply with U.S Import/Export Regulations |
| Lease | Genright Investment Limited | 2021/11/1~2024/10/31 | Weikeng International Co., Ltd. Hong Kong Shatin Office and Warehouse | None |
| | Weikeng International Co., Ltd. | 2021/11/1~2024/10/31 | Sub-lease of office and warehouse in Shatin, Hong Kong | |
| | CHIANG,O-HSIUNG | 2021/11/1~2023/10/31 | The Company's Hsinchu Office | |
| Cargo & Inventory Insurance | The First / Fubon / Taian / Shin Kong / Chung Kuo / Hotai /Nan Shan General /Union/ South China/ MSIG Mingtai Insurance Co., Ltd. | 2021/12/31~2022/12/31 | Cargo transportation insurance, inventory /fire insurance, theft insurance, etc. | None |
| | The First / Fubon / Taian / Shin Kong / Chung Kuo / Hotai /Nan Shan General /Union/ South China/ MSIG Mingtai/ CTBC/ Taiwan Fire & Marine Insurance Co., Ltd. | 2022/12/31~2023/12/31 | | |

| Nature of Contract | Contractual Party | Contract Validity | Main Content | Restriction Clause |
|--------------------|-----------------------------------|--------------------|------------------------------------|-------------------------------------------|
| Distribution | Navitas Semiconductor Limited | Since 2022/01 | Franchise of Electronic Components | None |
| Lease | Nan Shan Life Insurance Co., Ltd. | 2022/2/1~2027/1/31 | The Company's Taichung Office | None |
| Distribution | AONDevices, Inc. | Since 2022/02 | Franchise of Electronic Components | Comply with U.S Import/Export Regulations |
| Distribution | Morse Micro, Inc. | Since 2022/03 | Franchise of Electronic Components | None |
| Distribution | iCana Co., Ltd. | Since 2022/08 | Franchise of Electronic Components | Comply with U.S Import/Export Regulations |
| Distribution | Carota Co. Ltd. | Since 2022/08 | Franchise of Solution | None |
| Distribution | Kinara, Inc. | Since 2022/11 | 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

(i) Condensed Balance Sheet and Statement of Comprehensive Income

1. Consolidated Condensed Balance Sheet – Based on IFRS

Unit: NT\$ thousands

| Item | Year | Financial Summary for The Last Five Years | | | | | As of March 31, 2023 of quarterly report |
|---------------------------------------------------|---------------------|-------------------------------------------|------------|------------|------------|------------|------------------------------------------|
| | | 2018 | 2019 | 2020 | 2021 | 2022 | |
| Current assets | | 25,146,488 | 22,559,927 | 22,153,599 | 26,676,542 | 32,460,121 | 30,168,521 |
| Property, Plant and Equipment | | 156,815 | 149,291 | 134,770 | 133,459 | 129,766 | 129,414 |
| Intangible assets | | 9,369 | 57,519 | 53,665 | 30,480 | 10,602 | 12,935 |
| Other assets | | 292,529 | 616,713 | 511,796 | 694,749 | 640,364 | 875,157 |
| Total assets | | 25,605,201 | 23,383,450 | 22,853,830 | 27,535,230 | 33,240,853 | 31,186,027 |
| Current liabilities | Before distribution | 19,319,466 | 17,104,473 | 15,232,451 | 18,377,950 | 21,033,613 | 18,799,372 |
| | After distribution | 19,673,631 | 17,316,925 | 15,726,959 | 19,648,182 | 22,346,601 | --- |
| Non-current liabilities | | 467,143 | 614,052 | 1,547,301 | 1,134,792 | 3,027,622 | 3,068,415 |
| Total liabilities | Before distribution | 19,786,609 | 17,718,525 | 16,779,752 | 19,512,742 | 24,061,235 | 21,8678,787 |
| | After distribution | 20,140,774 | 17,930,977 | 17,274,260 | 20,782,974 | 25,374,223 | --- |
| Equity attributable to shareholders of the parent | | 5,818,592 | 5,664,925 | 6,074,078 | 8,022,488 | 9,179,618 | 9,318,240 |
| Capital stock | | 3,448,980 | 3,677,513 | 3,677,513 | 4,159,342 | 4,235,432 | 4,235,432 |
| Capital surplus | | 872,702 | 884,335 | 941,349 | 1,275,927 | 1,440,646 | 1,440,646 |
| Retained earnings | Before distribution | 1,635,526 | 1,332,537 | 1,820,922 | 3,041,802 | 3,495,467 | 3,665,445 |
| | After distribution | 1,073,877 | 1,120,085 | 1,326,414 | 1,771,570 | 2,182,479 | --- |
| Other equity interest | | (138,616) | (229,460) | (365,706) | (454,583) | 8,073 | (23,383) |
| Treasury stock | | --- | --- | --- | --- | --- | --- |
| Non-controlling interest | | --- | --- | --- | --- | --- | --- |
| Total equity | Before distribution | 5,818,592 | 5,664,925 | 6,074,078 | 8,022,488 | 9,179,618 | 9,318,240 |
| | After distribution | 5,464,427 | 5,452,473 | 5,579,570 | 6,752,256 | 7,866,630 | --- |

2. 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, 2023 of quarterly report |
|---------------------------------------------------|---------------------|-------------------------------------------|------------|------------|------------|------------|------------------------------------------|
| | | 2018 | 2019 | 2020 | 2021 | 2022 | |
| Current assets | | 13,033,051 | 10,164,745 | 10,357,157 | 11,715,560 | 12,940,535 | NA |
| Property, Plant and Equipment | | 104,327 | 100,785 | 96,552 | 94,045 | 91,831 | |
| Intangible assets | | 1,062 | 574 | 13,899 | 9,012 | 4,371 | |
| Other assets | | 3,781,234 | 4,102,522 | 4,464,926 | 5,993,579 | 7,726,100 | |
| Total assets | | 16,919,674 | 14,368,626 | 14,932,534 | 17,812,196 | 20,762,837 | |
| Current liabilities | Before distribution | 10,634,756 | 8,162,743 | 7,350,919 | 8,807,424 | 8,701,038 | |
| | After distribution | 10,988,921 | 8,375,195 | 7,845,427 | 10,077,656 | 10,014,026 | |
| Non-current liabilities | | 466,326 | 540,958 | 1,507,537 | 982,284 | 2,882,181 | |
| Total liabilities | Before distribution | 11,101,082 | 8,703,701 | 8,858,456 | 9,789,708 | 11,583,219 | |
| | After distribution | 11,455,247 | 8,916,153 | 9,352,964 | 11,059,940 | 12,896,207 | |
| Equity attributable to shareholders of the parent | | 5,818,592 | 5,664,925 | 6,074,078 | 8,022,488 | 9,179,618 | |
| Capital stock | | 3,448,980 | 3,677,513 | 3,677,513 | 4,159,342 | 4,235,432 | |
| Capital surplus | | 872,702 | 884,335 | 941,349 | 1,275,927 | 1,440,646 | |
| Retained earnings | Before distribution | 1,635,526 | 1,332,537 | 1,820,922 | 3,041,802 | 3,495,467 | |
| | After distribution | 1,073,877 | 1,120,085 | 1,326,414 | 1,771,570 | 12,182,479 | |
| Other equity interest | | (138,616) | (229,460) | (365,706) | (454,583) | 8,073 | |
| Treasury stock | | --- | --- | --- | --- | --- | |
| Non-controlling interest | | --- | --- | --- | --- | --- | |
| Total equity | Before distribution | 5,818,592 | 5,664,925 | 6,074,078 | 8,022,488 | 9,179,618 | |
| | After distribution | 5,464,427 | 5,452,473 | 5,579,570 | 6,752,256 | 7,866,630 | |

3. 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, 2023 of quarterly report |
|-----------------------------------------------------------------|-------------------------------------------|------------|------------|------------|------------|------------------------------------------|
| | 2018 | 2019 | 2020 | 2021 | 2022 | |
| Net sales revenue | 52,987,131 | 48,224,086 | 58,413,402 | 72,404,886 | 70,281,179 | 16,524,492 |
| Gross profit | 3,400,085 | 2,775,288 | 3,067,783 | 5,162,842 | 5,489,993 | 1,053,115 |
| Income from operations | 1,268,285 | 752,757 | 976,203 | 2,525,619 | 2,728,183 | 410,516 |
| Non-operating income & expenses | (379,878) | (394,701) | (43,115) | (74,299) | (398,029) | (184,698) |
| Income before tax | 888,407 | 358,056 | 933,088 | 2,451,320 | 2,330,154 | 225,818 |
| Income from Continuing Operation after Income Tax | 624,054 | 260,394 | 699,309 | 1,721,140 | 1,699,134 | 169,978 |
| Income (Loss) from Discontinued Operation | --- | --- | --- | --- | --- | --- |
| Net income (Loss) | 624,054 | 260,394 | 699,309 | 1,721,140 | 1,699,134 | 169,978 |
| Other comprehensive income (income after tax) | 68,651 | (92,578) | (134,718) | (94,629) | 487,419 | (31,356) |
| Total comprehensive income | 692,705 | 167,816 | 564,591 | 1,626,511 | 2,186,553 | 138,622 |
| Net income attributable to shareholders of the parent | 624,054 | 260,394 | 699,309 | 1,721,140 | 1,699,134 | 169,978 |
| Net income attributable to non-controlling interest | --- | --- | --- | --- | --- | --- |
| Comprehensive income attributable to Shareholders of the parent | 692,705 | 167,816 | 564,591 | 1,626,511 | 2,186,553 | 138,622 |
| Comprehensive income attributable to non-controlling interest | --- | --- | --- | --- | --- | --- |
| Earnings per share | 1.83 | 0.71 | 1.90 | 4.54 | 4.03 | 0.40 |

4. 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, 2023 of quarterly report |
|-----------------------------------------------------------------|-------------------------------------------|------------|------------|------------|------------|------------------------------------------|
| | 2018 | 2019 | 2020 | 2021 | 2022 | |
| Net sales revenue | 27,667,169 | 22,377,731 | 27,706,010 | 29,964,915 | 28,811,601 | NA |
| Gross profit | 1,362,396 | 1,056,790 | 1,238,640 | 1,603,259 | 2,062,639 | |
| Net operating income | 435,207 | 226,074 | 285,149 | 445,040 | 865,445 | |
| Non-operating income & expenses | 389,966 | 107,932 | 597,333 | 1,709,467 | 1,271,193 | |
| Income before tax | 825,173 | 334,006 | 882,482 | 2,154,507 | 2,136,638 | |
| Income from Continuing Operation before Income Tax | 624,054 | 260,394 | 699,309 | 1,721,140 | 1,699,134 | |
| Income (Loss) from Discontinued Operation | --- | --- | --- | --- | --- | |
| Net income (Loss) | 624,054 | 260,394 | 699,309 | 1,721,140 | 1,699,134 | |
| Other comprehensive income (income after tax) | 68,651 | (92,578) | (134,718) | (94,629) | 487,419 | |
| Total comprehensive income | 692,705 | 167,816 | 564,591 | 1,626,511 | 2,186,553 | |
| Net income attributable to shareholders of the parent | 624,054 | 260,394 | 699,309 | 1,721,140 | 1,699,134 | |
| Net income attributable to non-controlling interest | --- | --- | --- | --- | --- | |
| Comprehensive income attributable to Shareholders of the parent | 692,705 | 167,816 | 564,591 | 1,626,511 | 2,186,553 | |
| Comprehensive income attributable to non-controlling interest | --- | --- | --- | --- | --- | |
| Earnings per share | 1.83 | 0.71 | 1.90 | 4.54 | 4.03 | |

(ii) CPAs' Opinions from 2018 to 2022

| Year | Accounting Firm | CPA | Audit 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 |
| 2021 | KPMG, Taiwan | Lo, Jui-Lan and Au, Yiu-Kwan | Unqualified Opinion |
| 2022 | KPMG, Taiwan | Au, Yiu-Kwan and Kuo, Kuan-Ying | Unqualified Opinion |

ii. **Five-Year Financial Analysis**
(i) Consolidated Financial Analysis – Based on IFRS

| Item | Year | Financial Analysis for the Last Five Years(Note 1) | | | | | As of March 31, 2023 of quarterly report |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------|----------------------------------------------------|----------|---------|----------|----------|------------------------------------------|
| | | 2018 | 2019 | 2020 | 2021 | 2022 | |
| Financial structure (%) | Debt Ratio | 77.28 | 75.77 | 73.42 | 70.86 | 72.38 | 70.12 |
| | Ratio of long-term capital to property, plant and equipment | 3,710.48 | 4,205.86 | 5,655.1 | 6,861.49 | 9,407.12 | 9,571.34 |
| Solvency (%) | Current ratio | 130.16 | 131.89 | 145.44 | 145.16 | 154.32 | 160.48 |
| | Quick ratio | 60.66 | 70.49 | 93.54 | 88.91 | 76.81 | 78.85 |
| | Interest earned ratio (times) | 3.35 | 1.84 | 4.71 | 15.50 | 6.19 | 2.05 |
| Operating performance | Accounts receivable turnover (times) | 6.45 | 5.79 | 6.18 | 5.97 | 5.32 | 5.28 |
| | Average collection period | 57 | 63 | 59 | 61 | 69 | 69 |
| | Inventory turnover (times) | 4.20 | 3.81 | 6.04 | 7.41 | 4.88 | 3.97 |
| | Accounts payable turnover (times) | 9.26 | 8.3 | 12.45 | 15.14 | 14.61 | 17.72 |
| | Average days in sales | 87 | 96 | 60 | 49 | 75 | 92 |
| | Property, plant and equipment turnover (times) | 337.90 | 315.08 | 411.27 | 539.87 | 534 | 510.05 |
| | Total assets turnover (times) | 2.07 | 1.97 | 2.53 | 2.87 | 2.31 | 2.05 |
| Profitability | Return on total assets (%) | 3.97 | 2.45 | 3.90 | 7.37 | 6.77 | 4.25 |
| | Return on stockholders' equity (%) | 11.13 | 4.54 | 11.91 | 24.42 | 19.75 | 7.35 |
| | Pre-tax income to paid-in capital (%) | 25.76 | 9.74 | 25.37 | 58.94 | 55.02 | 21.33 |
| | Profit ratio (%) | 1.18 | 0.54 | 1.2 | 2.38 | 2.42 | 1.03 |
| | Earnings per share (NT\$) | 1.83 | 0.71 | 1.9 | 4.54 | 4.03 | 0.40 |
| Cash flow | Cash flow ratio (%) | (11.20) | 17.83 | (1.27) | (3.86) | (19.94) | 8.89 |
| | Cash flow adequacy ratio (%) | (49.31) | (11.60) | (19.32) | (0.92) | (29.21) | (3.48) |
| | Cash reinvestment ratio (%) | (40.22) | 41.70 | (5.20) | (12.85) | (43.96) | 13.26 |
| Leverage | Operating leverage | 1.02 | 1.22 | 1.18 | 1.07 | 1.07 | 1.11 |
| | Financial leverage | 1.43 | 2.3 | 1.35 | 1.07 | 1.2 | 2.11 |
| <p>Analysis of financial ratio differences for the last two years. (Not required if the difference does not exceed 20%)</p> <p>(1) Ratio of long-term capital to property, plant and equipment increased: The increase in long-term funds is due to the transfer of accumulated profits to retained earnings, and the issuance of NT\$ 2 billion of 5-year convertible corporate bonds.</p> <p>(2) Interest earned ratio (times) decreased: The interest rate hike has led to a substantial increase in interest expenses in the second half of 2022.</p> | | | | | | | |

- (3) Inventory turnover increased: Entering the post-epidemic era, and due to the reversal of demand caused by inflation, the depletion of inventory has slowed down, resulting in an increase in inventory.
- (4) Cash flow ratio decreased: Due to the decline in market demand for semiconductor components and inventory adjustments, the recovery period for working capital invested in inventories has been lengthened.
- (5) Cash flow adequacy ratio decreased: In recent years, the semiconductor industry has flourished, and the company has continued to invest more working capital. However, the downward trend of the business climate in the second half of 2022 has already affected the industry, slowing down the recovery of working capital.
- (6) Cash reinvestment ratio decreased: The net cash flow from operating activities is a net outflow (as described in (4) above), and it is expected that the economy may decline, which will cause the Company to strictly control inventory and adopt a more conservative operating strategy in the future.

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 / Average Collection Turnover
 - c. Inventory turnover ratio = cost of goods sold / average amount of inventory.
 - d. Average Payables Turnover = Cost of Sales / Average Trade Payables (including all accounts payable and all notes payable resulting from trade)
 - e. Average Inventory Turnover Days = 365 / Average Inventory Turnover
 - f. Property, Plant and Equipment Turnover = Net Sales / Average Net Property, Plant and Equipment
 - g. Fixed assets turnover ratio = net sales / total average fixed assets.
- (4) Profitability:
 - a. Return on Total Assets = (Net Income + Interest Expenses * (1-Effective Tax Rate)) / Average Total Assets
 - b. Return on Equity = Net Income / Average Equity
 - c. Net profit margin = after-tax profit / net operating income.
 - d. Earnings Per Share = (Net Income Attributable to Shareholders of the Parent – Preferred Stock Dividend) / Weighted Average Number of Shares Outstanding
- (5) Cash flows:
 - a. Cash flow ratio = new cash flows from operating activities / current liabilities.
 - b. Cash flow adequacy ratio = net cash flows from operating activities in the past five years / (capital expenditure + increase in inventory + cash dividend) in the past five years.
 - c. Cash reinvestment ratio = (net cash flows from operating activities – cash dividend) / (gross margin of property, plant and equipment + long-term investment + other noncurrent assets + working capital).
- (6) Leverage:
 - a. Operating leverage = (net operating revenue – variable operating cost and expenses) / operating profit.
 - b. Financial leverage = operating profit / (operating profit – 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.

(ii) Individual- Parent Company Financial Analysis – Based on IFRS

| Item | Year | Financial Analysis for the Last Five Years(Note 1) | | | | | As of March 31, 2023 of quarterly report |
|-------------------------|-------------------------------------------------------------|----------------------------------------------------|----------|---------|----------|-----------|------------------------------------------|
| | | 2018 | 2019 | 2020 | 2021 | 2022 | |
| Financial structure (%) | Debt Ratio | 65.61 | 60.57 | 59.32 | 54.96 | 55.79 | NA |
| | Ratio of long-term capital to property, plant and equipment | 5,577.26 | 6,157.55 | 7852.36 | 9,574.96 | 13,134.78 | |
| Solvency (%) | Current ratio | 122.55 | 124.53 | 140.9 | 133.02 | 148.72 | |
| | Quick ratio | 63.91 | 80.43 | 100.56 | 98.57 | 96.78 | |
| | Interest earned ratio (times) | 5.50 | 2.72 | 7.96 | 25.78 | 11.33 | |
| Operating performance | Accounts receivable turnover (times) | 6.44 | 5.42 | 6.47 | 5.26 | 4.38 | |
| | Average collection period | 57 | 67 | 56 | 69 | 83 | |
| | Inventory turnover (times) | 4.88 | 4.35 | 8.11 | 9.50 | 7.09 | |
| | Accounts payable turnover (times) | 9.17 | 8.38 | 15.74 | 13.07 | 12.11 | |
| | Average days in sales | 75 | 84 | 45 | 38 | 51 | |
| | Property, plant and equipment turnover (times) | 265.20 | 218.20 | 280.80 | 314.43 | 310.01 | |
| | Total assets turnover (times) | 1.64 | 1.43 | 1.89 | 1.83 | 1.49 | |
| Profitability | Return on total assets (%) | 5.01 | 2.66 | 5.47 | 10.94 | 9.67 | |
| | Return on stockholders' equity (%) | 11.13 | 4.54 | 11.91 | 24.42 | 19.75 | |
| | Pre-tax income to paid-in capital (%) | 23.93 | 9.08 | 24.00 | 51.80 | 50.45 | |
| | Profit ratio (%) | 2.26 | 1.16 | 2.52 | 5.74 | 5.9 | |
| | Earnings per share (NT\$) | 1.78 | 0.71 | 1.9 | 4.54 | 4.03 | |
| Cash flow | Cash flow ratio (%) | (10.08) | 27.70 | (3.08) | 7.26 | (17.15) | |
| | Cash flow adequacy ratio (%) | (22.12) | 16.60 | (8.84) | 28.01 | 1.84 | |
| | Cash reinvestment ratio (%) | (23.57) | 30.23 | (5.71) | 1.59 | (22.69) | |
| Leverage | Operating leverage | 1.02 | 1.28 | 1.22 | 1.16 | 1.08 | |
| | Financial leverage | 1.73 | 7.01 | 1.8 | 1.24 | 1.31 | |

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: The increase in long-term funds is due to the transfer of accumulated profits to retained earnings, and the issuance of NT\$ 2 billion of 5-year convertible corporate bonds.
- (2) Interest earned ratio (times) decreased: The interest rate hike has led to a substantial increase in interest expenses in the second half of 2022.
- (3) Inventory turnover increased: Entering the post-epidemic era, and due to the reversal of demand caused by inflation, the depletion of inventory has slowed down, resulting in an increase in inventory.
- (4) Cash flow ratio decreased: Due to the decline in market demand for semiconductor components and inventory adjustments, the recovery period for working capital invested in inventories has been lengthened.
- (5) Cash flow adequacy ratio decreased: In recent years, the semiconductor industry has flourished, and the company has continued to invest more working capital. However, the downward trend of the business climate in the second half of 2022 has already affected the industry, slowing down the recovery of working capital.
- (6) Cash reinvestment ratio decreased: The net cash flow from operating activities is a net outflow (as described in (4) above), and it is expected that the economy may decline, which will cause the Company to strictly control inventory and adopt a more conservative operating strategy in the future.

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 (2022)
Weikeng Industrial Co., Ltd.
2022 Review Report of Audit Committee

The Board of Directors has prepared this Company's 2022 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, Au, Yiu-Kwan and Kuo, Kuan-Ying 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., 2023 Annual General Meeting

Convener of Audit Committee : Tsai, Yu-Ping

Date: April 28, 2023

- iv. Consolidated Financial Statements for the Years Ended December 31, 2022 and 2021, and Independent Auditors' Report**
Please refer to page 234~305 of this Annual Report.
- v. Individual- Parent Company Financial Statements for the Years Ended December 31, 2022 and 2021, and Independent Auditors' Report**
Please refer to page 306~383 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 | 2022 | 2021 | Difference | |
|-----------------------------------|-------------------|-------------------|------------------|---------------|
| | | | Amount | % |
| Current Assets | 32,460,121 | 26,676,542 | 5,783,579 | 21.68% |
| Fixed Assets | 129,766 | 133,459 | (3,693) | (2.77%) |
| Intangible Assets | 10,602 | 30,480 | (19,878) | (65.22%) |
| Other Assets | 640,364 | 694,749 | (54,385) | (7.83%) |
| Total Assets | 33,240,853 | 27,535,230 | 5,705,623 | 20.72% |
| Current Liabilities | 21,033,613 | 18,377,950 | 2,655,663 | 14.45% |
| Total Liabilities | 24,061,235 | 19,512,742 | 4,548,493 | 23.31% |
| Capital stock | 4,235,432 | 4,159,342 | 76,090 | 1.83% |
| Capital surplus | 1,440,646 | 1,275,927 | 164,719 | 12.91% |
| Retained Earnings | 3,495,467 | 3,041,802 | 453,665 | 14.91% |
| Other Equity Interest | 8,073 | (454,583) | 462,656 | 101.78% |
| Total Stockholders' Equity | 9,179,618 | 8,022,488 | 1,157,130 | 14.42% |

Analysis of changes in financial results:

- (1) Current assets increased: Entering the post-epidemic era, and due to the reversal of demand caused by inflation, the depletion of inventory has slowed down, resulting in an increase in inventory.
- (2) Intangible assets decreased: Due to amortization of intangible assets.
- (3) Current liabilities increased: Increased in short-term bank borrowings as working capital needs increased.
- (4) Current liabilities increased: Increased working capital needs led to higher short-term bank borrowings and increased accounts payable due to increased purchases in response to increased customer demand.
- (5) Total liabilities increased: In addition to the increase in short-term borrowings mentioned above, the increase in total liabilities was mainly due to the issuance of NT\$2 billion 5-year convertible corporate bonds.
- (6) Share capital and capital reserve increased: Due to the 5th conversion of convertible corporate bonds.
- (7) Retained earnings increased: The accumulated profits were transferred to retained earnings.
- (8) Other equity interest increased: Due to the appreciation of the US dollar (NTD depreciation) at the end of the year, resulting in a positive exchange differences on translation of foreign financial statements.

(i) Effect of changes on the Company's financial condition:

The Company's financial condition has not changed significantly.

(ii) Future response actions: Not applicable.

ii. Analysis of Financial Performance

Unit: NT\$ thousands

| Item | Year | | Difference | |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|------------|-------------|-----------|
| | 2022 | 2021 | Amount | % |
| Net sales revenue | 70,281,179 | 72,404,886 | (2,123,707) | (2.93%) |
| Cos of sales | 64,791,186 | 67,242,044 | (2,450,858) | (3.64%) |
| Gross profit | 5,489,993 | 5,162,842 | 327,151 | 6.34% |
| Operating expenses | 2,761,810 | 2,637,223 | 124,587 | 4.72% |
| Net operating income | 2,728,183 | 2,525,619 | 202,564 | 8.02% |
| Non-operating income & expenses | (398,029) | (74,299) | (323,730) | (435.71%) |
| Profit before tax | 2,330,154 | 2,451,320 | (121,166) | (4.94%) |
| Income tax expenses | 631,020 | 730,180 | (99,160) | (13.58%) |
| Profit (Loss) | 1,699,134 | 1,721,140 | (22,006) | (1.28%) |
| Other comprehensive income, net | 487,419 | (94,629) | 582,048 | 615.08% |
| Total comprehensive income | 2,186,553 | 1,626,511 | 560,042 | 34.43% |
| Analysis of changes in financial results: | | | | |
| (1) Non-operating income & expenses decreased: Mainly due to the impact of interest rate hikes, financial costs have increased significantly. | | | | |
| (2) Income tax expense decreased: Mainly due to changes in temporary differences in income tax. | | | | |
| (3) Profit before tax increased: Due to the increase in profit in the current period, the estimated income tax expense increased accordingly. | | | | |
| (4) Other comprehensive income, net increased: Mainly due to the appreciation of the US dollar (NTD depreciation) at the end of the year, resulting in a positive exchange differences on translation of foreign financial statements. | | | | |

(i) 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. In 2022, the group's operating budget implementation, although the scale of sales revenue was affected by external unfavorable factors, the achievement rate was still about 84%, and the after-tax net profit achievement rate was still 95%.

(ii) Effect upon the Company's financial operations as well as measures to be taken in responses

In 2023, the world will still face the risk of stagflation. It is predicted that the overall semiconductor industry will decline slightly, and the problem of destocking in the industry chain will continue. In addition, geopolitical factors and aggravated inflation will adversely affect the demand for terminal electronic products, and the rising of interest rates will lead to an increase in financing costs, etc. However, 2023 will also be the starting year of the "Post-COVID Pandemic Era". Governments of all countries have launched various policies to stimulate consumption, and hope to stir up a rebooting of the economy, so Weikeng will still adhere to stable operation and risk management strengthening as the primary issue in 2023. In the aspect of business development, as geopolitics also promote regionalized division of the supply chain, the Company will review and adjust its strategies of business development, continuously grasp the needs of and provide technical support to vendors and customers, and expects the management team to lead all colleagues to strictly abide by the risk management system, optimize operation and capital efficiency, and adhere to the goals of integrity, sustainable operation, and stable operation under a stable operation mode, to create higher value for all stakeholders.

1. Operating Principles

(1) To prudently face the situation of destocking in the industry chain, actively manage and

evaluate the speed of purchasing and sales, carefully prevent the loss of inventory depreciation, strengthen the efficiency of working capital, and enhance control measures for the prevention of dead inventory and improvement measures for the disposal of dead inventory.

- (2) To timely grasp the dynamic adjustment of suppliers and customers due to trade policies or geopolitical factors, such as the "China+1" layout of semiconductor application electronics manufacturers. In order to relocate a production base, move, or adjust the production lines according to its plan, the Company must also be able to build transnational and trans-regional capacity and flexibility of strategy establishment, and expand its product portfolio on the premise of compliance with the provisions of the United States' (various countries) import and export laws and regulations.
- (3) In the face of a changing market and uncertainty, to continue to pay attention to the price and demand changes of each item, master the development trends of application-end technology products, invest appropriate R&D resources, and cooperate with industry partners to continue to create added value and competitiveness.
- (4) To attach importance to the green economy and sustainable development in the long term, continue to provide customers with competitive components, and through technical support services and research and development projects, achieve technological link in the industry chain, support the industry chain to promote the carbon reduction operation mode, and grasp business opportunities from the green energy industry, as well as work with upstream and downstream partners to build a green and sustainable industry chain.
- (5) To continue to comply with the risk management system and ethical corporate management best practice principles, strengthen the operational efficiency, pay attention to the needs and feelings of employees, take a stable business model as the principle, analyze the profitability of revenue growth, and take appropriate measures to grasp market opportunities.

2. Production and Sales Policy

- (1) Pricing Strategy: In the face of the high cost environment, to carefully evaluate the product pricing strategy and profit analysis, maintain good communication with the franchising vendors and downstream manufacturers, and through the mechanism of negotiation with customers and on the premise of improving the quality of product services, timely adjust product pricing to ensure the maintenance of the profit of each product line.
- (2) New Business Development: To continue to grasp the development trend of "new technology", "green economy", and "regionalization" division of the supply chain, expand business cooperation opportunities, and consolidate customer structure.
- (3) Resilience: In the face of the cross-border movement of upstream and downstream manufacturers among the Asia-Pacific region, North American region, and European region, as well as the adjustment of production line planning made by the customers due to marginalization of trade policies, the Group must strengthen its support, service momentum and resilience, assess its cost-effectiveness, and improve its capability of strategy establishment at any time.
- (4) Compliance with laws and regulations: To pay attention to and implement laws and regulations on the export and import of strategic high-tech products, including whether a transaction or service object is set forth in the control list of the United States' regulatory authority for export, re-export, or transfer.
- (5) With the continuous expansion of operation scale and franchises, to prudently review risk and profitability.

iii. Analysis of Cash Flow

(i) Cash Flow Analysis for the Most Recent Fiscal Year (2021)

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 |
| 2,839,507 | (756,620) | 245,913 | 2,328,800 | --- | --- |

Analysis of change in cash flow in the recent year:

- (1) Net Cash Outflow from Operating Activities: Mainly due to the increase in inventory and accounts receivable balance.
- (2) Cash inflow: The cash inflow from financing activities was mainly due to the increase in short-term borrowings.
- (3) For related information, please refer to the cash flow statement in the financial statements.

(ii) Remedy for Cash Deficit and Liquidity Analysis:

There is no liquidity insufficiency.

(iii) Cash Flow Analysis for the Coming Year (2023)

In order to meet relevant plans for future operating needs, the Company will use cash inflows from operating activities and bank borrowings to raise funds for future operations.

iv. Effect upon Financial Operations of any Major Capital Expenditures during the Most Recent Fiscal Year

No major capital expenditures in 2022.

v. Investment Policy in the Last Year, Main Causes for Profits or Losses, Improvement Plans and Investment Plans for the Coming Year

- (i) 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 (2022), the Company recognized investment income by equity method and received management service fees from overseas subsidiaries, which totaled NT \$ 1.3 billion.
- (ii) Investment plan for the next year (2023): None.

vi. Analysis of Risk Management

- (i) Effects of Changes in Interest Rates, Foreign Exchange Rates and Inflation on Corporate Finance, and Future Response Measures

1. Changes in Interest rate

The loans from financial institutions of the Company and its subsidiaries are mainly used to meet the fund needs for operating turnover demand, and the liabilities are mainly in US dollars. Therefore, changes in US dollar market interest rates will directly affect the financial costs of the Group companies. The financial costs of the Company and its subsidiaries for 2021 and 2022 were NT\$169,049 thousand and NT\$448,796 thousand, accounting for 0.23% and 0.64% of net sales revenue, respectively, an increase (decrease) of (NT\$82,575) thousand and NT\$279,748 thousand from the same period last year, the rate of change were (32.82%) and 165.48% respectively.

The Group's financial institution borrowings are mainly used to accommodate working capital needs. Apart from NT dollars and RMB, the remaining borrowing outstanding are mainly in US dollars. Therefore, changes in US dollar market interest rates will directly affect the financial costs of the group companies. Since the beginning of the year (2022), the Federal Reserve Board of the United States has raised the target rate for the federal funds rate by a total of 4.25 percentage points (i.e. 425 basis points), bringing the target range for the federal funds rate to 4.25% to 4.5%, and the Central Bank of Taiwan also raised interest

rates by a total of 0.625 percentage points (i.e. 62.5 basis points), raising the discount rate, guaranteed loan financing rate, and the short-term financing rate to 1.75%, 2.125%, and 4% per annum, respectively; as for the Chinese RMB interest rate, there was no major change. The risk of rising interest rates is mainly due to the adoption of tightening monetary policies in the world's major economies, especially the United States and the European Union, in response to the inflation crisis. As the interest rate continues to hike, the cost of US dollar funds increases accordingly. Since interest rate fluctuations directly affect the Company's financial costs and working capital, the following countermeasures have been adopted:

(1) Early planning of financing projects for direct financing from capital market- five-year unsecured convertible corporate bonds with zero coupon rate

Based on the capital demand forecast and interest rate trend, the Company has completed the sixth five-year unsecured convertible corporate bonds with zero coupon rate of NT\$2 billion in the capital market in May 2022 ahead of schedule. Long-term and short-term financing tools are combined to adjust the financial and capital structure, these arrangements bring cost efficiency and prevent the interest expenses of actual cash outflow.

(2) Strengthen cash conversion cycle management

Due to the industry characteristics of the Company, the main current assets (use of funds) on the balance sheet are inventories and accounts receivable, while current liabilities (sources of funds) are mainly bank loans and accounts payable; in time of rising interest rates, it is necessary to strengthen the management of working capital to improve the efficiency of capital utilization and reduce the opportunity cost of capital backlog, especially strict control and clear management objectives must be in place regarding inventory turnover period and the collection period of accounts receivable; when the above-mentioned days can effectively be shortened in a timely manner, the operating cycle and cash conversion cycle will be shortened accordingly, which will help reduce the Company's reliance of financial institutions on indirect financing and hence better control over financial costs in time of interest rates hike.

(3) Adjustment on pricing strategy according to product price elasticity

In time of rising interest rates caused by the overall economic inflation, the Company suffers from higher financial costs. Through the mechanism of consultation with customers, in which we analyze price elasticity of the products and re-examine product pricing in order to maintain profit margins, based on the premises of improving better product services.

(4) Strictly monitor interest rates and manage USD risk exposure by hedging management

The appreciation trend of USD against NTD and RMB caused by the rise in U.S. interest rates has been established, since the Company's main current liabilities such as bank loans and accounts payable are mainly denominated in USD, managing the gap between USD assets and USD liabilities is deemed important, therefore apart from natural hedging, the management team and finance department monitor the exchange rate trend closely and take hedging actions where necessary such as purchasing of foreign exchange forward contract according to positive outstanding or negative position derived from the Company's USD assets and liabilities gap.

2. Changes in Foreign exchange rates

The Company and its subsidiaries incurred net foreign currency exchange gains (losses) of NT\$61,390 thousand and NT\$14,526 thousand in 2021 and 2022, respectively, accounting for 0.08% and 0.02% of net sales revenue, respectively, and the fluctuations in exchange rate did not have a significant impact on the Company's operations.

The Company and its subsidiaries are multinational operations, and the main foreign transaction currencies are US dollars and Chinese Yuan. The associated exchange rate risk arises from future commercial transactions, recognized assets and liabilities, and net

investments in foreign operating entities. 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.

3. Inflation

Most of the world's major economies aim to obtain an inflation rate at an average of 2% in hope to promote economic growth by allowing prices to rise moderately, however in time of US-China trade conflict, the COVID-19 pandemic, shock in industrial supply chain, and Russia's invasion of Ukraine in February 2022 further have been increasing the prices of raw materials such as agricultural grains, crude oil, and natural gas around the world. In fact, after 2021, the U.S. government has already noticed that the QE launched during 2020 pandemic and supply chain shock have been gradually deepening the inflation crisis. In addition, the Russia-Ukraine war since 2022 has caused the overall world economy to face strong pressure on the rising of raw materials prices. To tackle high inflation, the US Federal Reserve Board of Directors (FED) has implemented the policy of raising interest rates by 425 basis points in 2022, and even shrinking the balance sheet as the main tool to combat inflation, but it has also given rise to widespread concerns about a possible return of stagflation in the world economy. The European Central Bank also announced the latest policy as early as March 2022, which would accelerate the withdrawal of quantitative easing measures and replace the "Pandemic Emergency Purchase Program" by "Asset Purchase Program". As a result, economies around the world have formally faced the risk of a downward revision on economic outlook and weaker economic indicators due to inflation. The Group will be affected by the high inflation rates, which also involves the interaction with the upstream vendors and downstream customers in the semiconductor industry chain. To mitigate inflation risk, the following countermeasures are adopted:

(1) Commit to "real-time information sharing" supply chain

Poor supply chain management will lead to sluggish inventory without demand, which will cause the Company to face losses in time of high inflation risk. Therefore, it is necessary to re-examine the existing supply chain management system and structure. An efficient and real-time information sharing supply chain allows timely information flow from one end to another, namely from the vendor to the distributor (the Company) and from the supplier (the Company) to the customer, so that the Company, the vendors and our customers can develop an efficient, flexible and risk-tolerant supply chain structure. It is time to abandon outdated ideas such as centralization and scale, instead, it is time to focus on searching and investing in tools and solutions that can realize the end-to-end vision to accelerate the implementation of digital supply chain management framework. We take the opportunity at time of high inflation to speed up the Company's improvement on supply chain management, so to demonstrate our response ability, integration and flexibility in response to changes in the external environment. This also shows our ability to adjust and stay closely align with customer demand trends efficiently and flexibly.

(2) Implement of "zero basis budgeting system"

As the Company sees "cost push inflation" as one of the operating challenges in time of high inflation, cost reduction becomes key for enterprise survival. In practice, we will implement the concept of "zero basis budgeting system" to adjust the purchase materials, suppliers, and prices in response to changes in prices which in turn causes a ripple effect.

Each department's annual budget starts from "zero" and should not be affected by the previous year's budget figures. Each department must review its own business and propose budgets based on cost-benefit analysis starting from the highest priority to reach our cost reduction goals. However, during the implementation process of "zero-basis budgeting", the Company should avoid cost reduction in talent training and innovation related expenditures, this is to safeguard the Company's competitiveness after inflation subsidies.

(3) Analyze profit margins

In time of high inflation, it is necessary to carefully examine the effectiveness of capital utilization and profitability. Our first step is to re-evaluate the cost of various operating activities, and then analyze and review the profit margins that we are certain of amid the current economic environment to find solutions that will enhance profit margins, while continuing to ensure high-quality products and services.

(4) Adjust the pricing strategy according to the price elasticity of product demand

Facing the phenomenon of cost push inflation, most enterprises encounter an increase in operating costs which drive us to negotiate with customers based on analyzing and reviewing historical transactions and sales forecasts, which enable us to estimate price elasticity of demand and therefore identify and adopt possible price adjustment. Such pricing strategy re-examination and negotiation will help strengthen profitability while maintaining or improving quality of product and services.

(5) Focus on operational efficiency and emphasize on employees' needs and feelings

The higher the operating efficiency, the higher the profitability may be. While we focus on improvement projects such as reviewing or adopting workflows, tools and technologies that will bring higher operating efficiency, we must continue to pay attention to the needs and feelings of employees. In time of high inflation, our goal is to maintain excellent communication within the organization so that our employers and employees stand on the same front.

(ii) 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

1. The Company and its subsidiaries did not engage in any high-risk, high-leveraged investments or lending in the most recent year.
2. 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.
3. The endorsement guarantees of the Company and its subsidiaries are limited to the subsidiary's application to the bank facilities 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.

(iii) 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, 5G and energy-saving and carbon-reducing products 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 2023 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 2023 is expected to be NT \$ 140,427 thousand.

- (iv) 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.

- (v) Effects of and Response to Changes in Technology (including cyber security risks) and the Industry Relating to Corporate Finance and Sales

1. 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.

2. Managements and countermeasures of cyber security risks: Please refer to this annual report_V. Operation Overview_vi. Cyber security management or the Company's official website_Corporate Governance_Risk Management_Information and Cyber Security Risk Management Framework.

- (vi) 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 and treats all stakeholders fairly and pays attention to their rights; therefore, looking forward to the future, under the leadership of the management team, all colleagues strictly abide by corporate governance, risk management and ethical corporate management, continue to grasp opportunities in all aspects of sustainable development, optimize possible risk management and operational performance, and expect to create higher sustainable value for all stakeholders.

- (vii) 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.

- (viii) 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.

- (ix) 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.
- (x) 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.
 - (xi) 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.
 - (xii) Litigation or Non-litigation Matters
 1. Major ongoing lawsuits, non-lawsuits or administrative lawsuit: None.
 2. Major ongoing lawsuits, non-lawsuits or administrative lawsuits caused by directors, supervisors or shareholders with over 10% shareholdings: None.
 - (xiii) Other Major Risks
 1. Geopolitical Risk
Since 2018, trade war between the United States and China has escalated from tariffs imposition and intellectual property disputes to a technological war where the United States sanctioned specific communication equipment and major chip manufacturers. The outbreak of the COVID-19 epidemic in 2020 further brought US-China trade conflicts to a whole new level that involved national security. Consequently, a series of industrial ecosystem sanctions have been imposed which systematically blocked China from obtaining key chip technologies, equipment and talents for advanced manufacturing processes, such series of events have profound and prolonged impact. Not only did the Taiwanese semiconductor chips and equipment manufacturers who export to mainland China that were affected, the operations of related businesses had also been affected. Moreover, those manufacturers with production bases in mainland China were also affected by local equipment imports and faced difficulties in expansion of production. Related businesses have been deeply affected by international geopolitics. All the above concretely demonstrates the close relationship between and high reliance of the semiconductor industry and technological strength, and even national strength.
Weikeng Group plays a role in the supply chain of the semiconductor industry, the semiconductor components that we franchised are mainly European and American products that are based on American technology and must comply with American trade laws and regulations. In addition, the Group focus on the Asia-Pacific region as our main market scope. As the U.S. government emphasizes on "meaningful control of the industrial supply chain", the U.S. actively rebuilds U.S. semiconductor manufacturing capabilities to enhance the resilience of the semiconductor supply chain and stabilize the supply of semiconductors and key IC components through international cooperation and regional decentralized production system models. In time of geopolitical changes, the global supply chain system that was based on comparative advantage and specialized division of labor in the past has gradually transformed. The long-chain division of labor under globalization is no longer suitable during the time of US-China trade conflicts nor the pandemic. As a response to geopolitical risks, nearly half of semiconductor application electronics manufacturers investing in China have accelerated the "China + 1" layout. Relocation plan or adjustments on production lines are in place to meet the new geopolitical requirements. However, after the outbreak of COVID-19 pandemic, enterprises from all industry become more aware of the importance of dispersing production bases to reduce the risk of supply chain disruptions. Enterprises have shifted from prioritizing cost reduction to emphasizing the safety and resilience of the supply

chain. As a result, the supply chain is becoming shorter and we may expect a wave of manufacturers' relocation including moving to home country or building multiple production bases, such will allow enterprises to diversity risks and to have the supply chain with closer proximity to market. Adopting regional supply chain system instead of globalized industrial supply chain has become the new trend in the post-epidemic supply chain restructuring.

In the face of this geopolitical risk, the Company adopts the following strategies:

(1) Strictly abide by the US import and export laws and regulations

As the Weikeng Group franchised semiconductor components that are mainly European and American brands based on American technology, per franchise contract, we must comply with the import and export laws and regulations of the United States along with the upstream vendors. This also includes strict compliance with our internal operating procedures at different stages of operations namely product planning, design-in stage, quotation, order receiving and shipment, so to comply with laws and regulations.

(2) To expand product portfolio

China's semiconductor industry is bound to increase its development and support for mature process products under the constraints of advanced process development. Moreover, Chinese local manufacturers have a certain level of foundation in mature process technology which allows their domestic product replacement speed to accelerate in the future, as a result Chinese manufacturers' self-sufficiency rate of mature process products will continue to increase. Given such trends, the product development department of Weikeng's China subsidiary will continue to seek product franchising rights of local Chinese manufacturers in due course. By expanding the product portfolio and participating in China supply chain, we will mitigate the risks associated to trade restrictions on the supply of European and American products to China.

(3) In response to the customer's "China + 1" layout, we aim to enhance cross-border and cross-regional logistics capabilities and flexibility

Nearly half of the Taiwan electronic product manufacturers whose production bases are in China are accelerating the deployment of "China + 1" production base changes, such include relocating production lines to Southeast Asian countries or Mexico, etc.. In response to our client's "China+1" layout, the Company will review its multinational and cross-regional logistics layout, identify possible changes and conduct cost-benefit analysis in advance, and only after the decision-making and decision-making methods are formed, could we provide customer products and services in a timely manner. Therefore, it is necessary to survey, analyze and understand potential logistic partners, operating offices, local customs laws and regulations, and tax conditions (customs duty, business tax, and income tax, etc.).

2. Inventory Risk

The supply and demand industries of semiconductor components are facing uncertainties such as global high inflation, interest rate hikes, disputes between Russia and Ukraine, China's dynamic zeroing policy, and downward revision of global economic growth. The semiconductor application-side industry's demand for semiconductor components has already experienced excess and shortage of materials in 2021. In the second half of 2022, the overall supply chain has been greatly improved. Only some of the remaining automotive electronics are still in short supply, causing the problem of high inventory in the overall supply chain to become increasingly fermented. The high inventory phenomenon on the demand side of downstream customers has reached its peak in the

third to fourth quarter of 2022. Therefore, "struggling to destocking" has become an inventory problem and risk that the entire supply chain must face, and it is estimated that this high inventory phenomenon will take another 2 to 3 quarters (that is, before the first half of 2023) to have the opportunity to gradually adjust complete.

In the face of inventory risks in the supply chain, the Company adopts the following coping strategies:

(1) Beware of the risk of inventory price decline and breaking the chain of funds

Since the procurement, order, inventory, payment, shipment, and collection of an enterprise all have their own order of occurrence, they are not all completed at one point in time, and payment and collection do not occur at the same time, so IC component distributors and electronic finished product manufacturers who are closer to the end consumers of electronic products will inevitably test their ability to transfer; therefore, the procurement inventory policy must focus on the "whole supply chain" and "end demand", and must be regarded as a full range of important stand-alone functions at each supply chain node, such as sales and operation planning, forecasting and demand, response and supply, demand-oriented replenishment, and inventory planning. It is even more necessary to examine the transferability between inventory items and adjust the procurement inventory policy in a timely manner. Do not chase prices excessively due to inflation, and be careful to guard against the loss of inventory price decline and the risk of breaking the chain of funds.

(2) Control measures for prevention of sluggish stocks

The generation of sluggish stocks needs to be traced back to the source to prevent and detect sluggishness in advance. To comprehensively prevent the generation of sluggish stocks in the entire supply chain in areas such as procurement and sales, all departments of the Company are required to participate in effectively integrating the supply chain while responding quickly and dealing with problems encountered in operations and management in a timely manner.

A. Prevention during design in stage of product solutions: It is necessary to comprehensively consider the versatility, cost, cost performance and supply capacity of materials.

B. Business department response measures:

a. Business personnel should fully communicate with customers, understand customers' needs, analyze the customer's order progress, undertake timely communication, and supervise and guide matters to ensure that customers can order according to expected needs while preventing customers from canceling or changing orders, thereby improving order fulfillment rates and forecast accuracy. When market demand is expected to change, or when a sales order is cancelled or changed, the business department shall promptly notify the vendor after the change occurs, with timely cancellation of orders for products that have not been purchased in accordance with contract specifications so as to prevent the generation of sluggish stocks. For sluggish stocks that have already occurred, the business department should put forward corresponding handling opinions.

b. Improve the accuracy of sales forecasting, focusing on making reasonable predictions of the market demand of corresponding products through customers' historical sales data, operating capacity, inventory situation and market changes.

c. Stocking sluggishness caused by changes in a customer's plans shall be borne by the customer under certain conditions.

d. The business support and warehousing departments strictly implement the principles of first-in, first-out, regularizing inventory to ensure accurate

inventory information.

(3) Response measures for improving the handling of sluggish stocks

For sluggish stocks that have been produced, we follow the principle of "whoever generates it is responsible for processing." The responsible department thus must find a way to deal with it and minimize losses. Since losses associated with sluggish stocks caused by external factors can be passed on, the focus of sluggish stocks control should be on solving sluggish stocks caused by internal factors. In addition to the need to reorganize the handling process of sluggish stocks, determine the attribution of sluggish liability, and link sluggish stocks handling with department performance, the main ways to reduce sluggish stocks are as follows:

A. Internal reductions

- a. For sluggishness that has already been created, the business department should sort out and update sluggish stocks on a monthly basis.
- b. Direct scrapping.

B. Reduction of external linkages

- a. The customer is responsible for losses from changes: For custom-made products, sign an agreement with the customer before purchasing raw materials and charge a certain percentage of the deposit to reduce and avoid sluggishness caused by customers changing or canceling orders and thereby causing losses. If a customer requests a change, it must be implemented after the material is consumed or otherwise the customer is responsible for losses from sluggish materials/ stocks.
- b. Inventory materials returned to the vendors: Obsolete inventory materials such as packaging, quality, etc. have no impact, and the right to return to the vendors under the franchise contract between the vendors is used to reduce the Company's sluggish materials/ stocks and at the same time reduce the backlog of Company funds.
- c. Market reductions: By destocking or marketing in the same industry, business units can find opportunities to sell sluggish materials to companies that are in need or will need them.

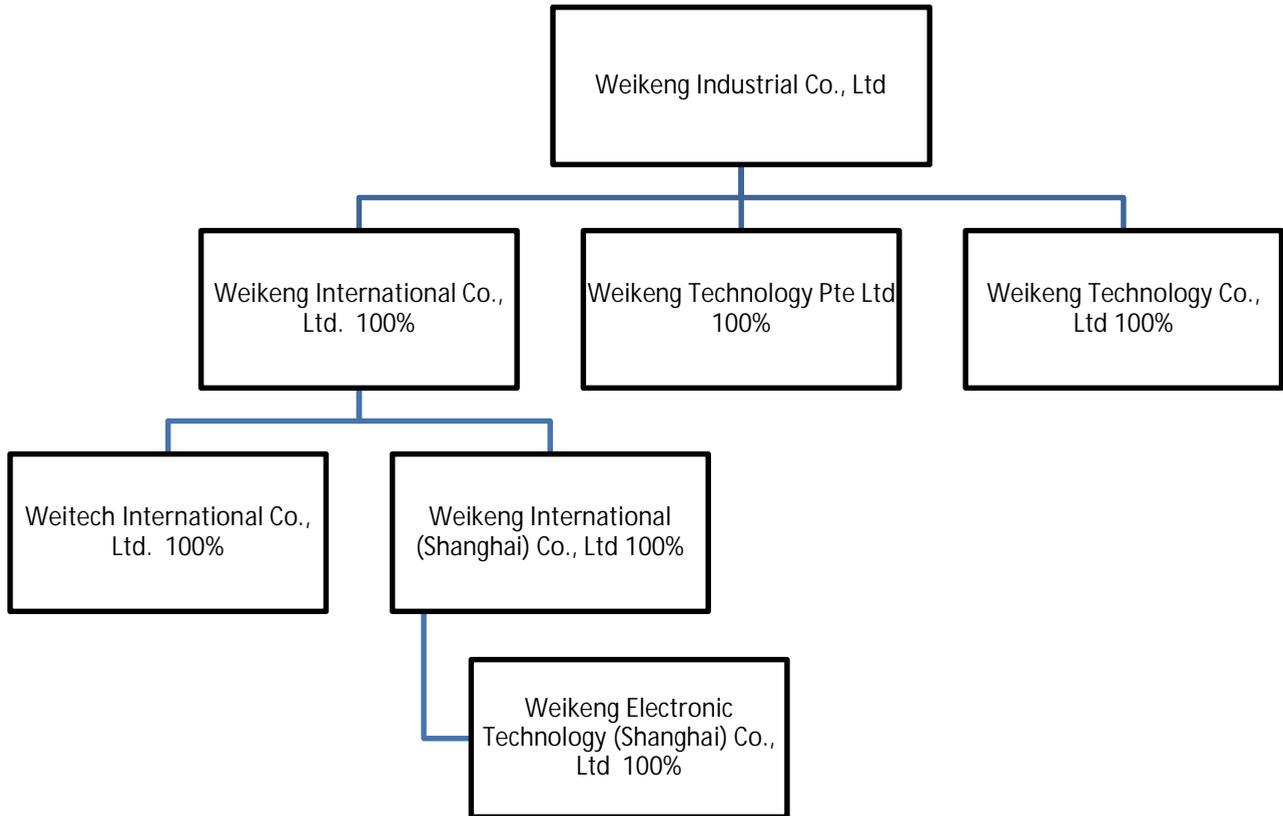
vii. Other important matters: None

VIII. Special Disclosure

i. Summary of Affiliated Companies

(i) Overview of Affiliated Companies

1. 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.

2. Information on affiliated companies

As of 2022/12/31

| 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\$552,450,000 (Note: approximately equivalent to NT\$2,171,313 thousand) | 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 (Note: approximately equivalent to NT\$0.41 thousand) | 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 (Note: approximately equivalent to NT\$335,459 thousand) | Electronic Components & Peripheral Products distribution and technical support |
| Weikeng International (Shanghai) Co., Ltd. | 2002.05.14 | Registration address: Room 1618, No. 118, Xinling Road, China (Shanghai) Pilot Free Trade Zone Business Address: 8th Floor, Building A, No. 1068 Tianshan West Road, Changning District, Shanghai, China | US\$25,000,000 (Note: approximately equivalent to NT\$786,647 thousand) | 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 (Note: approximately equivalent to NT\$5,067 thousand) | Electronic technology development, technical consulting, etc. |

3. 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.
4. Industries covered by the operations of all affiliates: Electronic Components & Peripheral Products distribution and technical support.
5. Information on Directors, Supervisors, and Presidents of affiliates:

As of 2022/12/31

| Name of Company | Title | Name or Representative | Holding | |
|---------------------------------|----------|-------------------------------------------------------------------|-------------|------|
| | | | Shares | % |
| Weikeng International Co., Ltd. | Director | Hu Chiu Chiang | 552,450,000 | 100% |
| | Director | Chi, Ting-Fang | | |
| 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 : Chen, Cheng-Hung | | |

| Name of Company | Title | Name or Representative | Holding | |
|----------------------------------------------------|------------|-------------------------------------------------------------------------------|------------|------|
| | | | Shares | % |
| | Supervisor | Weikeng Industrial Co., Ltd. Representative : Chou Kan Lin | | |
| Weitech International Co., Ltd. | Director | Hu Chiu Chiang | 100 | 100% |
| | Director | Chi, Ting-Fang | | |
| Weikeng Technology Pte Ltd | Director | Hu Chiu Chiang | 12,412,750 | 100% |
| | Director | Chi, Ting-Fang | | |
| | Director | Hung Tung Hui | | |
| | Director | Chou, Kan-Lin | | |
| 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% |

(ii) Operating Overview of Affiliated Companies

Unit: NT\$ thousands
As of 2022/12/31

| 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. | 2,171,313 | 16,690,024 | 9,793,071 | 6,896,953 | 35,944,519 | 1,164,265 | 830,908 | 1.504 |
| Weikeng Technology Co., Ltd. | 15,893 | 29,638 | 3,788 | 25,850 | 39,363 | (18) | (81) | --- |
| Weitech International Co., Ltd. | 0.417 | 19,868 | 17,331 | 2,537 | 3,925,051 | (182) | 226 | 2,260 |
| Weikeng Technology Pte Ltd | 335,459 | 1,339,851 | 840,937 | 498,914 | 2,393,456 | 126,864 | 89,271 | 7.192 |
| Weikeng International (Shanghai) Co., Ltd. | 786,647 | 3,429,742 | 2,723,868 | 705,874 | 8,725,123 | 164,281 | (16,828) | --- |
| Weikeng Electronic Technology (Shanghai) Co., Ltd. | 5,067 | 9,795 | 3,386 | 6,409 | 20,148 | 768 | 746 | --- |

(iii) Consolidated financial declaration statement of affiliated companies and consolidated financial statement:

Please refer to Page 234~305 of this Annual Report for the consolidated financial statements audited and attested by KPMG, Taiwan.

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. 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, 2022 and 2021**

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.

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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, 2022 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, "Consolidated Financial Statements" endorsed by the Financial Supervisory Commission of the Republic of China. 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 15, 2023



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, 2022 and 2021, 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, 2022 and 2021, 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 with the International Financial Reporting Standards (“IFRSs”), International Accounting Standards (“IASs”), Interpretations developed by the International Financial Reporting Interpretations Committee (“IFRIC”) or the former Standing Interpretations Committee (“SIC”) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and Standards on Auditing of 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 Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirement. 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 audits.

How the matter was addressed in our audits:

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 audits.

How the matter was addressed in our audits:

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 standards; as well as implementing sampling procedures to check the correctness of aging inventory with the consideration related to the impact of COVID-19. 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 assess the rationality of the management's estimates on the allowance for inventory valuation.

Other Matter

Weikeng Industrial Co., Ltd. has prepared its parent-company-only financial statements as of and for the years ended December 31, 2022 and 2021, 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 with the 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 Standards on Auditing of 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 the Standards on Auditing of the Republic of China, we exercise professional judgment and 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 auditors' 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 auditors' 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 auditors' 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 Yiu-Kwan Au and Kuan-Ying Kuo.

KPMG

Taipei, Taiwan (Republic of China)
March 15, 2023

Notes to Readers

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

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

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

Consolidated Balance Sheets

December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

| | December 31, 2022 | | December 31, 2021 | | December 31, 2022 | | December 31, 2021 | |
|-----------------------------------------------------------------------------------------------------------|----------------------|------------|-------------------|------------|-------------------|---|-------------------|------------|
| | Amount | % | Amount | % | Amount | % | Amount | % |
| Assets | | | | | | | | |
| Current assets: | | | | | | | | |
| 1100 Cash and cash equivalents (note (6)(a)) | \$ 2,839,507 | 9 | 2,266,607 | 8 | 2100 | | \$ 14,647,898 | 44 |
| 1110 Current financial assets at fair value through profit or loss (note (6)(b)) | 644 | - | 607 | - | 2120 | | 784 | - |
| 1170 Notes and accounts receivable, net (notes (6)(d) and (7)) | 12,844,427 | 39 | 13,548,981 | 49 | 2130 | | 898,765 | 3 |
| 1200 Other receivables (notes (6)(d) and (6)(e)) | 366,331 | 1 | 376,347 | 1 | 2170 | | 3,560,734 | 11 |
| 1300 Inventories, net (note (6)(f)) | 16,266,457 | 49 | 10,286,868 | 38 | 2200 | | 1,046,936 | 3 |
| 1470 Prepaid expenses and other current assets | 142,755 | - | 197,132 | 1 | 2230 | | 333,254 | 1 |
| | <u>32,460,121</u> | <u>98</u> | <u>26,676,542</u> | <u>97</u> | 2280 | | <u>121,746</u> | - |
| | | | | | 2300 | | <u>423,496</u> | <u>1</u> |
| Non-current assets: | | | | | | | <u>21,033,613</u> | <u>63</u> |
| 1510 Non-current financial assets at fair value through profit or loss (note (6)(b)) | - | - | 375 | - | | | | |
| 1517 Non-current financial assets at fair value through other comprehensive income (note (6)(c)) | 81,089 | - | 40,065 | - | 2500 | | 31,173 | - |
| 1600 Property, plant and equipment (note (6)(g)) | 129,766 | - | 133,459 | 1 | 2530 | | 1,870,309 | 5 |
| 1755 Right-of-use assets (note (6)(h)) | 284,249 | 1 | 317,375 | 1 | 2570 | | 874,328 | 3 |
| 1780 Intangible assets | 10,602 | - | 30,480 | - | 2580 | | 171,675 | 1 |
| 1840 Deferred tax assets (note (6)(o)) | 196,650 | 1 | 262,057 | 1 | 2640 | | 79,956 | - |
| 1900 Other non-current assets | 78,376 | - | 74,877 | - | 2670 | | 181 | - |
| | <u>780,732</u> | <u>2</u> | <u>858,688</u> | <u>3</u> | | | <u>3,027,622</u> | <u>9</u> |
| | | | | | | | <u>24,061,235</u> | <u>72</u> |
| Total assets | <u>\$ 33,240,853</u> | <u>100</u> | <u>27,535,230</u> | <u>100</u> | | | <u>4,235,432</u> | <u>13</u> |
| | | | | | | | <u>1,440,646</u> | <u>4</u> |
| Liabilities and Equity | | | | | | | <u>1,132,248</u> | <u>4</u> |
| Current liabilities: | | | | | | | <u>454,583</u> | <u>1</u> |
| Short-term borrowings (note (6)(i)) | | | | | 3100 | | <u>1,908,636</u> | <u>6</u> |
| Current financial liabilities at fair value through profit or loss (note (6)(b)) | | | | | 3200 | | <u>3,495,467</u> | <u>11</u> |
| Current contract liabilities (note (6)(r)) | | | | | 3310 | | | |
| Accounts payable | | | | | 3320 | | | |
| Other payables (notes (6)(j) and (7)) | | | | | 3350 | | | |
| Current tax liabilities | | | | | | | | |
| Current lease liabilities (note (6)(l)) | | | | | | | | |
| Other current liabilities | | | | | | | | |
| | | | | | | | | |
| Non-current liabilities: | | | | | | | | |
| Non-current financial liabilities at fair value through profit or loss (note (6)(b)) | | | | | | | | |
| Bonds payable (note (6)(k)) | | | | | | | | |
| Deferred tax liabilities (note (6)(o)) | | | | | | | | |
| Non-current lease liabilities (note (6)(l)) | | | | | | | | |
| Non-current net defined benefit liabilities (note (6)(n)) | | | | | | | | |
| Other non-current liabilities | | | | | | | | |
| | | | | | | | | |
| Total liabilities | | | | | | | | |
| Equity (note (6)(p)): | | | | | | | | |
| Common Stock | | | | | 3410 | | | |
| Capital surplus | | | | | 3420 | | | |
| Retained earnings: | | | | | | | | |
| Legal reserve | | | | | | | | |
| Special reserve | | | | | | | | |
| Unappropriated earnings | | | | | | | | |
| Other equity interest: | | | | | | | | |
| Exchange differences on translation of foreign financial statements | | | | | | | | |
| Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income | | | | | | | | |
| | | | | | | | | |
| Total equity | | | | | | | | |
| Total liabilities and equity | <u>\$ 33,240,853</u> | <u>100</u> | <u>27,535,230</u> | <u>100</u> | | | <u>89,420</u> | <u>-</u> |
| | | | | | | | <u>(81,347)</u> | <u>-</u> |
| | | | | | | | <u>8,073</u> | <u>-</u> |
| | | | | | | | <u>9,179,618</u> | <u>28</u> |
| | | | | | | | <u>33,240,853</u> | <u>100</u> |
| | | | | | | | <u>27,535,230</u> | <u>100</u> |

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

Consolidated Statement of Comprehensive Income

For the years ended December 31, 2022 and 2021

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

| | | 2022 | | 2021 | |
|------|----------------------------------------------------------------------------------------------------------------------------|---------------------|------------|------------------|----------|
| | | Amount | % | Amount | % |
| 4100 | Net sales revenue (notes (6)(r) and (7)) | \$ 70,281,179 | 100 | 72,404,886 | 100 |
| 5000 | Cost of sales (note (6)(f)) | 64,791,186 | 92 | 67,242,044 | 93 |
| | Gross profit | <u>5,489,993</u> | <u>8</u> | <u>5,162,842</u> | <u>7</u> |
| | Operating expenses (notes (6)(l), (6)(m), (6)(n), (7) and (12)): | | | | |
| 6100 | Selling expenses | 2,128,553 | 3 | 2,019,819 | 3 |
| 6200 | Administrative expenses | 632,975 | 1 | 626,981 | 1 |
| 6450 | Expected credit losses (reversal gains) (note (6)(d)) | 282 | - | (9,577) | - |
| | | <u>2,761,810</u> | <u>4</u> | <u>2,637,223</u> | <u>4</u> |
| | Net operating income | <u>2,728,183</u> | <u>4</u> | <u>2,525,619</u> | <u>3</u> |
| | Non-operating income and expenses: | | | | |
| 7100 | Interest income | 7,098 | - | 3,381 | - |
| 7010 | Other income (notes (6)(m) and (7)) | 36,594 | - | 22,831 | - |
| 7230 | Foreign currency exchange gains, net (note (6)(t)) | 14,526 | - | 61,390 | - |
| 7235 | (Losses) gains on financial assets (liabilities) at fair value through profit or loss, net (note (6)(k)) | (6,783) | - | 7,921 | - |
| 7050 | Finance costs (notes (6)(k) and (6)(l)) | (448,796) | (1) | (169,048) | - |
| 7590 | Miscellaneous disbursements | (668) | - | (774) | - |
| | | <u>(398,029)</u> | <u>(1)</u> | <u>(74,299)</u> | <u>-</u> |
| 7900 | Profit before tax | 2,330,154 | 3 | 2,451,320 | 3 |
| 7950 | Income tax expenses (note (6)(o)) | 631,020 | 1 | 730,180 | 1 |
| 8200 | Profit | <u>1,699,134</u> | <u>2</u> | <u>1,721,140</u> | <u>2</u> |
| | Other comprehensive income: | | | | |
| 8310 | Items that will not be reclassified to profit or loss | | | | |
| 8311 | Gains (losses) on remeasurements of defined benefit plans (note (6)(n)) | 30,954 | - | (8,145) | - |
| 8316 | Unrealized (losses) gains from investments in equity instruments measured at fair value through other comprehensive income | (169) | - | 3,099 | - |
| 8349 | Less: Income tax related to items that will not be reclassified to profit or loss (note (6)(o)) | 6,191 | - | (1,629) | - |
| | | <u>24,594</u> | <u>-</u> | <u>(3,417)</u> | <u>-</u> |
| 8360 | Items that may be reclassified to profit or loss | | | | |
| 8361 | Exchange differences on translation of foreign financial statements | 578,532 | 1 | (114,017) | - |
| 8399 | Less: Income tax related to items that will be reclassified to profit or loss (note (6)(o)) | 115,707 | - | (22,805) | - |
| | | <u>462,825</u> | <u>1</u> | <u>(91,212)</u> | <u>-</u> |
| | Other comprehensive income, net | <u>487,419</u> | <u>1</u> | <u>(94,629)</u> | <u>-</u> |
| 8500 | Comprehensive income | <u>\$ 2,186,553</u> | <u>3</u> | <u>1,626,511</u> | <u>2</u> |
| | Earnings per ordinary share (expressed in New Taiwan dollars) (note (6)(q)) | | | | |
| 9750 | Basic earnings per share | \$ <u>4.03</u> | | <u>4.54</u> | |
| 9850 | Diluted earnings per share | \$ <u>3.67</u> | | <u>4.02</u> | |

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

Consolidated Statement of Changes in Equity
For the years ended December 31, 2022 and 2021
(Expressed in Thousands of New Taiwan Dollars)

| | Retained earnings | | | | Other equity interest | | | Total equity |
|-----------------------------------------------------------------------------------------------------------|-------------------|-----------------|---------------|-----------------|-------------------------|---------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------|--------------|
| | Common stock | Capital surplus | Legal reserve | Special reserve | Unappropriated earnings | Exchange differences on translation of foreign financial statements | Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income | |
| Balance at January 1, 2021 | \$ 3,677,513 | 941,349 | 890,626 | 229,459 | 700,837 | (282,193) | (83,513) | 6,074,078 |
| Appropriation and distribution of retained earnings: | - | - | - | - | - | - | - | - |
| Legal reserve appropriated | - | - | 70,083 | - | (70,083) | - | - | - |
| Special reserve appropriated | - | - | - | 136,246 | (136,246) | - | - | - |
| Cash dividends | - | - | - | - | (494,508) | - | - | (494,508) |
| Profit for the year ended December 31, 2021 | - | - | 70,083 | 136,246 | 700,837 | - | - | 1,721,140 |
| Other comprehensive income for the year ended December 31, 2021 | - | - | - | - | (6,516) | (91,212) | 3,099 | (94,629) |
| Total comprehensive income for the year ended December 31, 2021 | - | - | - | - | 1,714,624 | (91,212) | 3,099 | 1,626,511 |
| Conversion of convertible bonds | 481,829 | 334,578 | - | - | - | - | - | 816,407 |
| Disposal of investments in equity instruments designated at fair value through other comprehensive income | - | - | - | - | 764 | - | (764) | - |
| Balance at December 31, 2021 | 4,159,342 | 1,275,927 | 960,709 | 365,705 | 1,715,388 | (373,405) | (81,178) | 8,022,488 |
| Appropriation and distribution of retained earnings: | - | - | - | - | - | - | - | - |
| Legal reserve appropriated | - | - | 171,539 | - | (171,539) | - | - | - |
| Special reserve appropriated | - | - | - | 88,878 | (88,878) | - | - | - |
| Cash dividends | - | - | - | - | (1,270,232) | - | - | (1,270,232) |
| Profit for the year ended December 31, 2022 | - | - | 171,539 | 88,878 | (1,530,649) | - | - | (1,270,232) |
| Other comprehensive income for the year ended December 31, 2022 | - | - | - | - | 1,699,134 | - | - | 1,699,134 |
| Total comprehensive income for the year ended December 31, 2022 | - | - | - | - | 24,763 | 462,825 | (169) | 487,419 |
| Other comprehensive income for the year ended December 31, 2022 | - | - | - | - | 1,723,897 | 462,825 | (169) | 2,186,553 |
| Issuance of convertible bonds | - | 114,313 | - | - | - | - | - | 114,313 |
| Conversion of convertible bonds | 76,090 | 50,458 | - | - | - | - | - | 126,548 |
| Others | - | (52) | - | - | - | - | - | (52) |
| Balance at December 31, 2022 | \$ 4,235,432 | 1,440,646 | 1,132,248 | 454,583 | 1,908,636 | 89,420 | (81,347) | 9,179,618 |

See accompanying notes to consolidated financial statements.

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

Consolidated Statement of Cash Flows

For the years ended December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

| | 2022 | 2021 |
|------------------------------------------------------------------------------------------------------|--------------|-------------|
| Cash flows from (used in) operating activities: | | |
| Profit before tax | \$ 2,330,154 | 2,451,320 |
| Adjustments: | | |
| Adjustments to reconcile profit (loss): | | |
| Depreciation expenses | 165,728 | 157,550 |
| Amortization expenses | 27,987 | 26,800 |
| Expected credit losses (reversal gains) | 282 | (9,577) |
| Net losses (gains) on financial assets or liabilities at fair value through profit or loss | 6,783 | (7,921) |
| Interest expenses | 448,796 | 169,048 |
| Interest income | (7,098) | (3,381) |
| Gain on lease modification | (103) | - |
| Others | (26) | 141 |
| | 642,349 | 332,660 |
| Changes in operating assets and liabilities: | | |
| Decrease in financial assets at fair value through profit or loss | - | 11 |
| Decrease (increase) in notes and accounts receivable | 704,272 | (2,860,381) |
| Decrease in other receivables | 10,016 | 536,530 |
| Increase in inventories | (5,979,589) | (2,431,112) |
| Decrease in prepaid expenses and other current assets | 54,359 | 21,869 |
| | (5,210,942) | (4,733,083) |
| (Decrease) increase in accounts payable | (1,747,414) | 1,732,288 |
| Decrease in other payable | (22,782) | (291,325) |
| Increase in contract liabilities and other current liabilities | 697,713 | 115,692 |
| Decrease in net defined benefit liabilities | (11,312) | (6,897) |
| | (1,083,795) | 1,549,758 |
| Total changes in operating assets and liabilities | (6,294,737) | (3,183,325) |
| Total adjustments | (5,652,388) | (2,850,665) |
| Cash flows used in operations | (3,322,234) | (399,345) |
| Interest received | 7,098 | 3,381 |
| Interest paid | (319,860) | (157,648) |
| Income taxes paid | (558,412) | (155,052) |
| Net cash flows used in operating activities | (4,193,408) | (708,664) |
| Cash flows from (used in) investing activities: | | |
| Acquisition of financial assets at fair value through other comprehensive income | (42,000) | - |
| Proceeds from disposal of financial assets at fair value through other comprehensive income | - | 7,451 |
| Proceeds from capital reduction of financial assets at fair value through other comprehensive income | 807 | 405 |
| Acquisition of property, plant and equipment | (7,759) | (12,118) |
| Disposal of property, plant and equipment | - | 282 |
| Increase in refundable deposits | (3,665) | (753) |
| Acquisition of intangible assets | (6,751) | (6,533) |
| Increase in other prepayments | 166 | (558) |
| Net cash flows used in investing activities | (59,202) | (11,824) |
| Cash flows from (used in) financing activities: | | |
| Increase in short-term borrowings | 3,651,850 | 1,250,733 |
| Proceeds from issuing bonds | 2,000,000 | - |
| Repurchase of bonds | (1,638) | - |
| Payments of lease liabilities | (153,882) | (139,486) |
| Cash dividends paid | (1,270,232) | (494,508) |
| Net cash flows from financing activities | 4,226,098 | 616,739 |
| Effect of exchange rate changes on cash and cash equivalents | 599,412 | (115,984) |
| Net increase (decrease) in cash and cash equivalents | 572,900 | (219,733) |
| Cash and cash equivalents at the beginning of period | 2,266,607 | 2,486,340 |
| Cash and cash equivalents at the end of period | \$ 2,839,507 | 2,266,607 |

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
WEIKENG INDUSTRIAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
For the years ended December 31, 2022 and 2021
(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 authorized for issue by the Board of Directors on March 15, 2023.

(3) New standards, amendments and interpretations adopted:

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

The Group has initially adopted the following new amendments, which do not have a significant impact on its consolidated financial statements, from January 1, 2022:

- 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"

- (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, 2023, would not have a significant impact on its consolidated financial statements:

- Amendments to IAS 1 "Disclosure of Accounting Policies"
- Amendments to IAS 8 "Definition of Accounting Estimates"
- Amendments to IAS 12 "Deferred Tax related to Assets and Liabilities arising from a Single Transaction"

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WEIKENG INDUSTRIAL CO., LTD. AND SUBSIDIARIES
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- (c) The impact of IFRS issued by IASB but not yet endorsed by the FSC

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

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

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

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

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”

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WEIKENG INDUSTRIAL CO., LTD. AND SUBSIDIARIES
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- IFRS 17 “Insurance Contracts” and amendments to IFRS 17 “Insurance Contracts”
- Amendments to IFRS 17 “Initial Application of IFRS 17 and IFRS 9 – Comparative Information”
- Amendments to IFRS16 “Requirements for Sale and Leaseback Transactions”

(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 the 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 instruments 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.

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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, 2022 | December 31, 2021 |
| The Company | Weikeng International Co., Ltd. (WKI) | Electronic components computer peripherals products distribution and technical support | 100 % | 100 % |
| " | Weikeng Technology Co., Ltd. (WKZ) | Electronic components and technical support | 100 % | 100 % |
| " | Weikeng Technology Pte. Ltd. (WTP) | " | 100 % | 100 % |
| 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.

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WEIKENG INDUSTRIAL CO., LTD. AND SUBSIDIARIES
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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.

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WEIKENG INDUSTRIAL CO., LTD. AND SUBSIDIARIES
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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.

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WEIKENG INDUSTRIAL CO., LTD. AND SUBSIDIARIES
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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.

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WEIKENG INDUSTRIAL CO., LTD. AND SUBSIDIARIES
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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.

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

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

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

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WEIKENG INDUSTRIAL CO., LTD. AND SUBSIDIARIES
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The Group considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of ‘investment grade which is considered to be BBB- or higher per Standard & Poor’s, Baa3 or higher per Moody’s or tWA or higher per Taiwan Ratings’.

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

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

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

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

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

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

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

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

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WEIKENG INDUSTRIAL CO., LTD. AND SUBSIDIARIES
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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.

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WEIKENG INDUSTRIAL CO., LTD. AND SUBSIDIARIES
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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.

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WEIKENG INDUSTRIAL CO., LTD. AND SUBSIDIARIES
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(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

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.

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WEIKENG INDUSTRIAL CO., LTD. AND SUBSIDIARIES
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(i) As a lessee

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

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

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

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.

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

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

(ii) As a lessor

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

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

(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.

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WEIKENG INDUSTRIAL CO., LTD. AND SUBSIDIARIES
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(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.

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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.

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WEIKENG INDUSTRIAL CO., LTD. AND SUBSIDIARIES
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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.

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

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

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

- (i) the Group has a legally enforceable right to set off current tax assets against current tax liabilities; and

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WEIKENG INDUSTRIAL CO., LTD. AND SUBSIDIARIES
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- (ii) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:
- 1) the same taxable entity; or
 - 2) different taxable entities which intend to settle current tax assets and liabilities on a net basis, or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

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

(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:

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WEIKENG INDUSTRIAL CO., LTD. AND SUBSIDIARIES
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(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

| | December 31, 2022 | December 31, 2021 |
|---------------------------------------|------------------------------|------------------------------|
| Cash on hand | \$ 460 | 488 |
| Checking accounts and demand deposits | <u>2,839,047</u> | <u>2,266,119</u> |
| | <u>\$ 2,839,507</u> | <u>2,266,607</u> |

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

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

| | December 31, 2022 | December 31, 2021 |
|-------------------------------------------------------------------------|------------------------------|------------------------------|
| Current financial assets at fair value through profit or loss: | | |
| Non-derivative financial assets | | |
| Stock listed on domestic markets | <u>\$ 644</u> | <u>607</u> |
| Non-current financial assets at fair value through profit or loss: | | |
| Convertible bonds – embedded derivatives | <u>\$ -</u> | <u>375</u> |
| Current financial liabilities at fair value through profit or loss: | | |
| Derivative instruments not used for hedging | | |
| Forward exchange contracts | <u>\$ 784</u> | <u>-</u> |
| Non-current financial liabilities at fair value through profit or loss: | | |
| Convertible bonds – embedded derivatives | <u>\$ 31,173</u> | <u>-</u> |

As of December 31, 2022 and 2021, the Group did not provide any financial assets at fair value through profit or loss as collateral for its loans.

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

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(ii) Non-hedging derivative financial instruments

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

Forward exchange contracts :

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

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

| | December 31, 2022 | December 31, 2021 |
|----------------------------------------------------------------------|----------------------|----------------------|
| Equity investments at fair value through other comprehensive income: | | |
| Domestic emerging market stocks | \$ 347 | 516 |
| Domestic unlisted stocks | 58,134 | 16,941 |
| Overseas unlisted stocks | 22,608 | 22,608 |
| | \$ 81,089 | 40,065 |

(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, nor were there any transfers of any cumulative gain or loss within equity relating to these investments in the year ended December 31, 2022. In September 2021, the Group sold all of its shares in Feature Integration Technology Inc., which was measured at fair value through other comprehensive income, at \$7,451. The cumulative gains on disposal amounted to \$764, which had been transferred to retained earnings from other equity.

(ii) The investee company, Vision Wide Technology Co., Ltd. (VTEC), recognized as non-current financial assets at fair value through other comprehensive income, distributed the cash dividends of \$807 from its capital surplus based on the resolution approved during the shareholders' meeting held in 2022. The amount has been fully received as of the reporting date and recognized as the account deduction.

(iii) The investee company, Paradigm Venture Capital Corporation (PVC Corp.), recognized as non-current financial assets at fair value through other comprehensive income, refunded its capital in 2021, wherein the Group recorded the receivable of \$405, which had been fully received as of the reporting date.

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

- (iv) The investee company, Shin Kong Global Venture Capital Corp. (SKGVC), recognized as non-current financial assets at fair value through other comprehensive income, reduced its capital to offset its accumulated deficits in 2021, resulting in the shareholding of the Group in SKGVC to decrease from 3,000 thousand shares to 960 thousand shares.
- (v) For credit risk and market risk, please refer to note (6)(t) .
- (vi) As of December 31, 2022 and 2021, 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

| | <u>December 31, 2022</u> | <u>December 31, 2021</u> |
|-------------------------------------------------------------------|------------------------------|------------------------------|
| Notes receivable | \$ 181,378 | 238,953 |
| Accounts receivable-measured as amortized cost | 10,590,071 | 11,366,808 |
| Accounts receivable-fair value through other comprehensive income | <u>2,167,677</u> | <u>2,034,971</u> |
| | 12,939,126 | 13,640,732 |
| Less: Loss allowance | <u>(94,699)</u> | <u>(91,751)</u> |
| | <u><u>\$ 12,844,427</u></u> | <u><u>13,548,981</u></u> |

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

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

- (i) The Company

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

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| <u>Credit rating</u> | <u>December 31, 2021</u> | | | |
|------------------------------------|----------------------------|----------------------------------|---------------------------------|------------------------|
| | <u>Carrying amount</u> | <u>Expected credit loss rate</u> | <u>Loss allowance provision</u> | <u>Credit impaired</u> |
| Listed company (assessed by group) | | | | |
| Level A | \$ 4,009,216 | 0.52% | 20,909 | No |
| Level B | 1,150,808 | 1.40% | 16,108 | No |
| Unlisted company | <u>1,436,928</u> | 1.16% | <u>16,663</u> | No |
| | <u>\$ 6,596,952</u> | | <u>53,680</u> | |

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

| | <u>December 31, 2022</u> | <u>December 31, 2021</u> |
|--------------------------|----------------------------|--------------------------|
| Not past due | \$ 6,477,584 | 6,429,577 |
| Overdue 90 days or less | 51,859 | 163,041 |
| Overdue 91 to 180 days | - | 2,595 |
| Overdue 181 days or more | - | <u>1,739</u> |
| | <u>\$ 6,529,443</u> | <u>6,596,952</u> |

(ii) Subsidiaries

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

| | <u>December 31, 2021</u> | | |
|--------------------------|----------------------------|----------------------------------|---------------------------------|
| | <u>Carrying amount</u> | <u>Expected credit loss rate</u> | <u>Loss allowance provision</u> |
| Not past due | \$ 6,516,929 | 0.02% | 1,107 |
| Overdue 90 days or less | 524,592 | 6.63% | 34,770 |
| Overdue 91 to 180 days | 879 | 92.61% | 814 |
| Overdue 181 days or more | <u>1,380</u> | 100% | <u>1,380</u> |
| | <u>\$ 7,043,780</u> | | <u>38,071</u> |

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For the years ended December 31, 2022 and 2021, the movements in the allowance for notes and accounts receivable of the Group were as follows:

| | <u>2022</u> | <u>2021</u> |
|---------------------------------------------|-------------------------|----------------------|
| Balance at January 1 | \$ 91,751 | 112,529 |
| Impairment losses recognized (reversed) | 282 | (9,577) |
| Amounts written off | - | (10,285) |
| Reclassifications | (221) | - |
| Effect of changes in foreign exchange rates | <u>2,887</u> | <u>(916)</u> |
| Balance at December 31 | <u><u>\$ 94,699</u></u> | <u><u>91,751</u></u> |

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

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

As of December 31, 2022 and 2021, the information of accounts receivable sold without recourse was as follows:

| <u>December 31, 2022</u> | | | | | | |
|--------------------------|----------------------------|--------------------|------------------------|-----------------------------------------------|-------------------------------|---------------------------------------|
| <u>Purchaser</u> | <u>Amount Derecognized</u> | <u>Amount Paid</u> | <u>Advanced Unpaid</u> | <u>Amount Recognized in Other Receivables</u> | <u>Range of Interest Rate</u> | <u>Significant Transferring Terms</u> |
| Financial institutions | \$ 3,202,845 | 2,884,268 | - | 318,577 | 3.34%~6.35% | None |
| <u>December 31, 2021</u> | | | | | | |
| <u>Purchaser</u> | <u>Amount Derecognized</u> | <u>Amount Paid</u> | <u>Advanced Unpaid</u> | <u>Amount Recognized in Other Receivables</u> | <u>Range of Interest Rate</u> | <u>Significant Transferring Terms</u> |
| Financial institutions | \$ 3,341,896 | 3,010,559 | - | 331,337 | 0.53%~1.14% | None |

As of December 31, 2022 and 2021, the Group did not provide any receivables as collaterals for its loans.

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

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(e) Other receivables

| | December 31, 2022 | December 31, 2021 |
|--------------------------------------------------|------------------------------|------------------------------|
| Other receivables – accounts receivable factored | \$ 318,577 | 331,337 |
| Receivables of tax refund | 39,954 | 32,623 |
| Overdue receivables | 22,354 | 22,121 |
| Others | <u>7,800</u> | <u>12,387</u> |
| | 388,685 | 398,468 |
| Less: Loss allowance | <u>(22,354)</u> | <u>(22,121)</u> |
| | <u>\$ 366,331</u> | <u>376,347</u> |

For the years ended December 31, 2022 and 2021, the movements in the allowance for other receivables were as follows:

| | For the years ended December 31, | |
|---------------------------------------------|---------------------------------------------|----------------------|
| | 2022 | 2021 |
| Balance at January 1 | \$ 22,121 | 22,124 |
| Reclassifications | 221 | - |
| Effect of changes in foreign exchange rates | <u>12</u> | <u>(3)</u> |
| Balance at December 31 | <u>\$ 22,354</u> | <u>22,121</u> |

As of December 31, 2022 and 2021, 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

| | December 31, 2022 | December 31, 2021 |
|-------------------------|------------------------------|------------------------------|
| Merchandise inventories | \$ 14,859,181 | 9,688,311 |
| Goods in transit | <u>1,407,276</u> | <u>598,557</u> |
| | <u>\$ 16,266,457</u> | <u>10,286,868</u> |

The details of the cost of sales were as follows:

| | 2022 | 2021 |
|-----------------------------------------------------|-----------------------------|--------------------------|
| Inventory that has been sold | \$ 64,505,051 | 67,325,769 |
| Write-down of inventories (Reversal of write-downs) | 257,460 | (149,812) |
| Loss on disposal of inventory | <u>28,675</u> | <u>66,087</u> |
| | <u>\$ 64,791,186</u> | <u>67,242,044</u> |

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The aforementioned gain from price recovery is due to the fact that part of the inventories previously recognized as loss on valuation have been sold or scrapped, resulting in the disappearance of the reason that the net realized value of the inventory is lower than the cost, the net realizable value recovery was recognized as the deduction of operating costs.

As of December 31, 2022 and 2021, 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, 2022 and 2021 were as follows:

| | <u>Land</u> | <u>Buildings and construction</u> | <u>Transportation equipment</u> | <u>Machinery equipment</u> | <u>Office and other facilities equipment</u> | <u>Total</u> |
|------------------------------------------|------------------|-------------------------------------------|-------------------------------------|--------------------------------|----------------------------------------------------------|----------------|
| Cost: | | | | | | |
| Balance on January 1, 2022 | \$ 77,377 | 51,836 | 17,180 | 24,920 | 168,055 | 339,368 |
| Additions | - | - | 68 | 2,429 | 5,262 | 7,759 |
| Disposals | - | - | - | - | (1,448) | (1,448) |
| Effects of changes in exchange rates | - | - | 186 | 10 | 6,433 | 6,629 |
| Balance on December 31, 2022 | <u>\$ 77,377</u> | <u>51,836</u> | <u>17,434</u> | <u>27,359</u> | <u>178,302</u> | <u>352,308</u> |
| Balance on January 1, 2021 | \$ 77,377 | 51,836 | 16,410 | 19,315 | 167,144 | 332,082 |
| Additions | - | - | 2,190 | 5,779 | 4,149 | 12,118 |
| Disposals | - | - | (1,367) | (154) | (1,526) | (3,047) |
| Effects of changes in exchange rates | - | - | (53) | (20) | (1,712) | (1,785) |
| Balance on December 31, 2021 | <u>\$ 77,377</u> | <u>51,836</u> | <u>17,180</u> | <u>24,920</u> | <u>168,055</u> | <u>339,368</u> |
| Depreciation and impairment loss: | | | | | | |
| Balance on January 1, 2022 | \$ - | 22,634 | 12,864 | 16,339 | 154,072 | 205,909 |
| Depreciation for the year | - | 863 | 864 | 2,745 | 7,748 | 12,220 |
| Disposals | - | - | - | - | (1,443) | (1,443) |
| Effects of changes in exchange rates | - | - | 93 | (13) | 5,776 | 5,856 |
| Balance on December 31, 2022 | <u>\$ -</u> | <u>23,497</u> | <u>13,821</u> | <u>19,071</u> | <u>166,153</u> | <u>222,542</u> |
| Balance on January 1, 2021 | \$ - | 21,771 | 12,556 | 14,498 | 148,487 | 197,312 |
| Depreciation for the year | - | 863 | 1,295 | 2,004 | 8,578 | 12,740 |
| Disposals | - | - | (963) | (154) | (1,507) | (2,624) |
| Effects of changes in exchange rates | - | - | (24) | (9) | (1,486) | (1,519) |
| Balance on December 31, 2021 | <u>\$ -</u> | <u>22,634</u> | <u>12,864</u> | <u>16,339</u> | <u>154,072</u> | <u>205,909</u> |
| Book value: | | | | | | |
| Balance on December 31, 2022 | <u>\$ 77,377</u> | <u>28,339</u> | <u>3,613</u> | <u>8,288</u> | <u>12,149</u> | <u>129,766</u> |
| Balance on December 31, 2021 | <u>\$ 77,377</u> | <u>29,202</u> | <u>4,316</u> | <u>8,581</u> | <u>13,983</u> | <u>133,459</u> |
| Balance on January 1, 2021 | <u>\$ 77,377</u> | <u>30,065</u> | <u>3,854</u> | <u>4,817</u> | <u>18,657</u> | <u>134,770</u> |

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

As of December 31, 2022 and 2021, the Group did not provide any property, plant, and equipment as collaterals for its loans.

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(h) Right-of-use assets

The cost and depreciation on leases for buildings and transportation equipment, which the Group as a lessee, were as follows:

| | <u>Buildings</u> | <u>Transportation equipment</u> | <u>Total</u> |
|-------------------------------------|-------------------|-------------------------------------|----------------|
| Cost: | | | |
| Balance on January 1, 2022 | \$ 575,080 | 8,196 | 583,276 |
| Additions | 106,281 | 6,090 | 112,371 |
| Reductions | (134,189) | (3,895) | (138,084) |
| Effect of changes in exchange rates | 14,997 | 35 | 15,032 |
| Balance on December 31, 2022 | <u>\$ 562,169</u> | <u>10,426</u> | <u>572,595</u> |
| Balance on January 1, 2021 | \$ 407,267 | 11,861 | 419,128 |
| Additions | 273,943 | - | 273,943 |
| Reductions | (102,825) | (3,653) | (106,478) |
| Effect of changes in exchange rates | (3,305) | (12) | (3,317) |
| Balance on December 31, 2021 | <u>\$ 575,080</u> | <u>8,196</u> | <u>583,276</u> |
| Accumulated depreciation: | | | |
| Balance on January 1, 2022 | \$ 260,676 | 5,225 | 265,901 |
| Depreciation | 150,974 | 2,534 | 153,508 |
| Reductions | (132,214) | (3,895) | (136,109) |
| Effect of changes in exchange rates | 5,068 | (22) | 5,046 |
| Balance on December 31, 2022 | <u>\$ 284,504</u> | <u>3,842</u> | <u>288,346</u> |
| Balance on January 1, 2021 | \$ 223,194 | 5,755 | 228,949 |
| Depreciation | 141,684 | 3,126 | 144,810 |
| Reductions | (102,825) | (3,653) | (106,478) |
| Effect of changes in exchange rates | (1,377) | (3) | (1,380) |
| Balance on December 31, 2021 | <u>\$ 260,676</u> | <u>5,225</u> | <u>265,901</u> |
| Carrying amount: | | | |
| Balance on December 31, 2022 | <u>\$ 277,665</u> | <u>6,584</u> | <u>284,249</u> |
| Balance on December 31, 2021 | <u>\$ 314,404</u> | <u>2,971</u> | <u>317,375</u> |
| Balance on January 1, 2021 | <u>\$ 184,073</u> | <u>6,106</u> | <u>190,179</u> |

(Continued)

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

(i) Short-term borrowings

| | December 31, 2022 | December 31, 2021 |
|-----------------------------------------|------------------------------|------------------------------|
| Unsecured loans | \$ 13,889,812 | 10,077,546 |
| Short-term notes and bills payable, net | <u>758,086</u> | <u>918,502</u> |
| | <u>\$ 14,647,898</u> | <u>10,996,048</u> |
| Unused short-term credit lines | <u>\$ 4,752,709</u> | <u>4,473,838</u> |
| Range of interest rates | <u>1.53%~6.09%</u> | <u>0.52%~3.9%</u> |

(i) Issuance and repayment of borrowings

The Group's incremental amounts in loans for the years ended December 31, 2022 and 2021 were \$44,022,143 and \$34,413,839, respectively, with maturities from January to November, 2023 and from January to November, 2022, respectively; and the repayments were \$40,370,293 and \$33,163,106, 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

| | December 31, 2022 | December 31, 2021 |
|-----------------------------------------|------------------------------|------------------------------|
| Accrued expenses | \$ 269,476 | 319,556 |
| Bonus payable | 378,218 | 340,548 |
| Remuneration to employees and directors | 273,223 | 278,657 |
| Interest payable | <u>126,019</u> | <u>14,011</u> |
| | <u>\$ 1,046,936</u> | <u>952,772</u> |

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

(Continued)

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

(k) Convertible bonds payable

(i) Non-guaranteed convertible bonds:

| | December 31, 2022 | December 31, 2021 |
|------------------------------------------------------------------------------------------|------------------------------|------------------------------|
| Aggregate principal amount | \$ 2,000,000 | 1,000,000 |
| Bond discount | (127,991) | (7,564) |
| Cumulative repurchased amount | (1,700) | - |
| Cumulative converted amount | <u>-</u> | <u>(866,100)</u> |
| | 1,870,309 | 126,336 |
| Less: Convertible bonds payable – could be repaid within one year | <u>-</u> | <u>-</u> |
| Bonds payable at end of period | <u>\$ 1,870,309</u> | <u>126,336</u> |
| Embedded derivative – put and call options | | |
| Included in non-current financial liabilities at fair value through profit or loss | <u>\$ 31,173</u> | <u>-</u> |
| Included in non-current financial assets at fair value through profit or loss | <u>\$ -</u> | <u>375</u> |
| Equity component – conversion options (included in capital surplus – conversion options) | <u>\$ 114,216</u> | <u>7,634</u> |

- (ii) The effective interest rate of the fifth convertible bonds was 1.53%. The interest expenses on convertible bonds for the years ended December 31, 2022 and 2021, were \$554 and \$11,374, respectively. The above fifth convertible bonds had been transferred into the ordinary shares in September 2022.
- (iii) There were no issuances, repurchases and repayments of bonds payable for the year ended December 31, 2021.
- (iv) The Company issued the sixth domestic unsecured convertible bonds, with a face value of \$2,000,000 on June 1, 2022. The Company separated the convertible option from the liability and recognized it as equity and liability, respectively. The relevant information was as follows:

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

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

(Continued)

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

The effective interest rate of the sixth convertible bonds was 1.51%. The interest expenses on convertible bonds was \$16,347 for the year ended December 31, 2022.

- (v) The main terms of issuance of the sixth convertible bonds were as follows:
- 1) Duration: five years (June 1, 2022 to June 1, 2027).
 - 2) Interest rate: 0%.
 - 3) Redemption clause: The Company may redeem the bonds under the following circumstances:
 - a) Within the period between three months after the issuance date and 40 days before the end of duration, the Company may redeem the bonds at their principal amount if the closing prices of the Company's common stock on the Taiwan Stock Exchange for a period of 30 consecutive trading days has been 30% more than the conversion price in effect on each such trading day.
 - b) If at least 90% of the principal amount of the bonds has been converted, redeemed, or purchased and cancelled, the Company may redeem the bonds at their principal amount within the period between three months after the issuance date and 40 days before the end of duration.
 - 4) Redemption at the option of the bondholders:

The bondholders have the right to request the Company to repurchase the bonds at a price equal to the face value, plus, an accrued premium three and four years after the issuance date. The annual interest rates for the redemption are 0.5% both three and four years after the issuance date.
 - 5) Conversion clause:
 - a) Bondholders may request to have the bonds converted into the common stock of the Company in accordance with conversion clause from September 2, 2022 to June 1, 2027.
 - b) Conversion price: NT\$34.27 per share. Starting from July 31, 2022, the adjusted conversion price due to distribution of retained earnings for 2021 was \$30.32.
- (vi) The net gain or loss on the recognition of financial assets and liabilities for the years ended December 31, 2022 and 2021, amounted to a loss of \$6,037 and a gain of \$7,927, respectively.
- (vii) The Company paid the amount of \$1,638 to repurchase the convertible bonds, with a face value of \$1,700, for the year ended December 31, 2022, resulting in a gain of \$31 and a decrease in capital surplus of \$52.

(Continued)

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

(l) Lease liabilities

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

| | <u>December 31, 2022</u> | <u>December 31, 2021</u> |
|-------------|------------------------------|------------------------------|
| Current | \$ <u>121,746</u> | <u>135,160</u> |
| Non-current | \$ <u>171,675</u> | <u>188,566</u> |

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

The amounts recognized in profit or loss were as follows:

| | <u>2022</u> | <u>2021</u> |
|-----------------------------------------|-----------------|--------------|
| Interests expenses on lease liabilities | \$ <u>7,722</u> | <u>7,137</u> |
| Expenses relating to short-term leases | \$ <u>6,565</u> | <u>6,138</u> |

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

| | <u>2022</u> | <u>2021</u> |
|-------------------------------|-------------------|----------------|
| Total cash outflow for leases | \$ <u>168,169</u> | <u>152,761</u> |

(i) Real estate leases

The Group leases buildings for its office space, warehouses and dormitories. The leases of office space typically run for a period of 1 to 6 years, of warehouses for 1 to 4 years, and of dormitories for 3 years. Some leases include an option to renew the lease for an additional period of the same duration after the end of the contract term.

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

(ii) Other leases

The Group leases transportation equipment typically run for a period of 3 to 5 years. Some leases include an option to renew the lease for an additional period of the same duration after the end of the contract term.

The Group leases 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.

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

(m) Operating lease — as lessor

As of December 31, 2022 and 2021, the future minimum lease receivables under non-cancellable leases are as follows:

| | December 31, 2022 | December 31, 2021 |
|----------------------------|------------------------------|------------------------------|
| Less than one year | \$ 4,476 | 5,026 |
| Between one and five years | 8,160 | 11,897 |
| | <u>\$ 12,636</u> | <u>16,923</u> |

For the years ended December 31, 2022 and 2021, the rental revenue under operating leases were \$5,270 and \$5,508, 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:

| | December 31, 2022 | December 31, 2021 |
|----------------------------------------------|------------------------------|------------------------------|
| Present value of defined benefit obligations | \$ 217,353 | 242,018 |
| Fair value of plan assets | (137,397) | (119,796) |
| Net defined benefit liabilities | <u>\$ 79,956</u> | <u>122,222</u> |

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

1) Composition of plan assets

The Company allocates pension funds in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, and such funds are managed by the Bureau of Labor Funds, Ministry of Labor. With regard to the utilization of the funds, minimum earnings shall be no less than the earnings attainable from two-year time deposits with interest rates offered by local banks.

The Company's Bank of Taiwan labor pension reserve account balance amounted to \$137,397 at the end of the reporting period. For information on the utilization of the labor pension fund assets including the asset allocation and yield of the fund, please refer to the website of the Labor Pension Fund Supervisory Committee.

(Continued)

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

2) Movements in present value of the defined benefit obligations

The movements in present value of defined benefit obligations for the Company were as follows:

| | <u>2022</u> | <u>2021</u> |
|------------------------------------------------------------|--------------------------|-----------------------|
| Defined benefit obligation at January 1 | \$ 242,018 | 230,850 |
| Current service costs and interest | 1,834 | 1,762 |
| Remeasurement in net defined benefit liability (assets) | (21,823) | 9,406 |
| Benefits paid | <u>(4,676)</u> | <u>-</u> |
| Defined benefit obligation at December 31 | <u><u>\$ 217,353</u></u> | <u><u>242,018</u></u> |

3) Movements of defined benefit plan assets

The movements in defined benefit plan assets for the Company were as follows:

| | <u>2022</u> | <u>2021</u> |
|----------------------------------------------------------------|--------------------------|-----------------------|
| Fair value of plan assets at January 1 | \$ 119,796 | 109,876 |
| Contributions made | 12,426 | 7,994 |
| Expected return on plan assets | 720 | 665 |
| Remeasurement of the net defined benefit liability (assets) | 9,131 | 1,261 |
| Benefits paid | <u>(4,676)</u> | <u>-</u> |
| Fair value of plan assets at December 31 | <u><u>\$ 137,397</u></u> | <u><u>119,796</u></u> |

4) Expenses recognized in profit or loss

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

| | <u>2022</u> | <u>2021</u> |
|-----------------------------------------------|------------------------|---------------------|
| Service cost | \$ 376 | 366 |
| Net interest on net defined benefit liability | 1,458 | 1,396 |
| Expected return on plan assets | <u>(720)</u> | <u>(665)</u> |
| | <u><u>\$ 1,114</u></u> | <u><u>1,097</u></u> |
| Selling expenses | \$ 813 | 801 |
| Administrative expenses | <u>301</u> | <u>296</u> |
| | <u><u>\$ 1,114</u></u> | <u><u>1,097</u></u> |

(Continued)

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

5) Actuarial assumptions

The following are the Company's principal actuarial assumptions:

| | <u>December 31, 2022</u> | <u>December 31, 2021</u> |
|-------------------------|------------------------------|------------------------------|
| Discount rate | 1.750 % | 0.625 % |
| Future salary increases | 3.000 % | 3.000 % |

The expected allocation payment made by the Company to the defined benefit plans for the one year period after the reporting date was \$8,676.

The weighted-average duration of the defined benefit obligation is 12.38 years.

6) Sensitivity analysis

As of December 31, 2022 and 2021, 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, 2022 | | |
| Discount Rate | \$ (4,124) | 4,250 |
| Future salary increases | 4,100 | (3,996) |
| December 31, 2021 | | |
| Discount Rate | (5,368) | 5,572 |
| Future salary increases | 5,324 | (5,153) |

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 2022 and 2021.

(Continued)

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

(ii) Defined contribution plans

The Company and WKZ allocates 6% of each employee's monthly wages to the labor pension personal account at the Bureau of the Labor Insurance in accordance with the provisions of the Labor Pension Act. Under this defined contribution plan, the Company and WKZ allocates a fixed amount to the Bureau of the Labor Insurance without additional legal or constructive obligations.

The Company and WKZ recognized the pension costs under the defined contribution method amounting to \$24,462 and \$22,858 for the years ended December 31, 2022 and 2021, 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 \$78,833 and \$66,037 for the years ended December 31, 2022 and 2021, respectively.

(o) Income taxes

(i) Income tax expenses

1) The components of income tax for the years 2022 and 2021 were as follows:

| | <u>2022</u> | <u>2021</u> |
|---------------------------------------------------|-------------------|----------------|
| Current tax expense | | |
| Current period | \$ 514,663 | 474,245 |
| Adjustment for prior periods | <u>(3,993)</u> | <u>1,273</u> |
| | <u>510,670</u> | <u>475,518</u> |
| Deferred tax expense | | |
| Origination and reversal of temporary differences | <u>120,350</u> | <u>254,662</u> |
| Income tax expense | <u>\$ 631,020</u> | <u>730,180</u> |

2) The amounts of income tax recognized in other comprehensive income for 2022 and 2021 were as follows:

| | <u>2022</u> | <u>2021</u> |
|---------------------------------------------------------------------|-------------------|-----------------|
| Items that will not be reclassified subsequently to profit or loss: | | |
| Remeasurement from defined benefit plans | <u>\$ 6,191</u> | <u>(1,629)</u> |
| Items that may be reclassified subsequently to profit or loss: | | |
| Exchange differences on translation of foreign financial statements | <u>\$ 115,707</u> | <u>(22,805)</u> |

(Continued)

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

3) The reconciliation of income tax and profit before tax for 2022 and 2021 was as follows:

| | <u>2022</u> | <u>2021</u> |
|--------------------------------------------------------------|-------------------|----------------|
| Profit before tax | \$ 2,330,154 | 2,451,320 |
| Income tax using each entities of the Group's legal tax rate | \$ 606,755 | 723,370 |
| Non-deductible expenses | 9,404 | 13,161 |
| Net investment income and tax-exempt income | (2,428) | (2,938) |
| Change in unrecognized temporary differences | 6,108 | (13,419) |
| Additional tax on undistributed earnings | 9,237 | - |
| Under (over) provision in prior periods | (3,993) | 7,814 |
| Others | 5,937 | 2,192 |
| Income tax expense | <u>\$ 631,020</u> | <u>730,180</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, 2022</u> | <u>December 31, 2021</u> |
|------------------------------------------------|--------------------------|--------------------------|
| Tax effect of deductible temporary differences | <u>\$ 24,329</u> | <u>18,221</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 2022 and 2021 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, 2022 | \$ 4,512 | 93,352 | 1,817 | 24,842 | 60,426 | 77,108 | 262,057 |
| Recognized in profit or loss | - | - | 352 | (1,711) | 15,007 | 18,809 | 32,457 |
| Recognized in other comprehensive income | (4,512) | (93,352) | - | - | - | - | (97,864) |
| Balance at December 31, 2022 | <u>\$ -</u> | <u>-</u> | <u>2,169</u> | <u>23,131</u> | <u>75,433</u> | <u>95,917</u> | <u>196,650</u> |
| Balance at January 1, 2021 | \$ 2,883 | 70,547 | 6,803 | 44,510 | 50,592 | 27,894 | 203,229 |
| Recognized in profit or loss | - | - | (4,986) | (19,668) | 9,834 | 49,214 | 34,394 |
| Recognized in other comprehensive income | 1,629 | 22,805 | - | - | - | - | 24,434 |
| Balance at December 31, 2021 | <u>\$ 4,512</u> | <u>93,352</u> | <u>1,817</u> | <u>24,842</u> | <u>60,426</u> | <u>77,108</u> | <u>262,057</u> |

(Continued)

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

| | Temporary difference from subsidiary investment | Defined Benefit Plans | Exchange differences on translation | Others | Total |
|------------------------------------------|----------------------------------------------------------|-----------------------------|-------------------------------------------|---------------|----------------|
| Deferred tax liabilities: | | | | | |
| Balance at January 1, 2022 | \$ 665,434 | - | - | 32,053 | 697,487 |
| Recognized in profit or loss | 184,036 | - | - | (31,229) | 152,807 |
| Recognized in other comprehensive income | - | 1,679 | 22,355 | - | 24,034 |
| Balance at December 31, 2022 | <u>\$ 849,470</u> | <u>1,679</u> | <u>22,355</u> | <u>824</u> | <u>874,328</u> |
| Balance at January 1, 2021 | 394,474 | - | - | 13,957 | 408,431 |
| Recognized in profit or loss | 270,960 | - | - | 18,096 | 289,056 |
| Balance at December 31, 2021 | <u>\$ 665,434</u> | <u>-</u> | <u>-</u> | <u>32,053</u> | <u>697,487</u> |

- (iii) The ROC Income Tax Act allows losses for tax purposes, as assessed by the tax authorities, to be offset against the taxable income in the following ten years. WKZ's estimated tax losses which could be used to offset the future taxable income are summarized as follows:

| Year of loss | Amount of loss | Deductible amount | Expiry year | Note |
|--------------|-----------------|-------------------|-------------|----------|
| 2013 | \$ 559 | 559 | 2023 | Assessed |
| 2014 | 513 | 513 | 2024 | Assessed |
| 2015 | 481 | 481 | 2025 | Assessed |
| 2016 | 360 | 360 | 2026 | Assessed |
| 2017 | 678 | 678 | 2027 | Assessed |
| 2018 | 441 | 441 | 2028 | Assessed |
| 2019 | 513 | 513 | 2029 | Assessed |
| 2020 | 530 | 530 | 2030 | Assessed |
| 2021 | 24 | 24 | 2031 | Filed |
| | <u>\$ 4,099</u> | <u>4,099</u> | | |

- (iv) Income tax assessment

The Company's and WKZ's income tax returns through 2020 have been examined and approved by the R.O.C. tax authorities.

- (p) Capital and other equities

A resolution was passed at the shareholders' meeting held on June 16, 2022, and July 20, 2021, to increase the Company's registered capital to \$6,000,000 and \$5,500,000, respectively. The registration procedure has been completed.

As of December 31, 2022 and 2021, the total number of authorized ordinary shares were 600,000 thousand shares and 550,000 thousand shares, respectively, with par value of TWD 10 per share. The total value of authorized ordinary shares amounted to \$6,000,000 and \$5,500,000, respectively. As of that date, 423,543 thousand shares and 415,934 thousand shares of ordinary shares were issued. All issued shares were paid up upon issuance.

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

(i) Common stock

The Company issued 7,609 thousand and 48,183 thousand new ordinary shares, with a par value of \$10 per share, amounting to \$76,090 and \$481,829, due to the conversion of convertible bonds for the years ended December 31, 2022 and 2021, respectively. The relevant statutory registration procedures have been completed as of the reporting date.

(ii) Capital surplus

Balances on capital surplus of the Company were as follows:

| | December 31, 2022 | December 31, 2021 |
|----------------------------------------|------------------------------|------------------------------|
| Additional paid in capital | \$ 1,287,803 | 1,229,711 |
| Treasury share transactions | 37,662 | 37,617 |
| Donation from shareholders | 712 | 712 |
| Convertible bonds – conversion options | 114,216 | 7,634 |
| Others | 253 | 253 |
| | <u>\$ 1,440,646</u> | <u>1,275,927</u> |

For the years ended December 31, 2022 and 2021, the capital surplus deriving from those convertible bonds, which were converted to common stock, amounted to \$50,458 and \$334,578 (including the capital surplus-conversion options transferred to the capital surplus additional paid-in capital of \$7,634 and \$49,380), respectively

In accordance with the Company Act, realized capital surplus can be utilized for issuing new shares or be distributed as cash dividends only after offsetting losses. The aforementioned capital surplus include share premiums and donation gains. In accordance with the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, the amount of capital surplus to be utilized for issuing new shares shall not exceed 10 percent of paid-in capital every year. Capital surplus increased by transferring from paid-in capital in excess of par value shall not be capitalized until the next fiscal year after the competent authority for company registrations approves registration of the capital increase.

(iii) Retained earnings

The Company's Article of Incorporation stipulates that Company's earnings should first be used to 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 and submitted by the Board of Directors and afterwards approved by the stockholders' meeting. Before the distribution of dividends, the Board of Directors shall first take into consideration its profitability, plan of capital expenditure, business expansion and capital, requirements for cash flow, regulations, and degree of dilution of earnings per share to determine the proportion of stock and cash dividends to be paid. After the above appropriations, current and prior-period earnings that remain undistributed will be proposed for distribution by the Board of Directors, and a meeting of shareholders will be held to adopt this resolution. The total distribution shall not be less than 50% of the current distributable earnings, and the cash dividends shall not be less than 20% of the total dividends.

(Continued)

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

The Company authorize dividends, bonus and the legal reserve and capital surplus in whole or in part be paid in cash based on the resolution of the Board of Directors with over two-thirds directors present and approved by a majority vote of the present directors, then shall be reported to shareholders meeting.

1) Legal reverse

When a company incurs no loss, it may, pursuant to a resolution by the shareholders' meeting, distribute its legal reserve by issuing new shares or by distributing cash, and only the portion of the legal reserve which exceeds 25% of capital may be distributed.

2) Special reverse

In accordance with the guidelines of the FSC, net earnings after income taxes, plus any other item recognized in undistributed retained earnings and undistributed prior-period earnings shall be reclassified as a special earnings reserve during earnings distribution. Aforementioned amount equal to the difference between the carry net amount of other reductions from equity and the carrying amount of special reserve. Similarly, a portion of undistributed prior-period earnings shall be reclassified as a special earnings reserve (which does not qualify for earnings distribution) to account for cumulative amount of other reductions from equity pertaining to prior periods. The subsequent reversals of the contra accounts in shareholders' equity shall qualify for additional distributions.

3) Earnings distribution

The amounts for cash dividends of the Company's earnings distribution for 2021 and 2020 were decided by the Board meetings held on March 25, 2022 and March 26, 2021.

| | 2021 | | 2020 | |
|-------------------------------------------------|----------------------------------------------|-------------------------|----------------------------------------------|-------------------------|
| | Amount per share (in dollars) | Total amount | Amount per share (in dollars) | Total amount |
| Dividends distributed to ordinary shareholders: | | | | |
| Cash dividends | \$ 3.00725918 | 1,270,232 | 1.33341226 | 494,508 |

The amount of cash dividends of the Company's 2022 earnings distribution has yet to be decided. The related information can be accessed through the Market Observation Post System website after the related meeting.

(q) Earnings per share

(i) Basic earnings per share

The calculation of basic earnings per share at December 31, 2022 and 2021 was based on the profit attributable to ordinary shareholders of the Company and the weighted average number of ordinary shares outstanding as follows:

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WEIKENG INDUSTRIAL CO., LTD. AND SUBSIDIARIES
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1) Profit attributable to ordinary shareholders of the Company

| | 2022 | 2021 |
|-------------------------------------------------------------|---------------------|------------------|
| Profit attributable to ordinary shareholders of the Company | \$ 1,699,134 | 1,721,140 |

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

| | 2022 | 2021 |
|-------------------------------------------|----------------|----------------|
| Weighted-average number of ordinary share | 421,319 | 378,742 |

| | 2022 | 2021 |
|-----------------------------------|----------------|-------------|
| 3) Basic earnings per share (TWD) | \$ 4.03 | 4.54 |

(ii) Diluted earnings per share

The calculation of diluted earnings per share on December 31, 2022 and 2021 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)

| | 2022 | 2021 |
|-----------------------------------------------------------------------|---------------------|------------------|
| Profit attributable to ordinary shareholders of the Company (basic) | \$ 1,699,134 | 1,721,140 |
| Convertible bonds payable | 22,826 | 3,447 |
| Profit attributable to ordinary shareholders of the Company (diluted) | \$ 1,721,960 | 1,724,587 |

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

| | 2022 | 2021 |
|---------------------------------------------------------------------|----------------|----------------|
| Weighted-average number of ordinary shares (basic) | 421,319 | 378,742 |
| Effect of convertible bonds | 39,562 | 43,039 |
| Effect of employee stock remuneration | 8,494 | 6,818 |
| Weighted-average number of ordinary shares (diluted) on December 31 | 469,375 | 428,599 |

| | 2022 | 2021 |
|-------------------------------------|----------------|-------------|
| 3) Diluted earnings per share (TWD) | \$ 3.67 | 4.02 |

(Continued)

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

(r) Revenue from contracts with customers

(i) Disaggregation of revenue

| | <u>2022</u> | <u>2021</u> |
|-------------------------------|-----------------------------|--------------------------|
| Primary geographical markets: | | |
| Taiwan | \$ 7,286,106 | 7,093,458 |
| China | 58,136,241 | 60,850,958 |
| Others | <u>4,858,832</u> | <u>4,460,470</u> |
| | <u>\$ 70,281,179</u> | <u>72,404,886</u> |
| Major products/services lines | | |
| Chipset/memory components | \$ 26,837,934 | 26,838,132 |
| Mixed and other components | 43,437,698 | 45,559,219 |
| Others | <u>5,547</u> | <u>7,535</u> |
| | <u>\$ 70,281,179</u> | <u>72,404,886</u> |

For the years ended December 31, 2022 and 2021, the Group 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 has been offset against the payment to the other party from the transactions; or recognized the commission agreed with the other party, as revenue.

For the years ended December 31, 2022 and 2021, the revenue incurred by the Group from its transaction by being an agent amounted to \$0 and \$3,643, respectively. Due to the above transactions, there were no other receivables and other payables for the years then ended.

(ii) Contract balance

| | <u>December 31, 2022</u> | <u>December 31, 2021</u> | <u>January 1, 2021</u> |
|----------------------------------------------------------|------------------------------|------------------------------|----------------------------|
| Notes and accounts receivable (included related parties) | \$ 12,939,126 | 13,640,732 | 10,791,552 |
| Less: allowance for impairment | <u>(94,699)</u> | <u>(91,751)</u> | <u>(112,529)</u> |
| | <u>\$ 12,844,427</u> | <u>13,548,981</u> | <u>10,679,023</u> |
| Contract liabilities | <u>\$ 898,765</u> | <u>305,931</u> | <u>195,013</u> |

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

The amounts of revenue recognized for the years ended December 31, 2022 and 2021 that were included in the contract liability balance at the beginning of the periods were \$274,679 and \$164,043, respectively.

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WEIKENG INDUSTRIAL CO., LTD. AND SUBSIDIARIES
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The major change in the balance of contract liabilities is the difference between the time frame in the performance obligation to be satisfied and the payment to be received.

(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, 2022 and 2021, the accrued remuneration of the Company's employees were \$189,923 and \$191,512, as well as directors were \$47,481 and \$47,878, 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 2022 and 2021. 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 accounts receivable, please refer to note (6)(d).

The amount of other financial assets at amortized cost includes other receivables which had been impaired. For the loss allowance provision, please refer to the note (6)(e).

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

(ii) Liquidity risk

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

| | <u>Carrying Amount</u> | <u>Contractual cash flows</u> | <u>Within a year</u> | <u>Over 1 year</u> |
|--------------------------------------------------|----------------------------|-----------------------------------|--------------------------|--------------------|
| December 31, 2022 | | | | |
| Non-derivative financial liabilities | | | | |
| Unsecured loans | \$ 13,889,812 | (14,012,044) | (14,012,044) | - |
| Short-term bills payable | 758,086 | (760,000) | (760,000) | - |
| Lease liabilities | 293,421 | (306,607) | (128,063) | (178,544) |
| Accounts payables | 3,560,734 | (3,560,734) | (3,560,734) | - |
| Other payables | 1,046,936 | (1,046,936) | (1,046,936) | - |
| Bonds payable | 1,870,309 | (1,998,300) | - | (1,998,300) |
| Derivative financial liabilities | | | | |
| Convertible bonds payable – embedded derivatives | 31,173 | - | - | - |
| Forward exchange contracts: | 784 | | | |
| Outflow | - | (31,251) | (31,251) | - |
| Inflow | - | 30,467 | 30,467 | - |
| | <u>\$ 21,451,255</u> | <u>(21,685,405)</u> | <u>(19,508,561)</u> | <u>(2,176,844)</u> |
| December 31, 2021 | | | | |
| Non-derivative financial liabilities | | | | |
| Unsecured loans | \$ 10,077,546 | (10,099,600) | (10,099,600) | - |
| Short-term bills payable | 918,502 | (920,000) | (920,000) | - |
| Lease liabilities | 323,726 | (339,394) | (141,152) | (198,242) |
| Accounts payable | 5,308,148 | (5,308,148) | (5,308,148) | - |
| Other payables | 952,772 | (952,772) | (952,772) | - |
| Bonds payable | 126,336 | (133,900) | - | (133,900) |
| | <u>\$ 17,707,030</u> | <u>(17,753,814)</u> | <u>(17,421,672)</u> | <u>(332,142)</u> |

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

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

(iii) Market risk

1) Currency risk

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

| | December 31, 2022 | | | December 31, 2021 | | |
|-----------------------|---------------------|-------------------|-----------|---------------------|-------------------|-----------|
| | Foreign currency | Exchange rate | TWD | Foreign currency | Exchange rate | TWD |
| Financial assets | | | | | | |
| Monetary items | | | | | | |
| USD | \$ 254,627 | USD/TWD 30.71 | 7,891,595 | 294,374 | USD/TWD 27.68 | 8,148,260 |
| USD | 6,286 | USD/CNY 7.0363 | 193,043 | 388 | USD/CNY 6.3935 | 10,731 |
| Financial liabilities | | | | | | |
| Monetary items | | | | | | |
| USD | 176,601 | USD/TWD 30.71 | 5,423,417 | 196,128 | USD/TWD 27.68 | 5,428,819 |
| USD | 16,494 | USD/CNY 7.0363 | 506,531 | 24,714 | USD/CNY 6.3935 | 684,073 |

2) Currency risk sensitivity analysis

The Group's monetary items exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, accounts receivable, other receivables, loans and borrowings, accounts payable and other payables that are denominated in foreign currency. A change of 5% in the exchange rate of TWD or CNY against foreign currency for the years ended December 31, 2022 and 2021 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, | |
|-----------------------|-------------------------------------|-----------|
| | 2022 | 2021 |
| USD (against the TWD) | | |
| Appreciating 5% | \$ 123,409 | 135,972 |
| Depreciating 5% | (123,409) | (135,972) |
| USD (against the CNY) | | |
| Appreciating 5% | (15,674) | (33,667) |
| Depreciating 5% | 15,674 | 33,667 |

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

As the Group deals in diverse foreign currencies, gains or losses on foreign exchange were summarized as a single amount. For the years ended December 31, 2022 and 2021, the foreign exchange gain, including both realized and unrealized, amounted to \$14,526 and \$61,390, 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>2022</u> | | <u>2021</u> | |
|------------------------------------------------|----------------------------------------------------------|----------------------------------|----------------------------------------------------------|----------------------------------|
| | 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% | \$ <u>4,054</u> | <u>32</u> | <u>2,003</u> | <u>30</u> |
| Decreasing 5% | \$ <u>(4,054)</u> | <u>(32)</u> | <u>(2,003)</u> | <u>(30)</u> |

(iv) Interest rate analysis

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

| | <u>Carrying amount</u> | |
|----------------------------|------------------------------|------------------------------|
| | <u>December 31, 2022</u> | <u>December 31, 2021</u> |
| Variable rate instruments: | | |
| Financial assets | \$ 1,843,615 | 1,708,908 |
| Financial liabilities | (13,889,812) | (10,077,546) |

The following sensitivity analysis is based on the risk exposure to interest rate on the derivative and non-derivative financial instruments on the reporting date. Regarding the assets and liabilities with variable interest rates, the analysis is based on the assumption that the amount of assets and liabilities outstanding at the reporting date were outstanding throughout the year. The rate of change is expressed as the interest rate increase or decrease by 0.25% when reporting to management internally, which also represents the Group's management's assessment of the reasonably possible interest rate change.

If the interest rate had increased or decreased by 0.25%, the Group's net profit before tax would have decreased or increased by \$30,115 and \$20,922 for the years ended December 31, 2022 and 2021, respectively, which would be mainly resulting from demand deposits, and unsecured loans with variable interest rates.

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WEIKENG INDUSTRIAL CO., LTD. AND SUBSIDIARIES
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(v) Fair value

1) Categories and the fair value of financial instruments

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

| | December 31, 2022 | | | | |
|-------------------------------------------------------------------------------------------|-----------------------------|-------------------|----------------|----------------|--------------|
| | Carrying amount | Fair Value | | | Total |
| | | Level 1 | Level 2 | Level 3 | |
| Financial assets mandatorily measured at fair value through profit or loss | | | | | |
| Stocks listed on domestic markets | \$ 644 | 644 | - | - | 644 |
| Financial assets at fair value through other comprehensive income | | | | | |
| Notes and accounts receivable, net | 2,167,677 | - | - | - | - |
| Emerging market stocks | 347 | 347 | - | - | 347 |
| Domestic and overseas unlisted stocks | <u>80,742</u> | - | - | 80,742 | 80,742 |
| Subtotal | <u>2,248,766</u> | | | | |
| Financial assets measured at amortized cost | | | | | |
| Cash and cash equivalents | 2,839,507 | - | - | - | - |
| Notes and accounts receivable, net | 10,676,750 | - | - | - | - |
| Other receivables | 326,377 | - | - | - | - |
| Guarantee deposits | <u>77,885</u> | - | - | - | - |
| Subtotal | <u>13,920,519</u> | | | | |
| | <u>\$ 16,169,929</u> | | | | |

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

| | December 31, 2022 | | | | |
|-----------------------------------------------------------------------------------|-----------------------------|------------|---------|---------|--------|
| | Carrying amount | Fair Value | | | |
| | | Level 1 | Level 2 | Level 3 | Total |
| Financial liabilities at fair value through profit or loss | | | | | |
| Derivative financial liabilities | \$ 784 | - | 784 | - | 784 |
| Convertible bonds – embedded derivatives | <u>31,173</u> | - | 31,173 | - | 31,173 |
| Subtotal | <u>31,957</u> | | | | |
| Financial liabilities measured at amortized cost | | | | | |
| Short term borrowings | 14,647,898 | - | - | - | - |
| Lease liabilities | 293,421 | - | - | - | - |
| Accounts payable | 3,560,734 | - | - | - | - |
| Other payables | 1,046,936 | - | - | - | - |
| Bonds payable | <u>1,870,309</u> | - | - | - | - |
| Subtotal | <u>21,419,298</u> | | | | |
| | <u>\$ 21,451,255</u> | | | | |
| December 31, 2021 | | | | | |
| | Carrying amount | Fair Value | | | |
| | | Level 1 | Level 2 | Level 3 | Total |
| Financial assets mandatorily measured at fair value through profit or loss | | | | | |
| Stocks listed on domestic markets | \$ 607 | 607 | - | - | 607 |
| Convertible bonds – embedded derivatives | <u>375</u> | - | 375 | - | 375 |
| Subtotal | <u>982</u> | | | | |
| Financial assets at fair value through other comprehensive income | | | | | |
| Notes and accounts receivable, net | 2,034,971 | - | - | - | - |
| Emerging market stocks | 516 | 516 | - | - | 516 |
| Domestic and overseas unlisted stocks | <u>39,549</u> | - | - | 39,549 | 39,549 |
| Subtotal | <u>2,075,036</u> | | | | |

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| | December 31, 2021 | | | | |
|---------------------------------------------------------|-----------------------------|------------|---------|---------|-------|
| | Carrying amount | Fair Value | | | |
| | | Level 1 | Level 2 | Level 3 | Total |
| Financial assets measured at amortized cost | | | | | |
| Cash and cash equivalents | 2,266,607 | - | - | - | - |
| Notes and accounts receivable, net | 11,514,010 | - | - | - | - |
| Other receivables | 343,724 | - | - | - | - |
| Guarantee deposits | <u>74,220</u> | - | - | - | - |
| Subtotal | <u>14,198,561</u> | | | | |
| | <u>\$ 16,274,579</u> | | | | |
| Financial liabilities measured at amortized cost | | | | | |
| Short term borrowings | \$ 10,996,048 | - | - | - | - |
| Lease liabilities | 323,726 | - | - | - | - |
| Accounts payable | 5,308,148 | - | - | - | - |
| Other payables | 952,772 | - | - | - | - |
| Bonds payable | <u>126,336</u> | - | - | - | - |
| Subtotal | <u>17,707,030</u> | | | | |
| | <u>\$ 17,707,030</u> | | | | |

There were no transfers of financial instruments between any levels for the years ended December 31, 2022 and 2021.

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.

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

3) Valuation technique of financial instruments measured at fair value

a) Non-derivative financial instruments

If the financial instrument has a public quoted price in an active market, the public quoted price will be determined as the fair value. The measurements on fair value of the financial instruments without an active market are determined using the valuation technique or the quoted market price of its counterparts. Fair value measured using the valuation technique can be extrapolated from similar financial instruments, discounted cash flow method, or other valuation techniques which include the model used in calculating the observable market data at the consolidated balance sheet date.

The Group holds the unquoted equity investments of financial instruments without an active market. The measurement of fair value of the equity instruments is based on the Guideline Public Company method, which mainly assumes the evaluation by the price to sales and the price to book value ratio of similar public company and by the discount for lack of marketability. The estimation has been adjusted by the effect resulting from the discount for lack of marketability of the securities.

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

| | Fair value through other comprehensive income |
|------------------------------------|--------------------------------------------------------------|
| | Unquoted equity instruments |
| Opening balance, January 1, 2022 | \$ 39,549 |
| Purchased | 42,000 |
| Capital refunded | (807) |
| Ending Balance, December 31, 2022 | \$ 80,742 |
| Opening balance, January 1, 2021 | \$ 40,474 |
| Capital refunded | (405) |
| Total gains and losses recognized: | |
| In other comprehensive income | (520) |
| Ending Balance, December 31, 2021 | \$ 39,549 |

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- 5) Quantified information of significant unobservable inputs (Level 3) used in fair value measurement

The Group's financial instruments that use Level 3 inputs to measure fair value include "financial assets measured at fair value through other comprehensive income - equity investments".

Quantified information of significant unobservable inputs was as follows:

| <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 | · Enterprise value to sale ratio as of December 31, 2021 was 1.61 | · The higher the price-book ratio, and the enterprise value to sale ratio, the higher the fair value |
| | | · Price-book ratio as of December 31, 2022 and 2021 were 0.82~2.22, and 0.9, respectively. | " |
| | | · Market liquidity discount rate as of December 31, 2022 and 2021 were 15.80%, and 17.45%, respectively. | · The higher the market liquidity discount rate, the lower the fair value |
| Financial assets at fair value through other comprehensive income | Net Asset Value Method | · Net asset value | · Not applicable |

(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.

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(ii) Structure of risk management

The Group's finance department provides business services for the overall internal departments. 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.

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WEIKENG INDUSTRIAL CO., LTD. AND SUBSIDIARIES
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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. For detailed information on short-term borrowings and accounts receivable factoring on December 31, 2022 and 2021, please refer to note (6)(d) and note (6)(i).

(v) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

1) Currency risk

The Group is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the functional currencies of the Group, primarily the USD, CNY and HKD.

When short-term assets and liabilities denominated in a foreign currency are unbalanced, the Group uses current exchange rate to buy or sell about foreign currency to ensure that the net risk is maintained at an acceptable level.

2) Interest rate risk

As the Group's borrowings position are based on USD and TWD, 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 TWD. The Group adjusts the proportion of the USD and TWD borrowings to minimize the cost of capital, in order to reduce interest rate risk to an acceptable level.

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WEIKENG INDUSTRIAL CO., LTD. AND SUBSIDIARIES
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3) Other price risk

The Group exposes to the risk of listed stock investments and open-end mutual funds due to the fluctuation of 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, 2022 and 2021 the liability ratios were as follows:

| | <u>December 31,</u> <u>2022</u> | <u>December 31,</u> <u>2021</u> |
|-------------------|------------------------------------|------------------------------------|
| Total liabilities | \$ 24,061,235 | 19,512,742 |
| Total assets | 33,240,853 | 27,535,230 |
| Liability ratio | 72 % | 71 % |

As of December 31, 2022, 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, 2022 and 2021, were as follows:

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

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

| | <u>January 1,</u> <u>2022</u> | <u>Cash flows</u> | <u>Non-cash changes</u> | | | <u>December</u> <u>31, 2022</u> |
|---------------------------------------------|----------------------------------|-------------------|-------------------------|------------------|------------------------------------------------------|------------------------------------|
| | | | <u>Acquisition</u> | <u>Reduction</u> | <u>Foreign</u> <u>exchange</u> <u>movement</u> | |
| Short-term borrowings | \$ 10,996,048 | 3,651,850 | - | - | - | 14,647,898 |
| Lease liabilities | 323,726 | (153,882) | 112,371 | (2,078) | 13,284 | 293,421 |
| Bonds payable | 126,336 | 1,998,362 | - | (254,389) | - | 1,870,309 |
| Total liabilities from financing activities | <u>\$ 11,446,110</u> | <u>5,496,330</u> | <u>112,371</u> | <u>(256,467)</u> | <u>13,284</u> | <u>16,811,628</u> |

(Continued)

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

| | <u>January 1, 2021</u> | <u>Non-cash changes</u> | | | | <u>December 31, 2021</u> |
|---------------------------------------------|----------------------------|-------------------------|--------------------|------------------|------------------------------------------|------------------------------|
| | | <u>Cash flows</u> | <u>Acquisition</u> | <u>Reduction</u> | <u>Foreign exchange movement</u> | |
| Short-term borrowings | \$ 9,745,315 | 1,250,733 | - | - | - | 10,996,048 |
| Lease liabilities | 190,939 | (139,486) | 273,943 | - | (1,670) | 323,726 |
| Bonds payable | <u>929,322</u> | <u>-</u> | <u>-</u> | <u>(802,986)</u> | <u>-</u> | <u>126,336</u> |
| Total liabilities from financing activities | <u>\$ 10,865,576</u> | <u>1,111,247</u> | <u>273,943</u> | <u>(802,986)</u> | <u>(1,670)</u> | <u>11,446,110</u> |

(7) Related-party transactions

(a) Name and relationships with related parties

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

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

(b) Significant transactions with related party

(i) Sale of goods to related parties

The amounts of sales transactions between the Group and related parties were as follows:

| | <u>2022</u> | <u>2021</u> |
|-----------------------|-------------|-------------|
| Other related parties | <u>\$ -</u> | <u>13</u> |

There were no significant differences in terms of collection and pricing on sales to related parties and other customers. The collection period was approximately 30 days after the sales date.

(ii) Processing fee and consultancy fees from related Parties

Other related parties were commissioned to provide processing services and consulting services to the Group. The amounts were as follows:

| | <u>2022</u> | <u>2021</u> |
|-----------------------|-----------------|--------------|
| Other related parties | <u>\$ 5,304</u> | <u>6,594</u> |

(iii) Lease

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

| | <u>2022</u> | <u>2021</u> |
|-----------------------|---------------|--------------|
| Other related parties | <u>\$ 914</u> | <u>1,145</u> |

(Continued)

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

(iv) Payable to related parties

| <u>Account</u> | <u>Related party categories</u> | <u>December 31, 2022</u> | <u>December 31, 2021</u> |
|----------------|---------------------------------|--------------------------|--------------------------|
| Other payables | Other related parties | \$ <u>245</u> | <u>355</u> |

(c) Key management personnel compensation

Key management personnel compensation comprised:

| | <u>2022</u> | <u>2021</u> |
|------------------------------|-------------------|----------------|
| Short-term employee benefits | \$ 276,444 | 268,135 |
| Post-employment benefits | <u>847</u> | <u>839</u> |
| | <u>\$ 277,291</u> | <u>268,974</u> |

(8) Assets pledged as security: None.

(9) Commitments and contingencies:

The balances of L/Cs for deferred payment of import value added tax and the purchase of merchandise were as follows:

| <u>December 31, 2022</u> | <u>December 31, 2021</u> |
|--------------------------|--------------------------|
| <u>\$ 367,810</u> | <u>188,312</u> |

(10) Losses Due to Major Disasters: None.

(11) Subsequent Events: None.

(12) Other:

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

| By item | By function | For the years ended December 31, | |
|----------------------------|-------------|----------------------------------|--------------------|
| | | 2022 | 2021 |
| | | Operating expenses | Operating expenses |
| Employee benefits | | | |
| Salary | | 1,577,619 | 1,484,804 |
| Labor and health insurance | | 121,279 | 104,168 |
| Pension | | 104,409 | 89,992 |
| Remuneration of directors | | 80,672 | 87,357 |
| Others | | 53,428 | 60,980 |
| Depreciation | | 165,728 | 157,550 |
| Amortization | | 27,987 | 26,800 |

(Continued)

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

(13) Other disclosures:

(a) Information on significant transactions:

The following is the information on significant transactions required by the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” for the Group for the year ended December 31, 2022:

- (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 | 13,769,427 | 8,754,296 | 8,099,063 | 6,768,474 | - | 88.23 % | 27,538,854 | Y | N | N |
| " | " | WTP | 100% owned subsidiary | 13,769,427 | 1,020,577 | 936,655 | 619,234 | - | 10.20 % | 27,538,854 | Y | N | N |
| " | " | WKS | 100% owned subsidiary | 13,769,427 | 1,765,116 | 1,556,052 | 1,358,573 | - | 16.95 % | 27,538,854 | Y | N | Y |

Note 1 : The total amount of the guarantee provided by the Company shall not exceed three hundred percent (300%) of the higher amount between the Company’s capital amount and net worth. However, for any individual entity whose voting shares are 50% or more owned, directly or indirectly, by the Company shall not exceed fifty percent (50%) of the maximum amount for guarantee on recent audited or reviewed financial statements.

Note 2 : For those entities as the guarantor to the subsidiary, subsidiary as the guarantor to the company, or the guarantor that located in China, please fill in “Y”.

(iii) Securities held as of December 31, 2022 (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 | EBM Technologies Inc. | - | Financial assets mandatorily measured at fair value through profit or loss-current | 34 | \$ 644 | - | \$ 644 | 34 | - | |
| " | Clientron Corp. | - | Financial assets at fair value through other comprehensive income-non-current | 15 | \$ 347 | 0.02 | \$ 347 | 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.) | - | " | 230 | 2,301 | 10.49 | 2,301 | 230 | 10.49 | |
| " | InnoBridge Venture Fund LLP. (InnoBridge) | - | " | - | 15,150 | 9.90 | 15,150 | - | 9.90 | |
| " | Shin Kong Global Venture Capital Corp. (SKGVC) | - | " | 960 | 4,800 | 12.00 | 4,800 | 960 | 12.00 | |
| " | Vision Wide Technology Co., Ltd. (VTEC) | - | " | 800 | 9,033 | 1.61 | 9,033 | 800 | 1.61 | |
| " | Winsheng Material Technology Co., Ltd. (Winsheng Material) | - | " | 1,400 | 42,000 | 4.37 | 42,000 | 1,400 | 4.37 | |
| | | | | | \$ 80,742 | | \$ 80,742 | | | |

(Continued)

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

- (iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of TWD300 million or 20% of the capital stock: None.
- (v) Acquisition of individual real estate with amount exceeding the lower of TWD300 million or 20% of the capital stock: None.
- (vi) Disposal of individual real estate with amount exceeding the lower of TWD300 million or 20% of the capital stock: None.
- (vii) Related-party transactions for purchases and sales with amounts exceeding the lower of TWD100 million or 20% of the capital stock:

(In thousands)

| Name of company | Related party | Nature of relationship | Transaction details | | | Transactions with terms different from others | | Notes/Accounts receivable (payable) | | Note | |
|-----------------|---------------|------------------------|---------------------|-----------------------------|----------------------------------------|-----------------------------------------------|------------------------------------------------|------------------------------------------------|--------------------------|-----------|---------------------------------------------------------|
| | | | Purchases/ (Sales) | Amount | Percentage of total purchases/ (sales) | Payment terms | Unit price | Payment terms | Ending balance | | Percentage of total notes/accounts receivable (payable) |
| The Company | WKI | 100% owned subsidiary | (Sales) | (226,998) (USD7,596) | (0.79)% | OA30 | No significant difference with other customers | No significant difference with other customers | 74,832 (USD2,437) | 1.14 % | |
| The Company | WKI | 100% owned subsidiary | Purchases | 227,415 (USD7,528) | 0.81 % | " | No significant difference with other suppliers | No significant difference with other suppliers | (27,738) (USD903) | (1.83) % | |
| The Company | WTP | 100% owned subsidiary | (Sales) | (132,735) ((USD4,467)) | (0.46)% | " | No significant difference with other customers | No significant difference with other customers | 13,914 (USD453) | 0.21 % | |
| WKI | The Company | Parent company | Purchases | 226,998 (USD7,596) | 0.61 % | " | No significant difference with other suppliers | No significant difference with other suppliers | (74,832) (USD2,437) | (3.77) % | |
| WKI | The Company | Parent company | (Sales) | (227,415) (USD7,528) | (0.62)% | " | No significant difference with other customers | No significant difference with other customers | 27,738 (USD903) | 0.60 % | |
| WKI | WKS | Subsidiary | (Sales) | (4,805,119) (USD161,296) | (13.37)% | OA60 | " | " | 468,804 (USD15,266) | 10.20 % | |
| WKS | WKI | Parent company | Purchases | 4,805,119 (USD161,296) | 62.63 % | " | No significant difference with other suppliers | No significant difference with other suppliers | (468,804) (USD15,266) | (70.62) % | |
| WTP | The Company | Parent company | Purchases | 132,735 (USD4,467) | 5.97 % | OA30 | " | " | (13,914) (USD453) | (9.75) % | |

Note: The amounts of the transaction and the ending balance had been offset in the consolidated financial statements.

(Continued)

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

- (viii) Receivables from related parties with amounts exceeding the lower of TWD100 million or 20% of the capital stock:

(In thousands)

| Name of company | Counter-party | Nature of relationship | Ending balance | Turnover rate | Overdue | | Amounts received in subsequent period (Note) | Allowance for bad debts | Note |
|-----------------|---------------|------------------------|-----------------------------------------------|---------------|---------|--------------|----------------------------------------------|-------------------------|-----------------------------------------------------------------------------------------------------------------|
| | | | | | Amount | Action taken | | | |
| The Company | WKI | 100% owned subsidiary | Other receivables 143,252 (USD4,665) | - | - | - | USD 1,625 | - | The amounts of the transaction and the ending balance had been offset in the consolidated financial statements. |
| WKI | WKS | Subsidiary | Accounts receivable 468,804 (USD15,266) | 8.05 | - | - | USD 15,266 | - | " |
| WKS | WKI | Parent company | Accounts receivable 162,008 (USD5,275) | 2.31 | - | - | USD 1,329 | - | " |

Note: Information as of March 5, 2023.

- (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 | 226,998 | The price is marked up based on operating cost, and the receivables depend on OA30 after offsetting the accounts payable. | 0.32% |
| " | " | " | " | Management and Credit Service Revenue | 361,992 | The price is set by percentage of the contract and the receivable is received quarterly. | 0.52% |
| " | " | " | " | Other Receivables | 143,252 | " | 0.43% |
| " | " | WTP | " | Sales Revenue | 132,735 | The price is marked up based on operating cost, and the receivables depend on OA30 after offsetting the accounts payable. | 0.19% |
| 1 | WKI | The Company | 2 | Sales Revenue | 227,415 | " | 0.32% |
| " | " | WKS | 3 | Sales Revenue | 4,805,119 | The price is marked up based on operating cost, and the receivables depend on funding demand and OA60. | 6.84% |
| " | " | " | " | Accounts Receivable | 468,804 | " | 1.41% |

(Continued)

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

| No. (Note 1) | Name of company | Name of counter-party | Nature of relationship (Note 2) | Intercompany transactions | | | |
|-----------------|--------------------|--------------------------|---------------------------------------|---------------------------|---------|----------------------------------------------------------|---------------------------------------------------------------------|
| | | | | Account name | Amount | Trading terms | Percentage of the consolidated net revenue or total assets |
| 2 | WKS | WKI | " | Service Revenue | 192,732 | The price is set by percentage of the contract, OA30. | 0.27% |
| " | " | " | " | Accounts Receivable | 162,008 | | " |

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, 2022 (excluding information on investees in Mainland China):

(In thousands)

| Name of investor | Name of investee | Location | Main businesses and products | Original investment amount | | Highest | | | The highest holdings in the period | | Net income (losses) of investee | Investment income (losses) of investor | Note |
|---------------------|---------------------|-----------|----------------------------------------------------------------------------------------|----------------------------|----------------------|--------------------------|-------------------------------|---------------------|---------------------------------------|-------------------------------|---------------------------------------|----------------------------------------------|------------|
| | | | | December 31, 2022 | December 31, 2021 | 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 | \$ 1,620,448 | 1,322,295 | 552,450 | 100% | \$ 6,896,953 | 552,450 | 100% | 830,908 | \$ 830,908 | Subsidiary |
| " | WKZ | Taiwan | Electronic components and technical support | 12,983 | 12,983 | 1,589 | 100% | 25,850 | 1,589 | 100% | (81) | (81) | " |
| " | WTP | Singapore | " | 293,327 | 293,327 | 12,413 | 100% | 498,914 | 12,413 | 100% | 89,271 | 89,271 | " |
| | | | | <u>\$ 1,926,755</u> | <u>1,628,605</u> | | | <u>\$ 7,421,717</u> | | | | <u>\$ 920,098</u> | |
| WKI | Weitech | Hong Kong | Import and export trade of electronic components | 0.41 (HKD0.1) | 0.41 (HKD0.1) | - | 100% | 2,537 (USD83) | - | 100% | 226 (USD8) | 226 (USD8) | " |

(c) Information on investment in mainland China:

(i) The names of investees in Mainland China, the main businesses and products, and other information:

(In thousands)

| Name of investee | Main businesses and products | Total amount of paid-in capital | Method of investment | Accumulated outflow of investment from Taiwan as of January 1, 2022 | Investment flows | | Accumulated outflow of investment from Taiwan as of December 31, 2022 | Net income (losses) of the investee (Note 2) | Percentage of ownership | Highest balance during the year | | Investment income (losses) of investor (Note 2) | Book value (Note 3) | Accumulated remittance of earnings in current period |
|---------------------|----------------------------------------------------------------------------------------|------------------------------------------|----------------------------|---------------------------------------------------------------------------------------|---------------------|--------|--------------------------------------------------------------------------------------|-------------------------------------------------------|-------------------------------|------------------------------------|---------------------------------------|----------------------------------------------------------|------------------------|---------------------------------------------------------------|
| | | | | | Outflow (Note 3) | Inflow | | | | Shares/ Units | Highest Percentage of ownership | | | |
| WKS | Electronic components computer peripherals products distribution and technical support | 786,647 (USD25,000) | Note 1 - 4 | 304,594 (USD9,800) | - | - | 304,594 (USD9,800) | (16,828) (USD(565)) | 100% | - | 100% | (16,828) (USD(565)) | 705,874 (USD22,985) | - |

(Continued)

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

| 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, 2022 | Investment flows | | Accumulated outflow of investment from Taiwan as of December 31, 2022 | Net income (losses) of the investee (Note 2) | Percentage of ownership | Highest balance during the year | | Investment income (losses) of investor (Note 2) | Book value (Note 3) | Accumulated remittance of earnings in current period |
|------------------|----------------------------------------------------------|---------------------------------|----------------------|---------------------------------------------------------------------|------------------|--------|-----------------------------------------------------------------------|----------------------------------------------|-------------------------|---------------------------------|---------------------------------|-------------------------------------------------|---------------------|------------------------------------------------------|
| | | | | | Outflow (Note 3) | Inflow | | | | Shares/ Units | Highest Percentage of ownership | | | |
| WKE | Electronic technology development and technical advisory | 5,067 (CNY1,000) | Note 1 - 5 | - | - | - | - | 746 (USD25) | 100% | - | 100 % | 746 (USD25) | 6,409 (USD209) | - |

(ii) Limitation on investment in Mainland China:

| Accumulated Investment in Mainland China as of December 31, 2022 | Investment Amounts Authorized by Investment Commission, MOEA (note 3) | Upper Limit on Investment |
|------------------------------------------------------------------|-----------------------------------------------------------------------|---------------------------|
| 304,594 (USD9,800 thousand) | 767,750 (USD25,000 thousand) | 5,507,771 |

Note 1: Investment in Mainland China was through a company in the third area.

Note 2: The investment gains and losses of the current period are recognized according to the financial statements, which have been reviewed by the Company's independent auditors, and were translated into New Taiwan Dollars at the average exchange rates.

Note 3: The currency was translated into New Taiwan Dollars at the exchange rate at the end of reporting period. (TWD: 30.71/USD)

Note 4: The difference was due to Weikeng International Co. Ltd.'s investment of USD15,200 thousand on Weikeng International (Shanghai) Co. Ltd. using its own funds.

Note 5: The difference was due to Weikeng International (Shanghai) Co. Ltd.'s investment of CNY1,000 thousand on Weikeng Electronic Technology (Shanghai) Co. Ltd. using its own funds.

(iii) Significant transactions:

Please refer to Information on significant transactions for the information on significant direct or indirect transactions, which were eliminated in the preparation of consolidated financial statements, between the Group and the investee companies in Mainland China in 2022.

(d) Major shareholders:

| Shareholder's Name | Shareholding | Shares | Percentage |
|----------------------------|--------------|------------|------------|
| Weiji Investment Co., Ltd. | | 30,426,876 | 7.18 % |

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.

(Continued)

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

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 note (6)(r).

- (c) Geographic information

Please refer to note (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:

| Area | <u>2022</u> | <u>2021</u> |
|-----------|-------------------|----------------|
| Taiwan | \$ 193,245 | 239,610 |
| China | 289,186 | 293,258 |
| Singapore | <u>20,463</u> | <u>23,224</u> |
| | <u>\$ 502,894</u> | <u>556,092</u> |

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 2022 and 2021.

WEIKENG INDUSTRIAL CO., LTD.**Parent Company Only Financial Statements****With Independent Auditors' Report
For the Years Ended December 31, 2022 and 2021**

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.

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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, 2022 and 2021, 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, 2022 and 2021, 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 audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and Standards on Auditing of 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 Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. 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 audits.

How the matter was addressed in our audits:

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 audits.

How the matter was addressed in our audits:

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; as well as implementing sampling procedures to check the correctness of aging inventory with the consideration related to the impact of COVID-19. 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 assess 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 (loss) 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 audits.

How the matter was addressed in our audits:

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.

Auditors' 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 auditor's 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 Standards on Auditing of 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 the Standards on Auditing of the Republic of China, we exercise professional judgment and 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 auditors' 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 auditors' 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 auditors' 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 Yiu-Kwan Au and Kuan-Ying Kuo.

KPMG

Taipei, Taiwan (Republic of China)
March 15, 2023

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, 2022 and 2021

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

| | | 2022 | | 2021 | |
|------|----------------------------------------------------------------------------------------------------------------------------|---------------------|-----------|-------------------|------------|
| | | Amount | % | Amount | % |
| 4100 | Net sales revenue (notes (6)(s) and (7)) | \$ 28,811,601 | 100 | 29,964,915 | 100 |
| 5000 | Cost of sales (notes (6)(f) and (7)) | <u>26,748,962</u> | <u>93</u> | <u>28,361,656</u> | <u>95</u> |
| | Gross profit | <u>2,062,639</u> | <u>7</u> | <u>1,603,259</u> | <u>5</u> |
| | Operating expenses (notes (6)(m), (6)(n), (6)(o), (7) and (12)): | | | | |
| 6100 | Selling expenses | 844,851 | 3 | 822,502 | 3 |
| 6200 | Administrative expenses | 350,782 | 1 | 343,001 | 1 |
| 6450 | Expected credit losses (reversal gains) (note (6)(d)) | <u>1,561</u> | <u>-</u> | <u>(7,284)</u> | <u>-</u> |
| | | <u>1,197,194</u> | <u>4</u> | <u>1,158,219</u> | <u>4</u> |
| | Net operating income | <u>865,445</u> | <u>3</u> | <u>445,040</u> | <u>1</u> |
| | Non-operating income and expenses: | | | | |
| 7100 | Interest income | 3,473 | - | 525 | - |
| 7010 | Other income (notes (6)(n) and (7)) | 387,179 | 1 | 375,504 | 1 |
| 7230 | Foreign currency exchange gains, net (note (6)(u)) | 174,752 | 1 | 58,442 | - |
| 7235 | (Losses) gains on financial assets (liabilities) at fair value through profit or loss, net (note (6)(l)) | (6,783) | - | 7,921 | - |
| 7375 | Share of profit of subsidiaries, associates and joint ventures accounted for using equity method (note (6)(g)) | 920,098 | 3 | 1,354,664 | 5 |
| 7050 | Financial costs (notes (6)(l) and (6)(m)) | (206,824) | (1) | (86,956) | - |
| 7590 | Miscellaneous disbursements | <u>(702)</u> | <u>-</u> | <u>(633)</u> | <u>-</u> |
| | | <u>1,271,193</u> | <u>4</u> | <u>1,709,467</u> | <u>6</u> |
| 7900 | Profit before tax | 2,136,638 | 7 | 2,154,507 | 7 |
| 7950 | Less: Income tax expenses (note (6)(p)) | <u>437,504</u> | <u>1</u> | <u>433,367</u> | <u>1</u> |
| 8200 | Profit | <u>1,699,134</u> | <u>6</u> | <u>1,721,140</u> | <u>6</u> |
| | Other comprehensive income: | | | | |
| 8310 | Items that will not be reclassified to profit or loss | | | | |
| 8311 | Gains (losses) on remeasurements of defined benefit plans (note (6)(o)) | 30,954 | - | (8,145) | - |
| 8316 | Unrealized (losses) gains from investments in equity instruments measured at fair value through other comprehensive income | (169) | - | 3,099 | - |
| 8349 | Less: Income tax related to items that will not be reclassified to profit or loss (note (6)(p)) | <u>6,191</u> | <u>-</u> | <u>(1,629)</u> | <u>-</u> |
| | | <u>24,594</u> | <u>-</u> | <u>(3,417)</u> | <u>-</u> |
| 8360 | Items that may be reclassified to profit or loss | | | | |
| 8361 | Exchange differences on translation of foreign financial statements | 578,532 | 2 | (114,017) | (1) |
| 8399 | Less: Income tax related to items that will be reclassified to profit or loss (note (6)(p)) | <u>115,707</u> | <u>-</u> | <u>(22,805)</u> | <u>-</u> |
| | | <u>462,825</u> | <u>2</u> | <u>(91,212)</u> | <u>(1)</u> |
| | Other comprehensive income, net | <u>487,419</u> | <u>2</u> | <u>(94,629)</u> | <u>(1)</u> |
| 8500 | Comprehensive income | <u>\$ 2,186,553</u> | <u>8</u> | <u>1,626,511</u> | <u>5</u> |
| | Earnings per ordinary share (expressed in New Taiwan dollars): (note (6)(r)) | | | | |
| 9750 | Basic earnings per share | <u>\$ 4.03</u> | | <u>4.54</u> | |
| 9850 | Diluted earnings per share | <u>\$ 3.67</u> | | <u>4.02</u> | |

See accompanying notes to financial statements.

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

Statements of Changes in Equity

For the years ended December 31, 2022 and 2021
(Expressed in Thousands of New Taiwan Dollars)

| | Common stock | Capital surplus | Legal reserve | Retained earnings | | Unappropriated earnings | Exchange differences on translation of foreign financial statements | Other equity interest | | Total equity |
|-----------------------------------------------------------------------------------------------------------|--------------|-----------------|---------------|-------------------|-------------------------|-------------------------|---------------------------------------------------------------------|------------------------------------------------------------------------------------------------|----------------------|--------------|
| | | | | Special reserve | Unappropriated earnings | | | Unrealized gains (losses) on financial assets at fair value through other comprehensive income | comprehensive income | |
| Balance at January 1, 2021 | \$ 3,677,513 | 941,349 | 890,626 | 229,459 | 700,837 | (282,193) | (83,513) | | 6,074,078 | |
| Appropriation and distribution of retained earnings: | | | | | | | | | | |
| Legal reserve appropriated | - | - | 70,083 | - | (70,083) | - | - | - | - | |
| Special reserve appropriated | - | - | - | 136,246 | (136,246) | - | - | - | - | |
| Cash dividends | - | - | - | - | (494,508) | - | - | - | (494,508) | |
| Profit for the year ended December 31, 2021 | - | - | 70,083 | 136,246 | (700,837) | - | - | - | 1,721,140 | |
| Other comprehensive income for the year ended December 31, 2021 | - | - | - | - | (6,516) | (91,212) | 3,099 | - | (94,629) | |
| Total comprehensive income for the year ended December 31, 2021 | - | - | - | - | 1,714,624 | (91,212) | 3,099 | - | 1,626,511 | |
| Conversion of convertible bonds | 481,829 | 334,578 | - | - | - | - | - | - | 816,407 | |
| Disposal of investments in equity instruments designated at fair value through other comprehensive income | - | - | - | - | 764 | - | (764) | - | - | |
| Balance at December 31, 2021 | 4,159,342 | 1,275,927 | 960,709 | 365,705 | 1,715,388 | (373,405) | (81,178) | - | 8,022,488 | |
| Appropriation and distribution of retained earnings: | | | | | | | | | | |
| Legal reserve appropriated | - | - | 171,539 | - | (171,539) | - | - | - | - | |
| Special reserve appropriated | - | - | - | 88,878 | (88,878) | - | - | - | - | |
| Cash dividends | - | - | - | - | (1,270,232) | - | - | - | (1,270,232) | |
| Profit for the year ended December 31, 2022 | - | - | 171,539 | 88,878 | (1,530,649) | - | - | - | (1,270,232) | |
| Other comprehensive income for the year ended December 31, 2022 | - | - | - | - | 1,699,134 | - | - | - | 1,699,134 | |
| Total comprehensive income for the year ended December 31, 2022 | - | - | - | - | 24,763 | 462,825 | (169) | - | 487,419 | |
| Issuance of convertible bonds | - | 114,313 | - | - | 1,723,897 | 462,825 | (169) | - | 2,186,553 | |
| Conversion of convertible bonds | 76,090 | 50,458 | - | - | - | - | - | - | 114,313 | |
| Others | - | (52) | - | - | - | - | - | - | 126,548 | |
| Balance at December 31, 2022 | \$ 4,235,432 | 1,440,646 | 1,132,248 | 454,583 | 1,908,636 | 89,470 | (81,347) | - | 9,179,618 | |

See accompanying notes to financial statements.

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

Statements of Cash Flows

For the years ended December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

| | 2022 | 2021 |
|------------------------------------------------------------------------------------------------------|--------------|-------------|
| Cash flows from (used in) operating activities: | | |
| Profit before tax | \$ 2,136,638 | 2,154,507 |
| Adjustments: | | |
| Adjustments to reconcile profit (loss): | | |
| Depreciation expenses | 64,132 | 64,432 |
| Amortization expenses | 8,765 | 8,573 |
| Expected credit losses (reversal gains) | 1,561 | (7,284) |
| Net losses (gains) on financial assets or liabilities at fair value through profit or loss | 6,783 | (7,921) |
| Interest expenses | 206,824 | 86,956 |
| Interest income | (3,473) | (525) |
| Share of profit of subsidiaries, associates and joint ventures accounted for using equity method | (920,098) | (1,354,664) |
| Others | (36) | - |
| | (635,542) | (1,210,433) |
| Changes in operating assets and liabilities: | | |
| Decrease in financial assets at fair value through profit or loss | - | 11 |
| Decrease (increase) in notes and accounts receivable | 19,879 | (1,764,493) |
| (Increase) decrease in other receivable | (22,001) | 523,612 |
| Increase in inventories | (1,477,337) | (94,915) |
| Decrease in prepaid expenses and other current assets | 89,662 | 58,580 |
| | (1,389,797) | (1,277,205) |
| (Decrease) increase in accounts payable | (1,383,216) | 1,461,689 |
| Decrease in other payable | (64) | (443,201) |
| Increase in contract liabilities and other current liabilities | 84,113 | 77,489 |
| Decrease in net defined benefit liabilities | (11,312) | (6,897) |
| | (1,310,479) | 1,089,080 |
| Total changes in operating assets and liabilities | (2,700,276) | (188,125) |
| Total adjustments | (3,335,818) | (1,398,558) |
| Cash flow (used in) from operations | (1,199,180) | 755,949 |
| Interest received | 3,473 | 525 |
| Interest paid | (142,689) | (76,855) |
| Income taxes paid | (153,745) | (40,391) |
| Net cash flows (used in) from operating activities | (1,492,141) | 639,228 |
| Cash flows from (used in) investing activities: | | |
| Acquisition of financial assets at fair value through other comprehensive income | (42,000) | - |
| Proceeds from disposal of financial assets at fair value through other comprehensive income | - | 7,451 |
| Proceeds from capital reduction of financial assets at fair value through other comprehensive income | 807 | 405 |
| Acquisition of investment accounted for using equity method | (298,150) | (277,300) |
| Acquisition of property, plant and equipment | (1,751) | (2,357) |
| (Increase) decrease in refundable deposits | (109) | 170 |
| Acquisition of intangible assets | (4,124) | (3,686) |
| Increase in other prepayments | (115) | (277) |
| Net cash flows used in investing activities | (345,442) | (275,594) |
| Cash flows from (used in) financing activities: | | |
| Increase in short-term borrowings | 1,003,675 | 264,240 |
| Proceeds from issuing bonds | 2,000,000 | - |
| Repurchase of bonds | (1,638) | - |
| Payment of lease liabilities | (57,520) | (59,446) |
| Cash dividends paid | (1,270,232) | (494,508) |
| Net cash flows from (used in) financing activities | 1,674,285 | (289,714) |
| Net (decrease) increase in cash and cash equivalents | (163,298) | 73,920 |
| Cash and cash equivalents at beginning of period | 1,553,378 | 1,479,458 |
| Cash and cash equivalents at end of period | \$ 1,390,080 | 1,553,378 |

See accompanying notes to financial statements.

(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, 2022 and 2021
(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 issue by the Board of Directors on March 15, 2023.

(3) New standards, amendments and interpretations adopted:

- (a) The impact of the International Financial Reporting Standards ("IFRSs") endorsed by the Financial Supervisory Commission ("FSC"), R.O.C. 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, 2022:

- 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"

- (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, 2023, would not have a significant impact on its financial statements:

- Amendments to IAS 1 "Disclosure of Accounting Policies"
- Amendments to IAS 8 "Definition of Accounting Estimates"
- Amendments to IAS 12 "Deferred Tax related to Assets and Liabilities arising from a Single Transaction"

(Continued)

WEIKENG INDUSTRIAL CO., LTD.
Notes to the Financial Statements

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

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

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

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

(Continued)

WEIKENG INDUSTRIAL CO., LTD.
Notes to the Financial Statements

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

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”
- IFRS 17 “Insurance Contracts” and amendments to IFRS 17 “Insurance Contracts”
- Amendments to IFRS 17 “Initial Application of IFRS 17 and IFRS 9 – Comparative Information”
- Amendments to IFRS16 “Requirements for Sale and Leaseback Transactions”

(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 instruments 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.

(Continued)

WEIKENG INDUSTRIAL CO., LTD.
Notes to the Financial Statements

(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.

(Continued)

WEIKENG INDUSTRIAL CO., LTD.
Notes to the Financial Statements

(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.

(Continued)

WEIKENG INDUSTRIAL CO., LTD.
Notes to the Financial Statements

(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.

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WEIKENG INDUSTRIAL CO., LTD.
Notes to the Financial Statements

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.

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WEIKENG INDUSTRIAL CO., LTD.
Notes to the Financial Statements

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 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.

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'.

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.

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

(Continued)

WEIKENG INDUSTRIAL CO., LTD.
Notes to the Financial Statements

- 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.

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WEIKENG INDUSTRIAL CO., LTD.
Notes to the Financial Statements

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.

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WEIKENG INDUSTRIAL CO., LTD.
Notes to the Financial Statements

(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.

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WEIKENG INDUSTRIAL CO., LTD.
Notes to the Financial Statements

(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

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.

(i) 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;

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WEIKENG INDUSTRIAL CO., LTD.
Notes to the Financial Statements

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.

(ii) 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.

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WEIKENG INDUSTRIAL CO., LTD.
Notes to the Financial Statements

(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.

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WEIKENG INDUSTRIAL CO., LTD.
Notes to the Financial Statements

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.

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WEIKENG INDUSTRIAL CO., LTD.
Notes to the Financial Statements

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.

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WEIKENG INDUSTRIAL CO., LTD.
Notes to the Financial Statements

(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.

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WEIKENG INDUSTRIAL CO., LTD.
Notes to the Financial Statements

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

Deferred taxes are measured at tax rates that are expected to be applied to temporary differences when they reserve, 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.

The surtax on unappropriated earnings is recoded 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.

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WEIKENG INDUSTRIAL CO., LTD.
Notes to the Financial Statements

(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

| | December 31, 2022 | December 31, 2021 |
|---------------------------------------|------------------------------|------------------------------|
| Cash on hand | \$ 134 | 134 |
| Checking accounts and demand deposits | <u>1,389,946</u> | <u>1,553,244</u> |
| | <u>\$ 1,390,080</u> | <u>1,553,378</u> |

Please refer to note (6)(u) for the exchange risk, interest rate risk and the sensitivity analysis of the financial assets of the Company.

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Notes to the Financial Statements

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

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

| | December 31, 2022 | December 31, 2021 |
|-------------------------------------------------------------------------|------------------------------|------------------------------|
| Current financial assets at fair value through profit or loss: | | |
| Non-derivative financial assets | | |
| Stock listed on domestic markets | \$ <u>644</u> | <u>607</u> |
| Non-current financial assets at fair value through profit or loss: | | |
| Convertible bonds – embedded derivatives | \$ <u>-</u> | <u>375</u> |
| Current financial liabilities at fair value through profit or loss: | | |
| Derivative instruments not used for hedging | | |
| Forward exchange contracts | \$ <u>784</u> | <u>-</u> |
| Non-current financial liabilities at fair value through profit or loss: | | |
| Convertible bonds – embedded derivatives | \$ <u>31,173</u> | <u>-</u> |

As of December 31, 2022 and 2021, the Company did not provide any financial assets at fair value through profit or loss as collateral for its loans.

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

(ii) Non hedging derivative financial instruments

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

Forward exchange contracts:

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

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

| | December 31, 2022 | December 31, 2021 |
|----------------------------------------------------------------------|------------------------------|------------------------------|
| Equity investments at fair value through other comprehensive income: | | |
| Domestic emerging market stocks | \$ 347 | 516 |
| Domestic unlisted stocks | 58,134 | 16,941 |
| Overseas unlisted stocks | <u>22,608</u> | <u>22,608</u> |
| | <u>\$ 81,089</u> | <u>40,065</u> |

(Continued)

WEIKENG INDUSTRIAL CO., LTD.
Notes to the Financial Statements

(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, nor were there any transfers of any cumulative gain or loss within equity relating to these investments in the year ended December 31, 2022. In September 2021, the Company sold all of its shares in Feature Integration Technology Inc., which was measured at fair value through other comprehensive income, at \$7,451. The cumulative gains on disposal amounted to \$764, which had been transferred to retained earnings from other equity.

- (ii) The investee company, Vision Wide Technology Co., Ltd. (VTEC), recognized as non-current financial assets at fair value through other comprehensive income, distributed the cash dividends of \$807 from its capital surplus based on the resolution approved during the shareholders' meeting held in 2022. The amount has been fully received as of the reporting date and recognized as the account deduction.
- (iii) The investee company, Paradigm Venture Capital Corporation (PVC Corp.), recognized as non-current financial assets at fair value through other comprehensive income, refunded its capital in 2021, wherein the Company recorded the receivable of \$405, which had been fully received as of the reporting date.
- (iv) The investee company, Shin Kong Global Venture Capital Corp. (SKGVC), recognized as non-current financial assets at fair value through other comprehensive income, reduced its capital to offset its accumulated deficits in 2021, resulting in the shareholding of the Company in SKGVC to decrease from 3,000 thousand shares to 960 thousand shares.
- (v) For credit risk and market risk, please refer to note (6)(u) .
- (vi) As of December 31, 2022 and 2021, 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, 2022</u> | <u>December 31, 2021</u> |
|-------------------------------------------------------------------|------------------------------|------------------------------|
| Notes receivable | \$ 11,705 | 22,710 |
| Accounts receivable-measured as amortized cost | 4,615,831 | 5,172,582 |
| Accounts receivable-fair value through other comprehensive income | <u>1,991,229</u> | <u>1,443,573</u> |
| | 6,618,765 | 6,638,865 |
| Less: Loss allowance | <u>(55,020)</u> | <u>(53,680)</u> |
| | <u>\$ 6,563,745</u> | <u>6,585,185</u> |

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WEIKENG INDUSTRIAL CO., LTD.
Notes to the Financial Statements

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, notes and accounts receivable have been grouped based on shared credit risk characteristics of the customer's ability to pay all due amounts in accordance with contract terms, as well as incorporated forward looking information, including macroeconomic and relevant industry information. The loss allowance provision was determined as follows:

| <u>Credit rating</u> | December 31, 2022 | | | |
|------------------------------------|----------------------------|----------------------------------|---------------------------------|------------------------|
| | Carrying amount | Expected credit loss rate | Loss allowance provision | Credit impaired |
| Listed company (assessed by group) | | | | |
| Level A | \$ 3,308,146 | 0.53% | 17,592 | No |
| Level B | 1,890,769 | 1.30% | 24,658 | No |
| Unlisted company | 1,330,528 | 0.96% | 12,770 | No |
| Related-party – subsidiaries | <u>89,322</u> | -% | <u>-</u> | No |
| | <u>\$ 6,618,765</u> | | <u>55,020</u> | |
| <u>Credit rating</u> | December 31, 2021 | | | |
| | Carrying amount | Expected credit loss rate | Loss allowance provision | Credit impaired |
| Listed company (assessed by group) | | | | |
| Level A | \$ 4,009,216 | 0.52% | 20,909 | No |
| Level B | 1,150,808 | 1.40% | 16,108 | No |
| Unlisted company | 1,436,928 | 1.16% | 16,663 | No |
| Related-party – subsidiaries | <u>41,913</u> | -% | <u>-</u> | No |
| | <u>\$ 6,638,865</u> | | <u>53,680</u> | |

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

| | December 31, 2022 | December 31, 2021 |
|--------------------------|----------------------------|--------------------------|
| Not past due | \$ 6,525,327 | 6,452,984 |
| Overdue 90 days or less | 93,438 | 181,547 |
| Overdue 91 to 180 days | - | 2,595 |
| Overdue 181 days or more | <u>-</u> | <u>1,739</u> |
| | <u>\$ 6,618,765</u> | <u>6,638,865</u> |

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WEIKENG INDUSTRIAL CO., LTD.
Notes to the Financial Statements

For the years ended December 31, 2022 and 2021, the movements in the allowance for notes and accounts receivable were as follows:

| | For the years ended December 31, | |
|-----------------------------------------|---------------------------------------------|---------------|
| | 2022 | 2021 |
| Balance at January 1 | \$ 53,680 | 60,964 |
| Impairment losses recognized (reversed) | 1,561 | (7,284) |
| Reclassifications | (221) | - |
| Balance at December 31 | \$ 55,020 | 53,680 |

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 determined by agreement 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, 2022 and 2021, the information of accounts receivable sold without recourse was as follows:

| December 31, 2022 | | | | | | |
|--------------------------|--------------------------------|------------------------|----------------------------|-----------------------------------------------------------|---------------------------------------|-----------------------------------------------|
| Purchaser | Amount Derecognized | Amount Paid | Advanced Unpaid | Amount Recognized in Other Receivables | Range of Interest Rate | Significant Transferring Terms |
| Financial institutions | \$ 2,626,852 | 2,365,885 | - | 260,967 | 3.50%~6.35% | None |

| December 31, 2021 | | | | | | |
|--------------------------|--------------------------------|------------------------|----------------------------|-----------------------------------------------------------|---------------------------------------|-----------------------------------------------|
| Purchaser | Amount Derecognized | Amount Paid | Advanced Unpaid | Amount Recognized in Other Receivables | Range of Interest Rate | Significant Transferring Terms |
| Financial institutions | \$ 3,076,785 | 2,771,749 | - | 305,036 | 0.53%~1.14% | None |

As of December 31, 2022 and 2021, the Company did not provide any receivables as collaterals for its loans.

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

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WEIKENG INDUSTRIAL CO., LTD.
Notes to the Financial Statements

(e) Other receivables

| | December 31, 2022 | December 31, 2021 |
|--------------------------------------------------|------------------------------|------------------------------|
| Other receivables — accounts receivable factored | \$ 260,967 | 305,036 |
| Other receivables — related parties | 146,710 | 84,941 |
| Receivables of tax refund | 39,954 | 32,623 |
| Overdue receivables | 22,237 | 22,016 |
| Others | <u>8,936</u> | <u>11,966</u> |
| | 478,804 | 456,582 |
| Less: Loss allowance | <u>(22,237)</u> | <u>(22,016)</u> |
| | <u>\$ 456,567</u> | <u>434,566</u> |

For the years ended December 31, 2022 and 2021, the movements in the allowance for other receivables were as follows:

| | 2022 | 2021 |
|------------------------|-------------------------|----------------------|
| Balance at January 1 | \$ 22,016 | 22,016 |
| Reclassifications | <u>221</u> | <u>-</u> |
| Balance at December 31 | <u>\$ 22,237</u> | <u>22,016</u> |

As of December 31, 2022 and 2021, 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

| | December 31, 2022 | December 31, 2021 |
|-------------------------|------------------------------|------------------------------|
| Merchandise inventories | \$ 4,039,658 | 2,813,896 |
| Goods in transit | <u>471,781</u> | <u>220,206</u> |
| | <u>\$ 4,511,439</u> | <u>3,034,102</u> |

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

| | 2022 | 2021 |
|---------------------------------|-----------------------------|--------------------------|
| Inventory that has been sold | \$ 26,753,062 | 28,456,998 |
| Reversal of write-downs | (8,559) | (98,339) |
| Loss on disposal of inventories | <u>4,459</u> | <u>2,997</u> |
| | <u>\$ 26,748,962</u> | <u>28,361,656</u> |

The aforementioned gain from price recovery is due to the fact that part of the inventories previously recognized as loss on valuation have been sold or scrapped, resulting in the disappearance of the reason that the net realized value of the inventory is lower than the cost, the net realizable value recovery was recognized as the deduction of operating costs.

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WEIKENG INDUSTRIAL CO., LTD.
Notes to the Financial Statements

As of December 31, 2022 and 2021, the Company did not provide any inventories as collaterals for its loans.

(g) Investments accounted for using equity method

| | December 31, 2022 | December 31, 2021 |
|--------------|------------------------------|------------------------------|
| Subsidiaries | \$ 7,421,717 | 5,624,937 |

- (i) For the financial statements of the subsidiaries, please refer to the consolidated financial statements.
- (ii) For the years ended December 31, 2022 and 2021, the share of profits of the subsidiaries and associates recognized by the Company were \$920,098 and \$1,354,664, respectively.
- (iii) To optimize the subsidiary's working capital and improve its financial structure, the Company participated in the cash capital increase of its fully owned subsidiary, Weikeng International Company Limited (WKI), with the amount of \$298,150 and \$277,300, as of December 31, 2022 and 2021, respectively.
- (iv) The relevant information on major foreign currency equity investments of the reporting date was as follows:

| | December 31, 2022 | | | December 31, 2021 | | |
|-----|-----------------------------|--------------------------|------------|-----------------------------|--------------------------|------------|
| | Foreign currency | Exchange rate | TWD | Foreign currency | Exchange rate | TWD |
| USD | \$ 240,829 | 30.71 | 7,395,867 | 202,276 | 27.68 | 5,599,006 |

- (v) As of December 31, 2022 and 2021, 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, 2022 and 2021 were as follows:

| | Land | Buildings and construction | Transportation equipment | Machinery equipment | Office and other facilities equipment | Total |
|------------------------------|------------------|-------------------------------------------|-------------------------------------|--------------------------------|----------------------------------------------------------|----------------|
| Cost: | | | | | | |
| Balance on January 1, 2022 | \$ 60,526 | 48,540 | 8,516 | 16,766 | 71,021 | 205,369 |
| Additions | - | - | 68 | - | 1,683 | 1,751 |
| Disposals | - | - | - | - | (354) | (354) |
| Balance on December 31, 2022 | \$ 60,526 | 48,540 | 8,584 | 16,766 | 72,350 | 206,766 |
| Balance on January 1, 2021 | \$ 60,526 | 48,540 | 8,516 | 15,590 | 70,264 | 203,436 |
| Additions | - | - | - | 1,330 | 1,027 | 2,357 |
| Disposals | - | - | - | (154) | (270) | (424) |
| Balance on December 31, 2021 | \$ 60,526 | 48,540 | 8,516 | 16,766 | 71,021 | 205,369 |

(Continued)

WEIKENG INDUSTRIAL CO., LTD.
Notes to the Financial Statements

| | Land | Buildings and construction | Transportation equipment | Machinery equipment | Office and other facilities equipment | Total |
|------------------------------------------|------------------|----------------------------------|-----------------------------|------------------------|------------------------------------------------|----------------|
| Depreciation and impairment loss: | | | | | | |
| Balance on January 1, 2022 | \$ - | 21,120 | 7,856 | 13,666 | 68,682 | 111,324 |
| Depreciation for the year | - | 809 | 307 | 1,242 | 1,607 | 3,965 |
| Disposals | - | - | - | - | (354) | (354) |
| Balance on December 31, 2022 | <u>\$ -</u> | <u>21,929</u> | <u>8,163</u> | <u>14,908</u> | <u>69,935</u> | <u>114,935</u> |
| Balance on January 1, 2021 | \$ - | 20,311 | 7,195 | 12,720 | 66,658 | 106,884 |
| Depreciation for the year | - | 809 | 661 | 1,100 | 2,294 | 4,864 |
| Disposals | - | - | - | (154) | (270) | (424) |
| Balance on December 31, 2021 | <u>\$ -</u> | <u>21,120</u> | <u>7,856</u> | <u>13,666</u> | <u>68,682</u> | <u>111,324</u> |
| Book value: | | | | | | |
| Balance on December 31, 2022 | <u>\$ 60,526</u> | <u>26,611</u> | <u>421</u> | <u>1,858</u> | <u>2,415</u> | <u>91,831</u> |
| Balance on December 31, 2021 | <u>\$ 60,526</u> | <u>27,420</u> | <u>660</u> | <u>3,100</u> | <u>2,339</u> | <u>94,045</u> |
| Balance on January 1, 2021 | <u>\$ 60,526</u> | <u>28,229</u> | <u>1,321</u> | <u>2,870</u> | <u>3,606</u> | <u>96,552</u> |

For management purpose, 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, 2022 and 2021, the Company did not provide any property, plant, and equipment as collaterals for its loans.

(i) Right-of-use assets

The cost and depreciation on leases for buildings and transportation equipment, which the Company as a lessee, were as follows:

| | Buildings | Transportation equipment | Total |
|----------------------------------|-------------------|-----------------------------|----------------|
| Cost: | | | |
| Balance on January 1, 2022 | \$ 206,826 | 3,895 | 210,721 |
| Additions | 15,170 | 6,090 | 21,260 |
| Reductions | (9,503) | (3,895) | (13,398) |
| Balance on December 31, 2022 | <u>\$ 212,493</u> | <u>6,090</u> | <u>218,583</u> |
| Balance on January 1, 2021 | \$ 187,109 | 7,548 | 194,657 |
| Additions | 66,010 | - | 66,010 |
| Reductions | (46,293) | (3,653) | (49,946) |
| Balance on December 31, 2021 | <u>\$ 206,826</u> | <u>3,895</u> | <u>210,721</u> |
| Accumulated depreciation: | | | |
| Balance on January 1, 2022 | \$ 112,075 | 3,552 | 115,627 |
| Depreciation | 59,113 | 1,054 | 60,167 |
| Reductions | (8,730) | (3,895) | (12,625) |
| Balance on December 31, 2022 | <u>\$ 162,458</u> | <u>711</u> | <u>163,169</u> |
| Balance on January 1, 2021 | \$ 100,490 | 5,515 | 106,005 |
| Depreciation | 57,878 | 1,690 | 59,568 |
| Reductions | (46,293) | (3,653) | (49,946) |
| Balance on December 31, 2021 | <u>\$ 112,075</u> | <u>3,552</u> | <u>115,627</u> |

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WEIKENG INDUSTRIAL CO., LTD.
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| | <u>Buildings</u> | <u>Transportation equipment</u> | <u>Total</u> |
|------------------------------|------------------|-------------------------------------|---------------|
| Carrying amount: | | | |
| Balance on December 31, 2022 | \$ <u>50,035</u> | <u>5,379</u> | <u>55,414</u> |
| Balance on December 31, 2021 | \$ <u>94,751</u> | <u>343</u> | <u>95,094</u> |
| Balance on January 1, 2021 | \$ <u>86,619</u> | <u>2,033</u> | <u>88,652</u> |

(j) Short-term borrowings

The details of Company's short-term borrowings were as follows:

| | <u>December 31, 2022</u> | <u>December 31, 2021</u> |
|-----------------------------------------|------------------------------|------------------------------|
| Unsecured loans | \$ 5,156,935 | 3,992,844 |
| Short-term notes and bills payable, net | <u>758,086</u> | <u>918,502</u> |
| | <u>\$ 5,915,021</u> | <u>4,911,346</u> |
| Unused short-term credit lines | <u>\$ 3,355,795</u> | <u>3,333,763</u> |
| Range of interest rates | <u>1.53%~6.09%</u> | <u>0.52%~1.02%</u> |

(i) Issuance and repayment of borrowings

The Company's incremental amounts in loans for the years ended December 31, 2022 and 2021 were \$20,592,977 and \$20,008,422, respectively, with maturities from January to November, 2023 and from January to November, 2022, respectively; and the repayments were \$19,589,302 and \$19,744,182, 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

| | <u>December 31, 2022</u> | <u>December 31, 2021</u> |
|-----------------------------------------|------------------------------|------------------------------|
| Accrued expenses | \$ 105,349 | 109,630 |
| Bonus payable | 161,115 | 149,974 |
| Remuneration to employees and directors | 237,404 | 239,390 |
| Interest payable | <u>53,388</u> | <u>6,144</u> |
| | <u>\$ 557,256</u> | <u>505,138</u> |

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

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WEIKENG INDUSTRIAL CO., LTD.
Notes to the Financial Statements

(l) Convertible bonds payable

(i) Non-guaranteed convertible bonds:

| | December 31, 2022 | December 31, 2021 |
|------------------------------------------------------------------------------------------|------------------------------|------------------------------|
| Aggregate principal amount | \$ 2,000,000 | 1,000,000 |
| Bond discount | (127,991) | (7,564) |
| Cumulative repurchased amount | (1,700) | - |
| Cumulative converted amount | <u>-</u> | <u>(866,100)</u> |
| | 1,870,309 | 126,336 |
| Less: Convertible bonds payable – could be repaid within one year | <u>-</u> | <u>-</u> |
| Bonds payable at end of period | <u>\$ 1,870,309</u> | <u>126,336</u> |
| Embedded derivative – put and call options | | |
| Included in non-current financial liabilities at fair value through profit or loss | <u>\$ 31,173</u> | <u>-</u> |
| Included in non-current financial assets at fair value through profit or loss | <u>\$ -</u> | <u>375</u> |
| Equity component – conversion options (included in capital surplus – conversion options) | <u>\$ 114,216</u> | <u>7,634</u> |

- (ii) The effective interest rate of the fifth convertible bonds was 1.53%. The interest expenses on convertible bonds for the years ended December 31, 2022 and 2021, were \$554 and \$11,374, respectively. The above fifth convertible bonds had been transferred into the ordinary shares in September 2022.
- (iii) There were no issuances, repurchases and repayments of bonds payable for the year ended December 31, 2021.
- (iv) The Company issued the sixth domestic unsecured convertible bonds, with a face value of 2,000,000 on June 1, 2022. The Company separated the convertible option from the liability and recognized it as equity and liability, respectively. The relevant information was as follows:

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

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

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WEIKENG INDUSTRIAL CO., LTD.
Notes to the Financial Statements

The effective interest rate of the sixth convertible bonds was 1.51%. The interest expenses on convertible bonds was \$16,347 for the year ended December 31, 2022.

- (v) The main terms of issuance of the sixth convertible bonds were as follows:
- 1) Duration: five years (June 1, 2022 to June 1, 2027).
 - 2) Interest rate: 0%
 - 3) Redemption clause: The Company may redeem the bonds under the following circumstances:
 - a) Within the period between three months after the issuance date and 40 days before the end of duration, the Company may redeem the bonds at their principal amount if the closing prices of the Company's common stock on the Taiwan Stock Exchange for a period of 30 consecutive trading days has been 30% more than the conversion price in effect on each such trading day.
 - b) If at least 90% of the principal amount of the bonds has been converted, redeemed, or purchased and cancelled, the Company may redeem the bonds at their principal amount within the period between three months after the issuance date and 40 days before the end of duration.
 - 4) Redemption at the option of the bondholders:

The bondholders have the right to request the Company to repurchase the bonds at a price equal to the face value, plus, an accrued premium three and four years after the issuance date. The annual interest rates for the redemption are 0.5% both three and four years after the issuance date.
 - 5) Conversion clause:
 - a) Bondholders may request to have the bonds converted into the common stock of the Company in accordance with conversion clause from September 2, 2022 to June 1, 2027.
 - b) Conversion price: NT\$34.27 per share. Starting from July 31, 2022, the adjusted conversion price due to distribution of retained earnings for 2021 was \$30.32.
- (vi) The net gain or loss on the recognition of financial assets and liabilities for the years ended December 31, 2022 and 2021 amounted to a loss of \$6,037 and a gain of \$7,927, respectively.
- (vii) The Company paid the amount of \$1,638 to repurchase the convertible bonds, with a face value of \$1,700, for the year ended December 31, 2022, resulting in a gain of \$31 and a decrease in capital surplus of \$52.

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WEIKENG INDUSTRIAL CO., LTD.
Notes to the Financial Statements

(m) Lease liabilities

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

| | December 31, 2022 | December 31, 2021 |
|-------------|------------------------------|------------------------------|
| Current | <u>\$ 31,520</u> | <u>58,825</u> |
| Non-current | <u>\$ 27,052</u> | <u>36,795</u> |

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

The amounts recognized in profit or loss were as follows:

| | 2022 | 2021 |
|----------------------------------------|-----------------|--------------|
| Interest expenses on lease liabilities | <u>\$ 822</u> | <u>1,050</u> |
| Expenses relating to short-term leases | <u>\$ 2,628</u> | <u>2,050</u> |

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

| | 2022 | 2021 |
|-------------------------------|------------------|---------------|
| Total cash outflow for leases | <u>\$ 60,970</u> | <u>62,546</u> |

(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 6 years, and warehouses for 3 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 lessee 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 typically run for a period of 3 to 5 years. Some leases include an option to renew the lease for an additional period of the same duration after the end of the contract term.

The 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.

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WEIKENG INDUSTRIAL CO., LTD.
Notes to the Financial Statements

(n) Operating lease— As a lessor

As of December 31, 2022 and 2021, the future minimum lease receivables under non-cancellable leases are as follows:

| | December 31, 2022 | December 31, 2021 |
|----------------------------|------------------------------|------------------------------|
| Less than one year | \$ 4,499 | 5,049 |
| Between one and five years | <u>8,229</u> | <u>11,897</u> |
| | <u>\$ 12,728</u> | <u>16,946</u> |

For the years ended December 31, 2022 and 2021, the rental revenue under operating leases were \$5,263 and \$5,501, 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:

| | December 31, 2022 | December 31, 2021 |
|----------------------------------------------|------------------------------|------------------------------|
| Present value of defined benefit obligations | \$ 217,353 | 242,018 |
| Fair value of plan assets | <u>(137,397)</u> | <u>(119,796)</u> |
| Net defined benefit liabilities | <u>\$ 79,956</u> | <u>122,222</u> |

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

1) Composition of plan assets

The Company allocates pension funds in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, and such funds are managed by the Bureau of Labor Funds, Ministry of Labor. With regard to the utilization of the funds, minimum earnings shall be no less than the earnings attainable from two-year time deposits with interest rates offered by local banks.

The Company's Bank of Taiwan labor pension reserve account balance amounted to \$137,397 at the end of the reporting period. For information on the utilization of the labor pension fund assets including the asset allocation and yield of the fund, please refer to the website of the Labor Pension Fund Supervisory Committee.

(Continued)

WEIKENG INDUSTRIAL CO., LTD.
Notes to the Financial Statements

2) Movements in present value of the defined benefit obligations

The movements in present value of defined benefit obligations for the Company were as follows:

| | <u>2022</u> | <u>2021</u> |
|------------------------------------------------------------|--------------------------|-----------------------|
| Defined benefit obligation at January 1 | \$ 242,018 | 230,850 |
| Current service costs and interest | 1,834 | 1,762 |
| Remeasurement in net defined benefit liability (assets) | (21,823) | 9,406 |
| Benefits paid | <u>(4,676)</u> | <u>-</u> |
| Defined benefit obligation at December 31 | <u><u>\$ 217,353</u></u> | <u><u>242,018</u></u> |

3) Movements of defined benefit plan assets

The movements in defined benefit plan assets for the Company were as follows:

| | <u>2022</u> | <u>2021</u> |
|----------------------------------------------------------------|--------------------------|-----------------------|
| Fair value of plan assets at January 1 | \$ 119,796 | 109,876 |
| Contributions made | 12,426 | 7,994 |
| Expected return on plan assets | 720 | 665 |
| Remeasurement of the net defined benefit liability (assets) | 9,131 | 1,261 |
| Benefits paid | <u>(4,676)</u> | <u>-</u> |
| Fair value of plan assets at December 31 | <u><u>\$ 137,397</u></u> | <u><u>119,796</u></u> |

4) Expenses recognized in profit or loss

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

| | <u>2022</u> | <u>2021</u> |
|-----------------------------------------------|------------------------|---------------------|
| Service cost | \$ 376 | 366 |
| Net interest on net defined benefit liability | 1,458 | 1,396 |
| Expected return on plan assets | <u>(720)</u> | <u>(665)</u> |
| | <u><u>\$ 1,114</u></u> | <u><u>1,097</u></u> |
| Selling expenses | \$ 813 | 801 |
| Administrative expenses | <u>301</u> | <u>296</u> |
| | <u><u>\$ 1,114</u></u> | <u><u>1,097</u></u> |

(Continued)

WEIKENG INDUSTRIAL CO., LTD.
Notes to the Financial Statements

5) Actuarial assumptions

The following are the Company's principal actuarial assumptions:

| | <u>December 31, 2022</u> | <u>December 31, 2021</u> |
|-------------------------|------------------------------|------------------------------|
| Discount rate | 1.750 % | 0.625 % |
| Future salary increases | 3.000 % | 3.000 % |

The expected allocation payment made by the Company to the defined benefit plans for the one year period after the reporting date was \$8,676.

The weighted-average duration of the defined benefit obligation is 12.38 years.

6) Sensitivity analysis

As of December 31, 2022 and 2021, 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, 2022 | | |
| Discount Rate | \$ (4,124) | 4,250 |
| Future salary increases | 4,100 | (3,996) |
| December 31, 2021 | | |
| Discount Rate | (5,368) | 5,572 |
| Future salary increases | 5,324 | (5,153) |

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 2022 and 2021.

(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 \$24,446 and \$22,841 for the years ended December 31, 2022 and 2021, respectively. Payment was made to the Bureau of Labor Insurance.

(Continued)

WEIKENG INDUSTRIAL CO., LTD.
Notes to the Financial Statements

(p) Income taxes

(i) Income tax expenses

1) The components of income tax in the years 2022 and 2021 were as follows:

| | <u>2022</u> | <u>2021</u> |
|---------------------------------------------------|-------------------|----------------|
| Current tax expense | | |
| Current period | \$ 324,292 | 130,002 |
| Adjustment for prior periods | <u>(7,102)</u> | <u>(1,608)</u> |
| | <u>317,190</u> | <u>128,394</u> |
| Deferred tax expense | | |
| Origination and reversal of temporary differences | <u>120,314</u> | <u>304,973</u> |
| Income tax expense | <u>\$ 437,504</u> | <u>433,367</u> |

2) The amounts of income tax recognized in other comprehensive income for 2022 and 2021 were as follows:

| | <u>2022</u> | <u>2021</u> |
|---------------------------------------------------------------------|-------------------|-----------------|
| Items that will not be reclassified subsequently to profit or loss: | | |
| Remeasurement from defined benefit plans | <u>\$ 6,191</u> | <u>(1,629)</u> |
| Items that may be reclassified subsequently to profit or loss: | | |
| Exchange differences on translation of foreign financial statements | <u>\$ 115,707</u> | <u>(22,805)</u> |

3) The reconciliation of income tax and profit before tax for 2022 and 2021 was as follows:

| | <u>2022</u> | <u>2021</u> |
|----------------------------------------------------|---------------------|------------------|
| Profit before tax | <u>\$ 2,136,638</u> | <u>2,154,507</u> |
| Income tax using the Company's legal tax rate | 427,328 | 430,901 |
| Net investment income and tax-exempt income | (34) | (42) |
| Additional tax on undistributed earnings | 9,237 | - |
| Under (over) provision in prior periods and others | <u>973</u> | <u>2,508</u> |
| Income tax expense | <u>\$ 437,504</u> | <u>433,367</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, 2022</u> | <u>December 31, 2021</u> |
|------------------------------------------------|------------------------------|------------------------------|
| Tax effect of deductible temporary differences | <u>\$ 19,814</u> | <u>19,814</u> |

(Continued)

WEIKENG INDUSTRIAL CO., LTD.
Notes to the Financial Statements

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 2022 and 2021 were as follows:

| | Defined Benefit Plans | Exchange differences on translation | Bad debt expense over the tax limitation | Loss on valuation of inventory | Allowance for sales discount | Others | Total |
|------------------------------------------|--------------------------------------|------------------------------------------------------------------------|-----------------------------------------------------------------|--------------------------------------------------------|---------------------------------------------|----------------|-----------------|
| Deferred tax assets: | | | | | | | |
| Balance at January 1, 2022 | \$ 4,512 | 93,352 | 1,817 | 24,842 | 60,426 | 25,333 | 210,282 |
| Recognized in profit or loss | - | - | 352 | (1,711) | 15,007 | 18,764 | 32,412 |
| Recognized in other comprehensive income | <u>(4,512)</u> | <u>(93,352)</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(97,864)</u> |
| Balance at December 31, 2022 | <u>\$ -</u> | <u>-</u> | <u>2,169</u> | <u>23,131</u> | <u>75,433</u> | <u>44,097</u> | <u>144,830</u> |
| | | | | | | | |
| Balance at January 1, 2021 | \$ 2,883 | 70,547 | 6,803 | 44,510 | 50,592 | 26,408 | 201,743 |
| Recognized in profit or loss | - | - | (4,986) | (19,668) | 9,834 | (1,075) | (15,895) |
| Recognized in other comprehensive income | <u>1,629</u> | <u>22,805</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>24,434</u> |
| Balance at December 31, 2021 | <u>\$ 4,512</u> | <u>93,352</u> | <u>1,817</u> | <u>24,842</u> | <u>60,426</u> | <u>25,333</u> | <u>210,282</u> |
| | | | | | | | |
| | | Temporary difference from subsidiary investment | Defined benefit plans | Exchange differences on translation | Others | Total | |
| Deferred tax liabilities: | | | | | | | |
| Balance at January 1, 2022 | \$ 665,434 | - | - | - | 31,310 | 696,744 | |
| Recognized in profit or loss | - | 184,036 | - | - | (31,310) | 152,726 | |
| Recognized in other comprehensive income | <u>-</u> | <u>-</u> | <u>1,679</u> | <u>22,355</u> | <u>-</u> | <u>24,034</u> | |
| Balance at December 31, 2022 | <u>\$ 849,470</u> | <u>-</u> | <u>1,679</u> | <u>22,355</u> | <u>-</u> | <u>873,504</u> | |
| | | | | | | | |
| Balance at January 1, 2021 | - | 394,474 | - | - | 13,192 | 407,666 | |
| Recognized in profit or loss | <u>-</u> | <u>270,960</u> | <u>-</u> | <u>-</u> | <u>18,118</u> | <u>289,078</u> | |
| Balance at December 31, 2021 | <u>\$ 665,434</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>31,310</u> | <u>696,744</u> | |

(iii) The income tax return of the Company was authorized through 2020.

(Continued)

WEIKENG INDUSTRIAL CO., LTD.
Notes to the Financial Statements

(q) Capital and other equities

A resolution was passed at the shareholders' meeting held on June 16, 2022, and July 20, 2021, to increase the Company's registered capital to \$6,000,000 and \$5,500,000, respectively. The registration procedure has been completed.

As of December 31, 2022 and 2021, the total number of authorized ordinary shares were 600,000 thousand shares and 550,000 thousand shares, respectively, with par value of TWD 10 per share. The total value of authorized ordinary shares amounted to \$6,000,000 and \$5,500,000, respectively. As of that date, 423,543 thousand shares and 415,934 thousand shares of ordinary shares were issued. All issued shares were paid up upon issuance.

(i) Common stock

The Company issued 7,609 thousand and 48,183 thousand new ordinary shares, with a par value of \$10 per share, amounting to \$76,090 and \$481,829, due to the conversion of convertible bonds for the years ended December 31, 2022 and 2021, respectively. The relevant statutory registration procedures have been completed as of the reporting date.

(ii) Capital surplus

Balances on capital surplus of the Company were as follows:

| | December 31, 2022 | December 31, 2021 |
|--------------------------------------|------------------------------|------------------------------|
| Additional paid in capital | \$ 1,287,803 | 1,229,711 |
| Treasury share transactions | 37,662 | 37,617 |
| Donation from shareholders | 712 | 712 |
| Convertible bonds—conversion options | 114,216 | 7,634 |
| Others | <u>253</u> | <u>253</u> |
| | <u>\$ 1,440,646</u> | <u>1,275,927</u> |

For the years ended December 31, 2022 and 2021, the capital surplus deriving from those convertible bonds, which were converted to common stock, amounted to \$50,458 and \$334,578 (including the capital surplus-conversion options transferred to the capital surplus-additional paid-in capital of \$7,634 and \$49,380), respectively.

In accordance with the Company Act, realized capital surplus can be utilized for issuing new shares or being distributed as cash dividends only after offsetting losses. The aforementioned capital surplus include share premiums and donation gains. In accordance with the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, the amount of capital surplus to be utilized for issuing new shares shall not exceed 10 percent of paidin capital every year. Capital surplus increased by transferring from paidin capital in excess of par value shall not be capitalized until the next fiscal year after the competent authority for company registrations approves registration of the capital increase.

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WEIKENG INDUSTRIAL CO., LTD.
Notes to the Financial Statements

(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 and submitted by the Board of Directors and afterwards approved by the stockholders' meeting. Before the distribution of dividends, the Board of Directors shall first take into consideration its profitability, plan of capital expenditure, business expansion and capital, requirements for cash flow, regulations, and degree of dilution of earnings per share to determine the proportion of stock and cash dividends to be paid. After the above appropriations, current and prior period earnings that remain undistributed will be proposed for distribution by the Board of Directors, and a meeting of shareholders will be held to adopt this resolution. The total distribution shall not be less than 50% of the current distributable earnings, and the cash dividends shall not be less than 20% of the total dividends.

The Company authorize dividends, bonus and the legal reserve and capital surplus in whole or in part be paid in cash based on the resolution of the Board of Directors with over two-thirds directors present and approved by a majority vote of the present directors, then shall be reported to shareholders meeting.

1) Legal reverse

When a company incurs no loss, it may, pursuant to a resolution by the shareholders' meeting, distribute its legal reserve by issuing new shares or by distributing cash, and only the portion of the legal reserve which exceeds 25% of capital may be distributed.

2) Special reverse

In accordance with the guidelines of the FSC, net earnings after income taxes, plus any other item recognized in undistributed retained earnings and undistributed prior-period earnings shall be reclassified as a special earnings reserve during earnings distribution. Aforementioned amount equal to the difference between the carry net amount of other reductions from equity and the carrying amount of special reserve. Similarly, a portion of undistributed prior-period earnings shall be reclassified as a special earnings reserve (which does not qualify for earnings distribution) to account for cumulative amount of other reductions from equity pertaining to prior periods. The subsequent reversals of the contra accounts in shareholders' equity shall qualify for additional distributions.

3) Earnings distribution

The amounts for cash dividends of the Company's earnings distribution for 2021 and 2020 were decided by the board meetings held on March 25, 2022 and March 26, 2021.

| | <u>2021</u> | | <u>2020</u> | |
|----------------------------------------------------|----------------------------------------------|-------------------------|----------------------------------------------|-------------------------|
| | <u>Amount per share (in dollars)</u> | <u>Total amount</u> | <u>Amount per share (in dollars)</u> | <u>Total amount</u> |
| Dividends distributed to ordinary shareholders: | | | | |
| Cash dividends | \$ 3.00725918 | <u><u>1,270,232</u></u> | 1.33341226 | <u><u>494,508</u></u> |

(Continued)

WEIKENG INDUSTRIAL CO., LTD.
Notes to the Financial Statements

The amount of cash dividends of the Company's 2022 earnings distribution has yet to be decided. The related information can be accessed through the Market Observation Post System website after the related meeting.

(r) Earnings per share

(i) Basic earnings per share

The calculation of basic earnings per share at December 31, 2022 and 2021 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

| | 2022 | 2021 |
|-------------------------------------------------------------|---------------------|------------------|
| Profit attributable to ordinary shareholders of the Company | \$ 1,699,134 | 1,721,140 |

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

| | 2022 | 2021 |
|--------------------------------------------|----------------|----------------|
| Weighted-average number of ordinary shares | 421,319 | 378,742 |

3) Basic earnings per share (TWD)

| | 2022 | 2021 |
|--|----------------|-------------|
| | \$ 4.03 | 4.54 |

(ii) Diluted earnings per share

The calculation of diluted earnings per share on December 31, 2022 and 2021 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)

| | 2022 | 2021 |
|-----------------------------------------------------------------------|---------------------|------------------|
| Profit attributable to ordinary shareholders of the Company (basic) | \$ 1,699,134 | 1,721,140 |
| Convertible bonds payable | 22,826 | 3,447 |
| Profit attributable to ordinary shareholders of the Company (diluted) | \$ 1,721,960 | 1,724,587 |

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WEIKENG INDUSTRIAL CO., LTD.
Notes to the Financial Statements

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

| | <u>2022</u> | <u>2021</u> |
|------------------------------------------------------------------------|-----------------------|-----------------------|
| Weighted-average number of ordinary shares (basic) | 421,319 | 378,742 |
| Effect of convertible bonds | 39,562 | 43,039 |
| Effect of employee stock remuneration | <u>8,494</u> | <u>6,818</u> |
| Weighted-average number of ordinary shares (diluted) on December 31 | <u>469,375</u> | <u>428,599</u> |

| | <u>2022</u> | <u>2021</u> |
|-------------------------------------|-----------------------|--------------------|
| 3) Diluted earnings per share (TWD) | <u>\$ 3.67</u> | <u>4.02</u> |

(s) Revenue from contracts with customers

(i) Disaggregation of revenue

| | <u>2022</u> | <u>2021</u> |
|-------------------------------|-----------------------------|--------------------------|
| Primary geographical markets: | | |
| Taiwan | \$ 7,286,878 | 7,089,380 |
| China | 18,922,300 | 20,559,210 |
| Others | <u>2,602,423</u> | <u>2,316,325</u> |
| | <u>\$ 28,811,601</u> | <u>29,964,915</u> |
| Major products/services lines | | |
| Chipset/memory components | \$ 12,952,174 | 11,162,086 |
| Mixed and other components | 15,853,925 | 18,795,684 |
| Others | <u>5,502</u> | <u>7,145</u> |
| | <u>\$ 28,811,601</u> | <u>29,964,915</u> |

For the years ended December 31, 2022 and 2021, the Company 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 has been offset against the payment to the other party from the transactions; or recognized the commission agreed with the other party, as revenue.

For the years ended December 31, 2022 and 2021, the revenue incurred by the Company from its transaction by being an agent amounted to \$0 and \$3,643, respectively. Due to the above transactions, there were no other receivables and other payables for the years then ended.

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WEIKENG INDUSTRIAL CO., LTD.
Notes to the Financial Statements

(ii) Contract balance

| | <u>December 31,</u> <u>2022</u> | <u>December 31,</u> <u>2021</u> | <u>January 1,</u> <u>2021</u> |
|----------------------------------------------------------|------------------------------------|------------------------------------|----------------------------------|
| Notes and accounts receivable (included related parties) | \$ 6,618,765 | 6,638,865 | 4,874,372 |
| Less: allowance for impairment | <u>(55,020)</u> | <u>(53,680)</u> | <u>(60,964)</u> |
| | <u>\$ 6,563,745</u> | <u>6,585,185</u> | <u>4,813,408</u> |
| Contract liabilities | <u>\$ 16,410</u> | <u>34,902</u> | <u>8,489</u> |

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

The amounts of revenue recognized for the years ended December 31, 2022 and 2021 that were included in the contract liability balance at the beginning of the periods were \$29,140 and \$2,640, respectively.

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

(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, 2022 and 2021, the accrued remuneration of the Company's employees were \$189,923 and \$191,512, as well as directors were \$47,481 and \$47,878, 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 2022 and 2021. Related information would be available at the Market Observation Post System website.

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WEIKENG INDUSTRIAL CO., LTD.
Notes to the Financial Statements

(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, including estimated interest payments.

| | <u>Carrying Amount</u> | <u>Contractual cash flows</u> | <u>Within a year</u> | <u>Over 1 year</u> |
|--------------------------------------------------|----------------------------|-----------------------------------|--------------------------|--------------------|
| December 31, 2022 | | | | |
| Non-derivative financial liabilities | | | | |
| Unsecured loans | \$ 5,156,935 | (5,201,798) | (5,201,798) | - |
| Short-term bills payable | 758,086 | (760,000) | (760,000) | - |
| Lease liabilities | 58,572 | (59,640) | (32,156) | (27,484) |
| Accounts payables | 1,517,039 | (1,517,039) | (1,517,039) | - |
| Other payables | 557,256 | (557,256) | (557,256) | - |
| Bonds payable | 1,870,309 | (1,998,300) | - | (1,998,300) |
| Derivative financial liabilities | | | | |
| Convertible bonds payable — embedded derivatives | 31,173 | - | - | - |
| Forward exchange contracts: | 784 | | | |
| Outflow | - | (31,251) | (31,251) | - |
| Inflow | - | 30,467 | 30,467 | - |
| | <u>\$ 9,950,154</u> | <u>(10,094,817)</u> | <u>(8,069,033)</u> | <u>(2,025,784)</u> |

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WEIKENG INDUSTRIAL CO., LTD.
Notes to the Financial Statements

| | <u>Carrying Amount</u> | <u>Contractual cash flows</u> | <u>Within a year</u> | <u>Over 1 year</u> |
|--------------------------------------|----------------------------|-----------------------------------|--------------------------|--------------------|
| December 31, 2021 | | | | |
| Non-derivative financial liabilities | | | | |
| Unsecured loans | \$ 3,992,844 | (4,002,108) | (4,002,108) | - |
| Short-term bills payable | 918,502 | (920,000) | (920,000) | - |
| Lease liabilities | 95,620 | (96,909) | (59,672) | (37,237) |
| Accounts payables | 2,900,255 | (2,900,255) | (2,900,255) | - |
| Other payables | 505,138 | (505,138) | (505,138) | - |
| Bonds payable | 126,336 | (133,900) | - | (133,900) |
| | <u>\$ 8,538,695</u> | <u>(8,558,310)</u> | <u>(8,387,173)</u> | <u>(171,137)</u> |

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

(iii) Market risk

1) Currency risk

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

| | <u>December 31, 2022</u> | | | <u>December 31, 2021</u> | | |
|-----------------------|-----------------------------|--------------------------|------------|-----------------------------|--------------------------|------------|
| | <u>Foreign currency</u> | <u>Exchange rate</u> | <u>TWD</u> | <u>Foreign currency</u> | <u>Exchange rate</u> | <u>TWD</u> |
| Financial assets | | | | | | |
| Monetary items | | | | | | |
| USD | \$ 254,600 | 30.71 | 7,818,766 | 294,173 | 27.68 | 8,142,724 |
| Financial liabilities | | | | | | |
| Monetary items | | | | | | |
| USD | 176,601 | 30.71 | 5,423,417 | 196,128 | 27.68 | 5,428,819 |

2) Currency risk sensitivity analysis

The Company's monetary items exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, accounts receivable, other receivables, loans and borrowings, accounts payable and other payables that are denominated in foreign currency. A change of 5% in the exchange rate of TWD or USD against foreign currency for the years ended December 31, 2022 and 2021 would have increased (decreased) the net profit before tax as follows. The analysis is performed on the same basis for both periods.

| | <u>December 31, 2022</u> | <u>December 31, 2021</u> |
|-----------------------|------------------------------|------------------------------|
| USD (against the TWD) | | |
| Appreciating 5% | \$ 119,767 | 135,695 |
| Depreciating 5% | (119,767) | (135,695) |

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WEIKENG INDUSTRIAL CO., LTD.
Notes to the Financial Statements

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, 2022 and 2021, the foreign exchange gain, including both realized and unrealized, amounted to \$174,752 and \$58,442, 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>2022</u> | | <u>2021</u> | |
|------------------------------------------------|----------------------------------------------------------|----------------------------------|----------------------------------------------------------|----------------------------------|
| | 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% | \$ <u>4,054</u> | <u>32</u> | <u>2,003</u> | <u>30</u> |
| Decreasing 5% | \$ <u>(4,054)</u> | <u>(32)</u> | <u>(2,003)</u> | <u>(30)</u> |

(iv) Interest rate analysis

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

| | <u>Carrying amount</u> | |
|----------------------------|------------------------------|------------------------------|
| | <u>December 31, 2022</u> | <u>December 31, 2021</u> |
| Variable rate instruments: | | |
| Financial assets | \$ 1,000,141 | 1,413,572 |
| Financial liabilities | (5,156,935) | (3,992,844) |

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 \$10,392 and \$6,448 for the years ended December 31, 2022 and 2021, respectively, which would be mainly resulting from demand deposits, and unsecured loans with variable interest rates.

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WEIKENG INDUSTRIAL CO., LTD.
Notes to the Financial Statements

(v) Fair value

1) Categories and the fair value of financial instruments

The fair value of financial assets and liabilities at fair value through profit or loss, and financial assets at fair value through other comprehensive income are measured on a recurring basis. The carrying amount and fair value of the 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, 2022 | | | | |
|-----------------------------------------------------------------------------------|----------------------------|------------|---------|---------|--------|
| | Carrying amount | Fair Value | | | |
| | | Level 1 | Level 2 | Level 3 | Total |
| Financial assets mandatorily measured at fair value through profit or loss | | | | | |
| Stocks listed on domestic markets | \$ 644 | 644 | - | - | 644 |
| Financial assets at fair value through other comprehensive income | | | | | |
| Notes and accounts receivable, net | 1,991,229 | - | - | - | - |
| Emerging market stocks | 347 | 347 | - | - | 347 |
| Domestic and overseas unlisted stocks | <u>80,742</u> | - | - | 80,742 | 80,742 |
| Subtotal | <u>2,072,318</u> | | | | |
| Financial assets measured at amortized cost | | | | | |
| Cash and cash equivalents | 1,390,080 | - | - | - | - |
| Notes and accounts receivable, net | 4,572,516 | - | - | - | - |
| Other receivables | 416,613 | - | - | - | - |
| Guarantee deposits | <u>22,658</u> | - | - | - | - |
| Subtotal | <u>6,401,867</u> | | | | |
| | <u>\$ 8,474,829</u> | | | | |
| Financial liabilities measured at fair value through profit or loss | | | | | |
| Derivative financial liabilities | \$ 784 | - | 784 | - | 784 |
| Convertible bonds-embedded derivatives | <u>31,173</u> | - | 31,173 | - | 31,173 |
| Subtotal | <u>31,957</u> | | | | |

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WEIKENG INDUSTRIAL CO., LTD.
Notes to the Financial Statements

| | December 31, 2022 | | | | |
|-----------------------------------------------------------------------------------|----------------------------|------------|---------|---------|--------|
| | Carrying amount | Fair Value | | | |
| | | Level 1 | Level 2 | Level 3 | Total |
| Financial liabilities measured at amortized cost | | | | | |
| Short term borrowings | 5,915,021 | - | - | - | - |
| Lease liabilities | 58,572 | - | - | - | - |
| Accounts payable | 1,517,039 | - | - | - | - |
| Other payables | 557,256 | - | - | - | - |
| Bonds payable | <u>1,870,309</u> | - | - | - | - |
| Subtotal | <u>9,918,197</u> | | | | |
| | <u>\$ 9,950,154</u> | | | | |
| | | | | | |
| | December 31, 2021 | | | | |
| | Carrying amount | Fair Value | | | |
| | | Level 1 | Level 2 | Level 3 | Total |
| Financial assets mandatorily measured at fair value through profit or loss | | | | | |
| Stocks listed on domestic markets | \$ 607 | 607 | - | - | 607 |
| Convertible bonds—embedded derivatives | <u>375</u> | - | 375 | - | 375 |
| Subtotal | <u>982</u> | | | | |
| Financial assets at fair value through other comprehensive income | | | | | |
| Notes and accounts receivable, net | 1,443,573 | - | - | - | - |
| Emerging market stocks | 516 | 516 | - | - | 516 |
| Domestic and overseas unlisted stocks | <u>39,549</u> | - | - | 39,549 | 39,549 |
| Subtotal | <u>1,483,638</u> | | | | |
| Financial assets measured at amortized cost | | | | | |
| Cash and cash equivalents | 1,553,378 | - | - | - | - |
| Notes and accounts receivable, net | 5,141,612 | - | - | - | - |
| Other receivables | 401,943 | - | - | - | - |
| Guarantee deposits | <u>22,549</u> | - | - | - | - |
| Subtotal | <u>7,119,482</u> | | | | |
| | <u>\$ 8,604,102</u> | | | | |

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WEIKENG INDUSTRIAL CO., LTD.
Notes to the Financial Statements

| | December 31, 2021 | | | | |
|---------------------------------------------------------|----------------------------|------------|---------|---------|-------|
| | Carrying amount | Fair Value | | | |
| | | Level 1 | Level 2 | Level 3 | Total |
| Financial liabilities measured at amortized cost | | | | | |
| Short term borrowings | \$ 4,911,346 | - | - | - | - |
| Lease liabilities | 95,620 | - | - | - | - |
| Accounts payable | 2,900,255 | - | - | - | - |
| Other payables | 505,138 | - | - | - | - |
| Bonds payable | <u>126,336</u> | - | - | - | - |
| Subtotal | <u>8,538,695</u> | | | | |
| | <u>\$ 8,538,695</u> | | | | |

There were no transfers of financial instruments between any levels for the years ended December 31, 2022 and 2021.

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.

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WEIKENG INDUSTRIAL CO., LTD.
Notes to the Financial Statements

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

| | Fair value through other comprehensive income |
|------------------------------------|--------------------------------------------------------------|
| | Unquoted equity instruments |
| Opening balance, January 1, 2022 | \$ 39,549 |
| Purchases | 42,000 |
| Capital refunded | (807) |
| Ending Balance, December 31, 2022 | <u>\$ 80,742</u> |
| Opening balance, January 1, 2021 | \$ 40,474 |
| Capital refunded | (405) |
| Total gains and losses recognized: | |
| In other comprehensive income | (520) |
| Ending Balance, December 31, 2021 | <u>\$ 39,549</u> |

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".

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WEIKENG INDUSTRIAL CO., LTD.
Notes to the Financial Statements

Quantified information of significant unobservable inputs was as follows:

| <u>Item</u> | <u>Valuation technique</u> | <u>Significant unobservable inputs</u> | <u>Inter-relationships between significant unobservable inputs and fair value measurement</u> |
|-------------------------------------------------------------------|---------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Financial assets at fair value through other comprehensive income | Guideline Public Company method | <ul style="list-style-type: none"> · Enterprise value to sale ratio as of December 31, 2021 was 1.61. · Price-book ratio as of December 31, 2022 and 2021 were 0.82~2.22 and 0.9, respectively. · Market liquidity discount rate as of December 31, 2022 and 2021 were 15.80% and 17.45%, respectively. | <ul style="list-style-type: none"> · The higher the price book ratio, and the enterprise value to sale ratio, the higher the fair value <li style="text-align: center;">" · The higher the market liquidity discount rate, the lower the fair values |
| Financial assets at fair value through other comprehensive income | Net Asset Value Method | <ul style="list-style-type: none"> · Net asset value | <ul style="list-style-type: none"> · Not applicable |

(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 departments. 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

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WEIKENG INDUSTRIAL CO., LTD.
Notes to the Financial Statements

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.

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WEIKENG INDUSTRIAL CO., LTD.
Notes to the Financial Statements

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. For detailed information on short-term borrowings and accounts receivable factoring on December 31, 2022 and 2021, please refer to note (6)(d) and note (6)(j).

(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 TWD, the Company'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 TWD. The Company adjusts the proportion of the USD and TWD borrowings to minimize the cost of capital, in order to reduce interest rate risk to an acceptable level.

3) Other price risk

The Company exposes to the risk of listed stock investments and open-end mutual funds due to the fluctuation of 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.

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WEIKENG INDUSTRIAL CO., LTD.
Notes to the Financial Statements

The Company monitors the capital structure by way of periodical review on the liability ratio. As of December 31, 2022 and 2021 the liability ratios were as follows:

| | <u>December 31, 2022</u> | <u>December 31, 2021</u> |
|-------------------|------------------------------|------------------------------|
| Total liabilities | \$ 11,583,219 | 9,789,708 |
| Total assets | 20,762,837 | 17,812,196 |
| Liability ratio | 56 % | 55 % |

As of December 31, 2022, 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, 2022 and 2021, 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:

| | <u>January 1, 2022</u> | <u>Cash flows</u> | <u>Non-cash changes</u> | | | <u>December 31, 2022</u> |
|------------------------------------------------|----------------------------|-----------------------|-------------------------|------------------|------------------------------------------|------------------------------|
| | | | <u>Acquisition</u> | <u>Reduction</u> | <u>Foreign exchange movement</u> | |
| Short-term borrowings | \$ 4,911,346 | 1,003,675 | - | - | - | 5,915,021 |
| Lease liabilities | 95,620 | (57,520) | 21,260 | (778) | (10) | 58,572 |
| Bonds payable | 126,336 | 1,998,362 | - | (254,389) | - | 1,870,309 |
| Total liabilities from financing activities | <u>\$ 5,133,302</u> | <u>2,944,517</u> | <u>21,260</u> | <u>(255,167)</u> | <u>(10)</u> | <u>7,843,902</u> |
| | <u>January 1, 2021</u> | <u>Cash flows</u> | <u>Non-cash changes</u> | | | <u>December 31, 2021</u> |
| | | | <u>Acquisition</u> | <u>Reduction</u> | <u>Foreign exchange movement</u> | |
| Short-term borrowings | \$ 4,647,106 | 264,240 | - | - | - | 4,911,346 |
| Lease liabilities | 89,085 | (59,446) | 66,010 | - | (29) | 95,620 |
| Bonds payable | 929,322 | - | - | (802,986) | - | 126,336 |
| Total liabilities from financing activities | <u>\$ 5,665,513</u> | <u>204,794</u> | <u>66,010</u> | <u>(802,986)</u> | <u>(29)</u> | <u>5,133,302</u> |

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WEIKENG INDUSTRIAL CO., LTD.
Notes to the Financial Statements

(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:

| <u>Related-party</u> | <u>Relationship</u> |
|----------------------------------------------------------|---------------------------|
| Weikeng International Co., Ltd. (WKI) | Subsidiary |
| Weikeng Technology Co., Ltd. (WKZ) | Subsidiary |
| Weikeng Technology Pte. Ltd. (WTP) | Subsidiary |
| Weikeng International (Shanghai) Co., Ltd. (WKS) | Subsidiary |
| Weitech International Co., Ltd. (Weitech) | Subsidiary |
| Weikeng Electronic Technology (Shanghai) Co., Ltd. (WKE) | Subsidiary |
| Weiji Investment Co., Ltd. | The same chairman |
| Genlog Industrial Co., Ltd. | Substantive related-party |

(b) Significant transactions with related party

(i) Sale of goods to related parties

The amounts of significant sales transactions between the Company and related parties were as follows:

| | | |
|-----------------------|-------------------|----------------|
| | <u>2022</u> | <u>2021</u> |
| Subsidiaries | \$ 361,021 | 179,231 |
| Other related parties | - | 13 |
| | <u>\$ 361,021</u> | <u>179,244</u> |

There was no significant difference in the pricing on sales to related parties and general customers, except for the sales to the 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>2022</u> | <u>2021</u> |
| Subsidiaries | \$ <u>231,033</u> | <u>569,551</u> |

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WEIKENG INDUSTRIAL CO., LTD.
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There was no significant difference in pricing on purchase from related parties and general suppliers, except for the purchase from 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, 2022 and 2021, the amounts were as follows:

| | | |
|-----------------------|-----------------|--------------|
| | 2022 | 2021 |
| Other related parties | \$ <u>5,304</u> | <u>6,594</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. The details were as follows:

| | | |
|-----------------------|----------------------|---------------------|
| | 2022 | 2021 |
| Subsidiaries | \$ 23 | 23 |
| Other related parties | 914 | 1,145 |
| | \$ <u>937</u> | <u>1,168</u> |

The Company signed a 2-3year lease contract with its subsidiaries to lease the office and warehouse, at a total value of the \$40,309 and \$48,744, respectively, for the years ended December 31, 2022 and 2021, and the interest expenses of \$267 and \$250, respectively. As of December 31, 2022 and 2021, the balance of lease liability amounted to \$26,955 and \$40,497, respectively.

(v) Management and credit service income

As of December 31, 2022 and 2021, the management and credit service income incurred by the Company from its subsidiaries amounted to \$380,418 and \$369,247, respectively, from its subsidiaries, recognized in non-operating income – other; with the uncollected amounts of \$146,710 and \$84,941, respectively, recognized in other receivables-related parties, for the years then ended.

(vi) Receivables from related parties

| <u>Account</u> | <u>Related party categories</u> | <u>December 31, 2022</u> | <u>December 31, 2021</u> |
|-------------------------------|---------------------------------|--------------------------|--------------------------|
| Notes and accounts receivable | Subsidiaries | \$ 89,322 | 41,913 |
| Other receivables | Subsidiaries | 146,710 | 84,941 |
| | | \$ <u>236,032</u> | <u>126,854</u> |

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WEIKENG INDUSTRIAL CO., LTD.
Notes to the Financial Statements

(vii) Payable to related parties

| <u>Account</u> | <u>Related party categories</u> | <u>December 31, 2022</u> | <u>December 31, 2021</u> |
|------------------|---------------------------------|--------------------------|--------------------------|
| Accounts payable | Subsidiaries | \$ 27,738 | - |
| Other payables | Subsidiaries | 51 | 80 |
| Other payables | Other related parties | <u>245</u> | <u>355</u> |
| | | <u>\$ 28,034</u> | <u>435</u> |

(viii) Guarantee

As of December 31, 2022 and 2021, the Company's endorsement guarantees for subsidiaries were \$10,591,770 and \$7,505,908, respectively.

(c) Key management personnel compensation

Key management personnel compensation comprised:

| | <u>2022</u> | <u>2021</u> |
|------------------------------|-------------------|----------------|
| Short-term employee benefits | \$ 203,000 | 194,296 |
| Post-employment benefits | <u>847</u> | <u>839</u> |
| | <u>\$ 203,847</u> | <u>195,135</u> |

(8) Assets pledged as security : None.**(9) Commitments and contingencies:**

As of December 31, 2022 and 2021 the balance of L/Cs for deferred payment of import value added tax and the purchase of merchandise were as follows:

| | <u>December 31, 2022</u> | <u>December 31, 2021</u> |
|--|--------------------------|--------------------------|
| | <u>\$ 367,810</u> | <u>188,312</u> |

(10) Losses Due to Major Disasters: None.**(11) Subsequent Events: None.**

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WEIKENG INDUSTRIAL CO., LTD.
Notes to the Financial Statements

(12) Other:

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

| By item | By function | 2022 | 2021 |
|----------------------------|-------------|-------------------|-------------------|
| | | Operating expense | Operating expense |
| Employee benefits | | | |
| Salary | | 778,666 | 763,133 |
| Labor and health insurance | | 50,272 | 44,602 |
| Pension | | 25,560 | 23,938 |
| Remuneration of directors | | 47,481 | 47,878 |
| Others | | 30,223 | 31,637 |
| Depreciation | | 64,132 | 64,432 |
| Amortization | | 8,765 | 8,573 |

For the years ended December 31, 2022 and 2021, the information on the number of employees and employee benefit expense of the Company is as follows:

| | 2022 | 2021 |
|-------------------------------------------------------------|-----------------|--------------|
| Number of employees | <u>507</u> | <u>495</u> |
| Number of directors who were not employees | <u>5</u> | <u>5</u> |
| The average employee benefit | <u>\$ 1,762</u> | <u>1,762</u> |
| The average salaries and wages | <u>\$ 1,551</u> | <u>1,557</u> |
| The adjustment of the average salaries and wages adjustment | <u>(0.39)%</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.

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WEIKENG INDUSTRIAL CO., LTD.
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- (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, 2022:

- (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 | 13,769,427 | 8,754,296 | 8,099,063 | 6,768,474 | - | 88.23 % | 27,538,854 | Y | N | N |
| " | " | WTP | 100% owned subsidiary | 13,769,427 | 1,020,577 | 936,655 | 619,234 | - | 10.20 % | 27,538,854 | Y | N | N |
| " | " | WKS | 100% owned subsidiary | 13,769,427 | 1,765,116 | 1,556,052 | 1,358,573 | - | 16.95 % | 27,538,854 | Y | N | Y |

Note 1 : The total amount of the guarantee provided by the Company shall not exceed three hundred percent (300%) of the higher amount between the Company's capital amount and net worth. However, for any individual entity whose voting shares are 50% or more owned, directly or indirectly, by the Company shall not exceed fifty percent (50%) of the maximum amount for guarantee on recent audited or reviewed financial statements.

Note 2 : For those entities as the guarantor to the subsidiary, subsidiary as the guarantor to the company, or the guarantor that located in China, please fill in "Y".

- (iii) Securities held as of December 31, 2022 (excluding investment in subsidiaries, associates and joint ventures):

(Shares/units (thousands))

| Name of holder | Category and name of security | Relationship with company | Account title | Ending balance | | | | Note |
|----------------|------------------------------------------------------------|---------------------------|------------------------------------------------------------------------------------|--------------------------|-----------------|-----------------------------|------------|------|
| | | | | Shares/Units (thousands) | Carrying amount | Percentage of ownership (%) | Fair value | |
| The Company | EBM Technologies Inc. | - | Financial assets mandatorily measured at fair value through profit or loss-current | 34 | \$ 644 | - | \$ 644 | |
| " | Clientron Corp. | - | Financial assets at fair value through other comprehensive income-non-current | 15 | \$ 347 | 0.02 | \$ 347 | |
| " | Paradigm I Venture Capital Company (Paradigm I) | - | " | 750 | \$ 7,458 | 6.79 | \$ 7,458 | |
| " | Paradigm Venture Capital Corporation (PVC Corp.) | - | " | 230 | 2,301 | 10.49 | 2,301 | |
| " | InnoBridge Venture Fund ILP. (InnoBridge) | - | " | - | 15,150 | 9.90 | 15,150 | |
| " | Shin Kong Global Venture Capital Corp. (SKGVC) | - | " | 960 | 4,800 | 12.00 | 4,800 | |
| " | Vision Wide Technology Co., Ltd. (VTEC) | - | " | 800 | 9,033 | 1.61 | 9,033 | |
| " | Winsheng Material Technology Co., Ltd. (Winsheng Material) | - | " | 1,400 | 42,000 | 4.37 | 42,000 | |
| | | | | | \$ 80,742 | | \$ 80,742 | |

(Continued)

WEIKENG INDUSTRIAL CO., LTD.
Notes to the Financial Statements

- (iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of TWD300 million or 20% of the capital stock: None.
- (v) Acquisition of individual real estate with amount exceeding the lower of TWD300 million or 20% of the capital stock: None.
- (vi) Disposal of individual real estate with amount exceeding the lower of TWD300 million or 20% of the capital stock: None.
- (vii) Related-party transactions for purchases and sales with amounts exceeding the lower of TWD100 million or 20% of the capital stock:

(In thousands)

| Name of company | Related party | Nature of relationship | Transaction details | | | | Transactions with terms different from others | | Notes/Accounts receivable (payable) | | Note |
|-----------------|---------------|------------------------|---------------------|----------------------------|---------------------------------------|---------------|------------------------------------------------|------------------------------------------------|-------------------------------------|---------------------------------------------------------|------|
| | | | Purchases/(Sales) | Amount | Percentage of total purchases/(sales) | Payment terms | Unit price | Payment terms | Ending balance | Percentage of total notes/accounts receivable (payable) | |
| The Company | WKI | 100% owned subsidiary | (Sales) | (226,998) (USD7,596) | (0.79)% | OA30 | No significant difference with other customers | No significant difference with other customers | 74,832 (USD2,437) | 1.14 % | |
| The Company | WKI | 100% owned subsidiary | Purchases | 227,415 (USD7,528) | 0.81 % | " | No significant difference with other suppliers | No significant difference with other suppliers | (27,738) (USD903) | (1.83) % | |
| The Company | WTP | 100% owned subsidiary | (Sales) | (132,735) ((USD4,467)) | (0.46)% | " | No significant difference with other customers | No significant difference with other customers | 13,914 (USD453) | 0.21 % | |
| WKI | The Company | Parent company | Purchases | 226,998 (USD7,596) | 0.61 % | " | No significant difference with other suppliers | No significant difference with other suppliers | (74,832) (USD2,437) | (3.77) % | |
| WKI | The Company | Parent company | (Sales) | (227,415) (USD7,528) | (0.62)% | " | No significant difference with other customers | No significant difference with other customers | 27,738 (USD903) | 0.60 % | |
| WKI | WKS | Subsidiary | (Sales) | (4,805,119) (USD15,266) | (13.37)% | OA60 | " | " | 468,804 (USD15,266) | 10.20 % | |
| WKS | WKI | Parent company | Purchases | 4,805,119 (USD15,266) | 62.63 % | " | No significant difference with other suppliers | No significant difference with other suppliers | (468,804) (USD15,266) | (70.62) % | |
| WTP | The Company | Parent company | Purchases | 132,735 (USD4,467) | 5.97 % | OA30 | " | " | (13,914) (USD453) | (9.75) % | |

(Continued)

WEIKENG INDUSTRIAL CO., LTD.
Notes to the Financial Statements

- (viii) Receivables from related parties with amounts exceeding the lower of TWD100 million or 20% of the capital stock:

(In thousands)

| Name of company | Counter-party | Nature of relationship | Ending balance | Turnover rate | Overdue | | Amounts received in subsequent period (Note) | Allowance for bad debts | Note |
|-----------------|---------------|------------------------|-----------------------------------------------|---------------|---------|--------------|----------------------------------------------|-------------------------|------|
| | | | | | Amount | Action taken | | | |
| The Company | WKI | 100% owned subsidiary | Other receivables 143,252 (USD4,665) | - | - | - | USD 1,625 | - | |
| WKI | WKS | Subsidiary | Accounts receivable 468,804 (USD15,266) | 8.05 | - | - | USD 15,266 | - | |
| WKS | WKI | Parent company | Accounts receivable 162,008 (USD5,257) | 2.31 | - | - | USD 1,329 | - | |

Note: Information as of March 5, 2023.

- (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, 2022 (excluding information on investees in Mainland China):

(In thousands)

| Name of investor | Name of investee | Location | Main businesses and products | Original investment amount | | Highest | | | Net income (losses) of investee | Investment income (losses) of investor | Note |
|------------------|------------------|-----------|----------------------------------------------------------------------------------------|----------------------------|-------------------|-----------------------|-------------------------|---------------------|---------------------------------|----------------------------------------|------------|
| | | | | December 31, 2022 | December 31, 2021 | Shares (In Thousands) | Percentage of Ownership | Carrying amount | | | |
| The Company | WKI | Hong Kong | Electronic components computer peripherals products distribution and technical support | \$ 1,620,445 | 1,322,295 | 552,450 | 100% | \$ 6,896,953 | 830,908 | 830,908 | Subsidiary |
| " | WKZ | Taiwan | Electronic components and technical support | 12,983 | 12,983 | 1,589 | 100% | 25,850 | (81) | (81) | " |
| " | WTP | Singapore | " | 293,327 | 293,327 | 12,413 | 100% | 498,914 | 89,271 | 89,271 | " |
| | | | | <u>\$ 1,926,755</u> | <u>1,628,605</u> | | | <u>\$ 7,421,717</u> | | <u>\$ 920,098</u> | |
| WKI | Weitech | Hong Kong | Import and export trade of electronic components | 0.41 (HKD0.1) | 0.41 (HKD0.1) | - | 100% | 2,537 (USD83) | 226 (USD8) | 226 (USD8) | " |

- (c) Information on investment in mainland China:

- (i) The names of investees in Mainland China, the main businesses and products, and other information:

(In thousands)

| Name of investee | Main businesses and products | Total amount of paid-in capital | Method of investment | Accumulated outflow of investment from Taiwan as of January 1, 2022 | Investment flows | | Accumulated outflow of investment from Taiwan as of December 31, 2022 | Net income (losses) of the investee (Note 2) | Percentage of ownership | Investment income (losses) of investor (Note 2) | Book value (Note 3) | Accumulated remittance of earnings in current period |
|------------------|----------------------------------------------------------------------------------------|---------------------------------|----------------------|---------------------------------------------------------------------|------------------|--------|-----------------------------------------------------------------------|----------------------------------------------|-------------------------|-------------------------------------------------|------------------------|------------------------------------------------------|
| | | | | | Outflow (Note 3) | Inflow | | | | | | |
| WKS | Electronic components computer peripherals products distribution and technical support | 786,647 (USD25,000) | Note 1 - 4 | 304,594 (USD9,800) | - | - | 304,594 (USD9,800) | (16,828) (USD565) | 100% | (16,828) (USD565) | 705,874 (USD22,985) | - |
| WKE | Electronic technology development and technical advisory | 5,067 (RMB1,000) | Note 1 - 5 | - | - | - | - | 746 (USD25) | 100% | 746 (USD25) | 6,409 (USD209) | - |

(Continued)

WEIKENG INDUSTRIAL CO., LTD.
Notes to the Financial Statements

(ii) Limitation on investment in Mainland China:

| Accumulated Investment in Mainland China as of December 31, 2022 | Investment Amounts Authorized by Investment Commission, MOEA (note 3) | Upper Limit on Investment |
|------------------------------------------------------------------|-----------------------------------------------------------------------|---------------------------|
| 304,594 (USD9,800 thousand) | 767,750 (USD25,000 thousand) | 5,507,771 |

Note 1: Investment in Mainland China was through a company in the third area.

Note 2: The investment gains and losses of the current period are recognized according to the financial statements, which have been reviewed by the Company's independent auditors, and were translated into New Taiwan Dollars at the average exchange rates.

Note 3: The currency was translated into New Taiwan Dollars at the exchange rate at the end of reporting period. (TWD: 30.71/USD)

Note 4: The difference was due to Weikeng International Co. Ltd.'s investment of USD15,200 thousand on Weikeng International (Shanghai) Co. Ltd. using its own funds.

Note 5: The difference was due to Weikeng International (Shanghai) Co. Ltd.'s investment of CNY1,000 thousand on Weikeng Electronic Technology (Shanghai) Co. Ltd. using its own funds.

(iii) Significant transactions:

Please refer to Information on significant transactions 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 2022.

(d) Major shareholders:

| Shareholder's Name | Shareholding | Shares | Percentage |
|----------------------------|--------------|------------|------------|
| Weiji Investment Co., Ltd. | | 30,426,876 | 7.18 % |

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.

(Continued)

WEIKENG INDUSTRIAL CO., LTD.
Notes to the Financial Statements

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, 2022****(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 | | 466,782 |
| Foreign currency in banks | Foreign currency(USD29,956 thousands、 HKD463 thousands and CNY316 thousands) | <u>923,164</u> |
| | | <u><u>\$ 1,390,080</u></u> |

Note : Exchange rate: USD/TWD 30.71; HKD/TWD3.938; CNY/TWD4.408.

Statement of notes and accounts receivable

| <u>Customer names</u> | <u>Description</u> | <u>Amount</u> |
|-------------------------------------|----------------------------------|----------------------------|
| Notes receivable | Revenue from non-related parties | <u>\$ 11,705</u> |
| Accounts receivable | | |
| Related Parties : | | |
| Other (Note) | Revenue from related parties | 89,322 |
| Non-related parties : | | |
| TC131 | Revenue from non-related parties | 453,402 |
| TC010 | " | 328,119 |
| Other (Note) | | <u>5,736,217</u> |
| | | 6,607,060 |
| Less: Loss allowance | | <u>55,020</u> |
| | | <u>6,552,040</u> |
| Notes and accounts receivable, net. | | <u><u>\$ 6,563,745</u></u> |

Note: The amount of individual customer included in others does not exceed 5% of the account balance.

WEIKENG INDUSTRIAL CO., LTD.

Statement of inventories

December 31, 2022

(Expressed in thousands of New Taiwan Dollars)

| Item | Amount | |
|-------------------------|---------------------|-----------------------------|
| | Cost | Net realizable value |
| Merchandise inventories | \$ 4,039,658 | 5,116,110 |
| Goods in transit | 471,781 | 508,160 |
| | \$ 4,511,439 | 5,624,270 |

Note : The market price of inventories was determined by the net realizable value.

**Statement of prepaid expenses and
other current assets**

| Item | Description | Amount |
|--------------------------|------------------------------------------------------------------------------------|------------------|
| Net Input VAT | Business tax | \$ 8,677 |
| Prepaid expenses | Includes prepayments of insurance, rent and travelling expenses of employees, etc. | 5,389 |
| Prepayment for purchases | Prepayment for purchase electronic components | 3,203 |
| Other (Note) | Temporary payments | 791 |
| | | \$ 18,060 |

Note: The amount of individual item 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, 2022

(Expressed in thousands of New Taiwan Dollars)

| Company name | Opening balance | | Increase | | Decrease | | Recognized income | | Ending balance | | Market price or net value | Provided guarantee or pledge |
|---------------------------------------------------------------------|-----------------|---------------------|----------|----------------|----------|----------|-------------------|---------|-------------------------|------------------|---------------------------|------------------------------|
| | Shares | Amount | Shares | Amount | Shares | Amount | Amount | Shares | Percentage of ownership | Amount | | |
| WKI | 473,950 | \$ 5,648,191 | 78,500 | 298,150 | - | - | 830,908 | 552,450 | 100 % | 6,777,249 | 6,896,953 | None |
| WKZ | 1,589 | 25,931 | - | - | - | - | (81) | 1,589 | 100 % | 25,850 | 25,850 | " |
| WTP | 12,413 | 417,571 | - | - | - | - | 89,271 | 12,413 | 100 % | 506,842 | 498,914 | " |
| Exchange differences on translation of foreign financial statements | | (466,756) | | 578,532 | | - | - | | | 111,776 | - | |
| | | <u>\$ 5,624,937</u> | | <u>876,682</u> | | <u>-</u> | <u>920,098</u> | | | <u>7,421,717</u> | <u>7,421,717</u> | |

WEIKENG INDUSTRIAL CO., LTD.

Statement of non-current financial assets measured at fair value through
other comprehensive income

December 31, 2022

(Expressed in thousands of New Taiwan Dollars)

| Name of investee | Beginning balance | | Increase | | Decrease | | Fair value adjustment of financial assets | Ending balance | | Collateral |
|-------------------|-------------------|-----------|----------|--------|----------|----------------|-------------------------------------------|----------------|--------|------------|
| | Shares | Amount | Shares | Amount | Shares | Amount | | Shares | Amount | |
| Share: | | | | | | | | | | |
| Pavadigam I | 750 | \$ 7,458 | - | - | - | - | - | 750 | 7,458 | None |
| PVC Corp. | 230 | 2,301 | - | - | - | - | - | 230 | 2,301 | " |
| InnoBridge | - | 15,150 | - | - | - | - | - | - | 15,150 | " |
| Clientron Corp. | 15 | 516 | - | - | - | (169) | (169) | 15 | 347 | " |
| SKGVC | 960 | 4,800 | - | - | - | - | - | 960 | 4,800 | " |
| VTEC | 800 | 9,840 | - | - | - | (807) (Note 1) | (807) | 800 | 9,033 | " |
| Winsheng Material | - | - | 1,400 | 42,000 | - | - | - | 1,400 | 42,000 | |
| | | \$ 40,065 | | 42,000 | | (807) | (169) | | 81,089 | |

Note 1: The investee companies distributed cash dividends from their capital surplus.

WEIKENG INDUSTRIAL CO., LTD.

Statement of short-term borrowings

December 31, 2022

(Expressed in thousands of New Taiwan Dollars)

| <u>Type</u> | <u>Description</u> | <u>Contract period</u> | <u>Interest rate</u> | <u>Loan facilities</u> | <u>Ending balance</u> | <u>Collateral</u> |
|-------------------|--------------------|------------------------|----------------------|------------------------|-----------------------|-------------------|
| Financial | Unsecured | 2022.07.15~2023.08.22 | 1.68%~4.85% | 1,200,000 | \$ 1,177,229 | None |
| institution loans | loans | | | | | |
| " | " | 2022.08.12~2023.03.28 | 4.17%~4.99% | 650,000 | 386,662 | " |
| " | " | 2022.08.22~2023.11.10 | 1.75% | 300,000 | 300,000 | " |
| Others (Note) | | | | | <u>4,051,130</u> | " |
| | | | | | <u>\$ 5,915,021</u> | |

Note: The amount of each institution included in others does not exceed 5% of the account balance.

WEIKENG INDUSTRIAL CO., LTD.**Statement of accounts payable****December 31, 2022****(Expressed in thousands of New Taiwan Dollars)**

| <u>Account</u> | <u>Description</u> | <u>Amount</u> |
|-------------------|-----------------------------------------|----------------------------|
| Accounts payable: | | |
| TV008 | Operating expense for non related party | \$ 917,936 |
| TV002 | " | 319,709 |
| TV049 | " | 149,900 |
| TV006 | " | 80,972 |
| Others (Note) | " | <u>48,522</u> |
| | | <u>\$ 1,517,039</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 | \$ 393,556 |
| Other (Note) | Collect labor insurance and advance rent etc. | <u>4,144</u> |
| | | <u>\$ 397,700</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, 2022

(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 | 2~6 years | 0.84%~3.84% | \$ 30,318 | 22,859 |
| Transportation equipment | 5 years | 0.96% | 1,202 | 4,193 |
| | | | <u>\$ 31,520</u> | <u>27,052</u> |

Note: For right-of-use-asset, please refer note 6(i).

Statement of operating revenue

For the year ended December 31, 2022

| <u>Item</u> | <u>Amount (thousand)</u> | <u>Amount</u> |
|----------------------------|--------------------------|----------------------|
| Sale revenue: | | |
| Chipset/memory components | 417,204 | \$ 12,952,174 |
| Mixed and other components | 2,721,276 | 15,853,925 |
| Others | | 5,502 |
| Net operating revenue | | <u>\$ 28,811,601</u> |

WEIKENG INDUSTRIAL CO., LTD.**Statement of operating costs****For the year ended December 31, 2022****(Expressed in thousands of New Taiwan Dollars)**

| <u>Item</u> | <u>Amount</u> |
|----------------------------------------------------------------|-----------------------------|
| Inventory, January, 1 | \$ 3,158,314 |
| Add: Purchase | 28,199,693 |
| Outsourcing processing expense | 26,606 |
| Less: Inventory, December, 31 | (4,627,092) |
| Inventory scrapping | <u>(4,459)</u> |
| Cost of goods sold | 26,753,062 |
| Add: Allowance for inventory valuation and obsolescence losses | (8,559) |
| Allowance for inventory scrapping | <u>4,459</u> |
| Operating costs | <u><u>\$ 26,748,962</u></u> |

Statement of selling and administrative expenses

| <u>Item</u> | <u>Selling expense</u> | <u>Administrative expense</u> |
|---------------------------|----------------------------|-----------------------------------|
| Salary expense | \$ 558,861 | 219,805 |
| Depreciation expense | 56,284 | 7,848 |
| Export expense | 49,572 | - |
| Insurance expense | 47,104 | 15,992 |
| Remuneration of directors | - | 47,481 |
| Other (Note) | <u>133,030</u> | <u>59,656</u> |
| Total | <u><u>\$ 844,851</u></u> | <u><u>350,782</u></u> |

Note: The amount of each item in others does not exceed 5% of the account balance.