

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

Consolidated Financial Statements

**With Independent Auditors' Review Report
For the Six Months Ended June 30, 2020 and 2019**

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

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Independent Auditors' Review Report

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

Introduction

We have reviewed the accompanying consolidated balance sheets of Weikeng Industrial Co., Ltd. and its subsidiaries as of June 30, 2020 and 2019, and the related consolidated statements of comprehensive income for the three months and six months ended June 30, 2020 and 2019, as well as the changes in equity and cash flows for the six months ended June 30, 2020 and 2019, and notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

Scope of Review

We conducted our reviews in accordance with Statement of Auditing Standard 65, "Review of Financial Information Performed by the Independent Auditor of the Entity". A review of the consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with the generally accepted auditing standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our reviews, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of Weikeng Industrial Co., Ltd. and its subsidiaries as of June 30, 2020 and 2019, and of its consolidated financial performance for the three months and six months ended June 30, 2020 and 2019, as well as its consolidated cash flows for the six months ended June 30, 2020 and 2019 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.



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

KPMG

Taipei, Taiwan (Republic of China)

July 31, 2020

Notes to Readers

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

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

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
Reviewed only, not audited in accordance with generally accepted auditing standards as of June 30, 2020 and 2019

WEIKENG INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Consolidated Balance Sheets

June 30, 2020, December 31, and June 30, 2019
 (Expressed in Thousands of New Taiwan Dollars)

	June 30, 2020		December 31, 2019		June 30, 2019	
	Amount	%	Amount	%	Amount	%
Assets						
Current assets:						
1100 Cash and cash equivalents (note (6)(a))	\$ 2,574,054	11	2,336,361	10	1,862,329	8
1110 Financial assets at fair value through profit or loss - current (note (6)(b))	735	-	522	-	1,786	-
1170 Notes and accounts receivable, net (note (6)(d))	9,450,898	40	8,223,453	35	7,295,342	32
1200 Other receivables (notes (6)(d), (6)(e) and (7))	1,256,613	5	1,243,839	6	478,137	2
1300 Inventories, net (note (6)(f))	9,308,345	40	10,479,000	45	11,872,252	53
1470 Prepaid expenses and other current assets	241,442	1	276,752	1	345,330	2
	<u>22,832,087</u>	<u>97</u>	<u>22,559,927</u>	<u>97</u>	<u>21,855,176</u>	<u>97</u>
Non-current assets:						
1517 Financial assets at fair value through other comprehensive income - non-current (note (6)(c))	46,794	-	45,162	-	50,319	-
1600 Property, plant and equipment (note (6)(g))	140,783	1	149,291	1	152,789	1
1780 Intangible assets	49,601	-	57,519	-	9,909	-
1755 Right-of-use assets (note (6)(h))	210,127	1	279,613	1	339,713	2
1840 Deferred tax assets	229,671	1	216,156	1	142,822	-
1900 Other non-current assets	74,816	-	75,782	-	77,010	-
	<u>751,792</u>	<u>3</u>	<u>823,523</u>	<u>3</u>	<u>772,562</u>	<u>3</u>
	\$ <u>29,664,179</u>		\$ <u>23,389,450</u>		\$ <u>22,627,738</u>	
Liabilities and Equity						
Current liabilities:						
2100 Short-term borrowings (note (6)(i))	\$ 10,271,461	44	9,844,853	42	10,964,517	49
2120 Financial liabilities at fair value through profit or loss - current (note (6)(b))	-	-	4,040	-	7,870	-
2170 Notes and accounts payable	5,510,206	23	5,316,218	23	3,910,281	17
2200 Other payables (notes (6)(j) and (7))	748,405	3	1,411,607	6	581,852	3
2216 Dividends payable	212,452	1	-	-	354,165	2
2230 Current tax liabilities	96,542	-	87,361	-	68,584	-
2130 Contract liabilities - current (note (6)(r))	129,527	1	91,026	-	70,200	-
2280 Current lease liabilities (note (6)(l))	112,668	-	127,571	1	137,060	-
2300 Other current liabilities	250,312	1	221,797	1	182,180	1
2320 Bonds payable, current portion (note (6)(k))	-	-	-	-	7,774	-
	<u>17,331,573</u>	<u>73</u>	<u>17,104,473</u>	<u>73</u>	<u>16,284,483</u>	<u>72</u>
Non-current liabilities:						
2570 Deferred tax liabilities	332,601	2	332,613	1	335,360	2
2580 Non-current lease liabilities (note (6)(l))	98,292	-	152,221	1	202,576	1
2640 Non-current net defined benefit liabilities (note (6)(n))	126,052	1	129,007	1	129,175	-
2670 Other non-current liabilities	181	-	211	-	212	-
	<u>557,126</u>	<u>3</u>	<u>614,052</u>	<u>3</u>	<u>667,323</u>	<u>3</u>
	<u>17,888,699</u>	<u>76</u>	<u>17,718,525</u>	<u>76</u>	<u>16,951,806</u>	<u>75</u>
Total liabilities						
Equity (note (6)(p)):						
3100 Ordinary share	3,677,513	15	3,677,513	16	3,672,522	16
3200 Capital surplus	884,335	4	884,335	4	881,536	4
3310 Legal reserve	890,626	4	864,760	3	864,760	4
3320 Special reserve	229,459	1	138,615	1	138,615	-
3350 Unappropriated retained earnings	294,686	1	329,162	1	231,286	1
Other equity interest:						
3410 Exchange differences on translation of foreign financial statements	(197,919)	(1)	(144,308)	(1)	(32,617)	-
3420 Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	(83,520)	-	(85,152)	-	(80,170)	-
	<u>(281,439)</u>	<u>(1)</u>	<u>(229,460)</u>	<u>(1)</u>	<u>(112,787)</u>	<u>-</u>
	<u>5,695,180</u>	<u>24</u>	<u>5,664,925</u>	<u>24</u>	<u>5,675,932</u>	<u>25</u>
	\$ <u>23,583,879</u>	<u>100</u>	\$ <u>23,383,450</u>	<u>100</u>	\$ <u>22,627,738</u>	<u>100</u>
Total assets						
	\$ <u>29,664,179</u>		\$ <u>23,389,450</u>		\$ <u>22,627,738</u>	

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
Reviewed only, not audited in accordance with generally accepted auditing standards

WEIKENG INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the three months and six months ended June 30, 2020 and 2019

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

	For the three months ended June 30				For the six months ended June 30				
	2020		2019		2020		2019		
	Amount	%	Amount	%	Amount	%	Amount	%	
4100	Net sales revenue (note (6)(r) and note (7))	\$ 13,997,283	100	11,573,891	100	25,558,793	100	22,083,531	100
5000	Cost of sales (note (6)(f))	13,248,076	95	10,805,449	93	24,128,560	94	20,651,467	93
	Gross profit	<u>749,207</u>	<u>5</u>	<u>768,442</u>	<u>7</u>	<u>1,430,233</u>	<u>6</u>	<u>1,432,064</u>	<u>7</u>
	Operating expenses (notes (6)(l), (6)(m), (6)(n), note (7) and (12)):								
6100	Selling expenses	372,054	2	397,775	4	725,089	3	783,640	4
6200	Administrative expenses	105,500	1	111,068	1	208,902	1	220,640	1
6450	Expected credit losses (gains) (note (6)(d))	4,613	-	8,680	-	15,784	-	(5,490)	-
		<u>482,167</u>	<u>3</u>	<u>517,523</u>	<u>5</u>	<u>949,775</u>	<u>4</u>	<u>998,790</u>	<u>5</u>
	Net operating income	<u>267,040</u>	<u>2</u>	<u>250,919</u>	<u>2</u>	<u>480,458</u>	<u>2</u>	<u>433,274</u>	<u>2</u>
	Non-operating income and expenses:								
7100	Interest income	1,732	-	2,467	-	2,877	-	3,254	-
7010	Other income (note (7))	15,335	-	2,420	-	29,333	-	15,952	-
7235	Gains (losses) on financial assets (liabilities) at fair value through profit or loss (note (6)(t))	261	-	(4,521)	-	1,914	-	(1,218)	-
7230	Foreign currency exchange gains (losses), net	43,510	-	(30,177)	-	20,826	-	(8,869)	-
7050	Financial costs (note (6)(l))	(70,737)	-	(108,395)	(1)	(153,720)	(1)	(225,593)	(1)
7590	Miscellaneous disbursements	(126)	-	(23)	-	(269)	-	(23)	-
		<u>(10,025)</u>	<u>-</u>	<u>(138,229)</u>	<u>(1)</u>	<u>(99,039)</u>	<u>(1)</u>	<u>(216,497)</u>	<u>(1)</u>
7900	Profit before tax	<u>257,015</u>	<u>2</u>	<u>112,690</u>	<u>1</u>	<u>381,419</u>	<u>1</u>	<u>216,777</u>	<u>1</u>
7950	Income tax expenses (note (6)(o))	53,206	-	26,292	-	86,733	-	55,993	-
8200	Profit	<u>203,809</u>	<u>2</u>	<u>86,398</u>	<u>1</u>	<u>294,686</u>	<u>1</u>	<u>160,784</u>	<u>1</u>
	Other comprehensive income:								
8310	Items that will not be reclassified to profit or loss								
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	1,526	-	(299)	-	1,632	-	(12,939)	-
8349	Less: income tax relating to components of other comprehensive income that will not be reclassified to profit or loss	-	-	-	-	-	-	-	-
		<u>1,526</u>	<u>-</u>	<u>(299)</u>	<u>-</u>	<u>1,632</u>	<u>-</u>	<u>(12,939)</u>	<u>-</u>
8360	Items that may be reclassified subsequently to profit or loss								
8361	Exchange differences on translation of foreign financial statements	(91,789)	(1)	17,330	-	(67,014)	-	48,460	-
8399	Less: income tax relating to components of other comprehensive income that may be reclassified to profit or loss (note (6)(o))	(18,358)	-	3,466	-	(13,403)	-	9,692	-
		<u>(73,431)</u>	<u>(1)</u>	<u>13,864</u>	<u>-</u>	<u>(53,611)</u>	<u>-</u>	<u>38,768</u>	<u>-</u>
	Other comprehensive income, net	<u>(71,905)</u>	<u>(1)</u>	<u>13,565</u>	<u>-</u>	<u>(51,979)</u>	<u>-</u>	<u>25,829</u>	<u>-</u>
8500	Comprehensive income	<u>\$ 131,904</u>	<u>1</u>	<u>99,963</u>	<u>1</u>	<u>242,707</u>	<u>1</u>	<u>186,613</u>	<u>1</u>
	Earnings per share: (note (6)(q))								
9750	Basic earnings per share	\$ 0.55		0.25		0.80		0.47	
9850	Diluted earnings per share	\$ 0.55		0.25		0.79		0.46	

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
Reviewed only, not audited in accordance with generally accepted auditing standards

WEIKENG INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Changes in Equity

For the six months ended June 30, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars)

	Share capital				Retained earnings			Other equity interest			Total equity
	Ordinary shares	Stock dividend to be distributed	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income			
Balance at January 1, 2019	\$ 3,448,980	-	872,702	802,354	143,162	690,010	(71,385)	(67,231)	5,818,592		
Appropriation and distribution of retained earnings:	-	-	-	62,406	-	(62,406)	-	-	-		
Legal reserve appropriated	-	-	-	-	(4,547)	4,547	-	-	-		
Special reserve reversed	-	-	-	-	-	(354,165)	-	-	(354,165)		
Cash dividends	-	207,484	-	-	-	(207,484)	-	-	-		
Stock dividends	-	207,484	-	62,406	(4,547)	(619,508)	-	-	(354,165)		
Consolidated net income for the six months ended June 30, 2019	-	-	-	-	-	160,784	-	-	160,784		
Other comprehensive income for the six months ended June 30, 2019	-	-	-	-	-	-	38,768	(12,939)	25,829		
Total comprehensive income for the six months ended June 30, 2019	-	-	-	-	-	160,784	38,768	(12,939)	186,613		
Conversion of convertible bonds	16,058	-	8,834	-	-	-	-	-	24,892		
Balance at June 30, 2019	\$ 3,465,038	207,484	881,536	864,760	138,615	231,286	(32,617)	(80,170)	5,675,932		
Balance at January 1, 2020	\$ 3,677,513	-	884,335	864,760	138,615	329,162	(144,308)	(85,152)	5,664,925		
Appropriation and distribution of retained earnings:	-	-	-	25,866	-	(25,866)	-	-	-		
Legal reserve appropriated	-	-	-	-	90,844	(90,844)	-	-	-		
Special reserve appropriated	-	-	-	-	-	(212,452)	-	-	(212,452)		
Cash dividends	-	-	-	25,866	90,844	(329,162)	-	-	(212,452)		
Consolidated net income for the six months ended June 30, 2020	-	-	-	-	-	294,686	-	-	294,686		
Other comprehensive income for the six months ended June 30, 2020	-	-	-	-	-	-	(53,611)	1,632	(51,979)		
Total comprehensive income for the six months ended June 30, 2020	-	-	-	-	-	294,686	(53,611)	1,632	242,707		
Balance at June 30, 2020	\$ 3,677,513	-	884,335	890,626	229,459	294,686	(197,919)	(83,520)	5,695,180		

Balance at January 1, 2019

Appropriation and distribution of retained earnings:

Legal reserve appropriated

Special reserve reversed

Cash dividends

Stock dividends

Consolidated net income for the six months ended June 30, 2019

Other comprehensive income for the six months ended June 30, 2019

Total comprehensive income for the six months ended June 30, 2019

Conversion of convertible bonds

Balance at June 30, 2019

Balance at January 1, 2020

Appropriation and distribution of retained earnings:

Legal reserve appropriated

Special reserve appropriated

Cash dividends

Consolidated net income for the six months ended June 30, 2020

Other comprehensive income for the six months ended June 30, 2020

Total comprehensive income for the six months ended June 30, 2020

Balance at June 30, 2020

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
Reviewed only, not audited in accordance with generally accepted auditing standards

WEIKENG INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the six months ended June 30, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars)

	For the six months ended June 30,	
	2020	2019
Cash flows from (used in) operating activities:		
Profit before tax	\$ 381,419	216,777
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	77,017	76,355
Amortization expense	11,130	2,856
Expected credit (gains) losses	15,784	(5,490)
Net (gains) losses on financial assets or liabilities at fair value through profit or loss	(1,914)	1,218
Interest expense	153,720	225,593
Interest income	(2,877)	(3,254)
Others	(17)	7
	<u>252,843</u>	<u>297,285</u>
Changes in operating assets and liabilities:		
Decrease (increase) in financial assets at fair value through profit or loss	(2,339)	5,986
Decrease (increase) in notes and accounts receivable	(1,243,229)	1,134,013
Decrease in inventories	1,170,655	1,532,570
Decrease (increase) in other receivables	(12,774)	738,665
Decrease (increase) in prepaid expenses and other current assets	<u>35,368</u>	<u>(48,352)</u>
	<u>(52,319)</u>	<u>3,362,882</u>
Increase (decrease) in notes and accounts payable	193,988	(1,722,543)
Increase (decrease) in other payable	(638,093)	(888,838)
Increase (decrease) in contract liabilities and other current liabilities	67,016	(36,922)
Others	<u>(2,955)</u>	<u>(2,375)</u>
	<u>(380,044)</u>	<u>(2,650,678)</u>
Total changes in operating assets and liabilities	<u>(432,363)</u>	<u>712,204</u>
Total adjustments	<u>(179,520)</u>	<u>1,009,489</u>
Cash flow from (used in) operations	201,899	1,226,266
Interest received	2,877	3,254
Interest paid	(165,198)	(234,650)
Income taxes paid	<u>(77,543)</u>	<u>(134,509)</u>
Net cash flows from (used in) operating activities	<u>(37,965)</u>	<u>860,361</u>
Cash flows from (used in) investing activities:		
Acquisition of property, plant and equipment	(828)	(4,631)
Decrease (increase) in refundable deposits	966	(47)
Acquisition of intangible assets	<u>(17,850)</u>	<u>(3,251)</u>
Net cash flows from (used in) investing activities	<u>(17,712)</u>	<u>(7,929)</u>
Cash flows from (used in) financing activities:		
Increase (decrease) in short-term loans	426,608	(772,958)
Increase (decrease) in guarantee deposits received	(30)	(33)
Payment of lease liabilities	<u>(67,261)</u>	<u>(67,912)</u>
Net cash flows from (used in) financing activities	<u>359,317</u>	<u>(840,903)</u>
Effect of exchange rate changes on cash and cash equivalents	<u>(65,947)</u>	<u>47,899</u>
Net increase (decrease) in cash and cash equivalents	237,693	59,428
Cash and cash equivalents at beginning of period	<u>2,336,361</u>	<u>1,802,901</u>
Cash and cash equivalents at end of period	<u>\$ 2,574,054</u>	<u>1,862,329</u>

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
Reviewed only, not audited in accordance with generally accepted auditing standards as of June 30, 2020 and 2019

WEIKENG INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

June 30, 2020 and 2019

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

(1) Company history

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

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

These consolidated financial statements were reported to the board of directors and issued on July 31, 2020.

(3) New standards, amendments and interpretations adopted

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

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2020.

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective date per IASB</u>
Amendments to IFRS 3 "Definition of a Business"	January 1, 2020
Amendments to IFRS 9, IAS39 and IFRS7 "Interest Rate Benchmark Reform"	January 1, 2020
Amendments to IAS 1 and IAS 8 "Definition of Material"	January 1, 2020
Amendments to IFRS 16 "Covid-19-Related Rent Concessions"	June 1, 2020

The Group assesses that the adoption of the abovementioned standards would not have any material impact on its consolidated financial statements.

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

As of the date, the following IFRSs that have been issued by the International Accounting Standards Board (IASB), but have yet to be endorsed by the FSC:

(Continued)

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

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective date per IASB</u>
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”	Effective date to be determined by IASB
IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2023
Amendments to IAS 16 “Property, Plant and Equipment— Proceeds before Intended Use”	January 1, 2022
Amendments to IAS 37 “Onerous Contracts— Cost of Fulfilling a Contract”	January 1, 2022
Annual Improvements to IFRS Standards 2018-2020	January 1, 2022
Amendments to IFRS 17 “Insurance Contracts”	January 1, 2023

The above new, revised on amended standards and interpretations which issued by IASB but not yet endorsed by the FSC may not be relevant to the Group.

(4) Summary of significant accounting policies

(a) Statement of compliance

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

Except the following accounting policies mentioned below, the significant accounting policies adopted in the consolidated financial statement are the same as those in the consolidated financial statement for the year ended December 31, 2019. For the related information, please refer to note (4) of the consolidated financial statement for the year ended December 31, 2019.

(b) Basis of Consolidation

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

<u>Name of Investor</u>	<u>Name of Subsidiary</u>	<u>Nature of operation</u>	<u>Shareholding</u>		
			<u>June 30, 2020</u>	<u>December 31, 2019</u>	<u>June 30, 2019</u>
The Company	Weikeng International Co., Ltd. (WKI)	Electronic components computer peripherals products distribution and technical support	100 %	100 %	100 %
"	Weikeng Technology Co., Ltd. (WTC)	Electronic components and technical support	100 %	100 %	100 %
"	Weikeng Technology Pte. Ltd. (WTP)	"	100 %	100 %	100 %

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WEIKENG INDUSTRIAL CO., LTD. AND SUBSIDIARIES
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Name of Investor	Name of Subsidiary	Nature of operation	Shareholding		
			June 30, 2020	December 31, 2019	June 30, 2019
WKI	Weikeng International (Shanghai) Co., Ltd. (WKS)	Electronic components computer peripherals products distribution and technical support	100 %	100 %	100 %
"	Weitech International Co., Ltd. (Weitech)	Import and export trade of electronic components	100 %	100 %	100 %
WKS	Weikeng Electronic Technology (Shanghai) Co., Ltd. (WKE)	Electronic technology development and technical advisory	100 %	100 %	100 %

(c) **Income Taxes**

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

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

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

(d) **Employee benefits**

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

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

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

The preparation of the consolidated financial statements, estimates and underlying assumptions are reviewed on an ongoing basis which are in conformity with the consolidated financial statements for the year ended December 31, 2019. For the related information, please refer to note (5) of the consolidated financial statements for the year ended December 31, 2019.

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

(6) Explanation of significant accounts

Except for the following disclosures, there is no significant difference as compared with those disclosed in the consolidated financial statements for the year ended December 31, 2019. Please refer to note (6) of the 2019 annual consolidated financial statements.

(a) Cash and cash equivalents

	June 30, 2020	December 31, 2019	June 30, 2019
Cash on hand	\$ 486	488	615
Checking accounts and demand deposits	<u>2,573,568</u>	<u>2,335,873</u>	<u>1,861,714</u>
	<u>\$ 2,574,054</u>	<u>2,336,361</u>	<u>1,862,329</u>

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

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

	June 30, 2020	December 31, 2019	June 30, 2019
Financial assets mandatorily measured at fair value through profit or loss – current:			
Derivative instruments not used for hedging			
Foreign exchange contracts	\$ -	-	1,220
Financial assets measured at fair value through profit or loss – current:			
Non-derivative financial assets			
Stock listed on domestic markets	<u>735</u>	<u>522</u>	<u>566</u>
	<u>\$ 735</u>	<u>522</u>	<u>1,786</u>
	June 30, 2020	December 31, 2019	June 30, 2019
Financial liabilities mandatorily measured at fair value through profit or loss – current:			
Derivative instruments not used for hedging			
Foreign exchange contracts	<u>\$ -</u>	<u>4,040</u>	<u>7,870</u>

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

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

(in thousands of foreign currency)

	June 30, 2020			December 31, 2019			June 30, 2019		
	Amount	Currency	Maturity date	Amount	Currency	Maturity date	Amount	Currency	Maturity date
Financial assets									
Forward exchange purchased	-	-	-	-	-	-	USD2,000	USD/TWD	2019.07
Financial liabilities									
Forward exchange purchased	-	-	-	USD4,000	USD/TWD	2020.02	USD22,000	USD/TWD	2019.08~2019.11

As of June 30, 2020, December 31 and June 30, 2019, the Group did not provide any financial assets and liabilities at fair value through profit or loss as collateral for its loans.

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

	<u>June 30, 2020</u>	<u>December 31, 2019</u>	<u>June 30, 2019</u>
Equity investments at fair value through other comprehensive income:			
Domestic emerging market stock	\$ 4,341	2,709	2,636
Domestic unlisted stock	17,866	17,866	23,096
Foreign unlisted stock	<u>24,587</u>	<u>24,587</u>	<u>24,587</u>
	<u>\$ 46,794</u>	<u>45,162</u>	<u>50,319</u>

There were no disposals of strategic investments and transfers of any cumulative gain or loss within equity relating to these investments as of June 30, 2020 and 2019.

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

(ii) As of June 30, 2020, December 31 and June 30, 2019, the Group did not provide any financial assets at fair value through other comprehensive income as collateral for its loans.

(d) Notes and accounts receivable

	<u>June 30, 2020</u>	<u>December 31, 2019</u>	<u>June 30, 2019</u>
Notes receivable	\$ 232,052	220,659	164,816
Accounts receivable-measured as amortized cost	8,352,144	7,183,364	6,570,095
Accounts receivable-fair value through other comprehensive income	<u>1,029,462</u>	<u>990,167</u>	<u>742,715</u>
	9,613,658	8,394,190	7,477,626
Less: Loss allowance	<u>(162,760)</u>	<u>(170,737)</u>	<u>(182,284)</u>
	<u>\$ 9,450,898</u>	<u>8,223,453</u>	<u>7,295,342</u>

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WEIKENG INDUSTRIAL CO., LTD. AND SUBSIDIARIES
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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 were measured at fair value through other comprehensive income.

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

(i) The Company

June 30, 2020				
Credit rating	Carrying amount	Expected credit loss rate	Loss allowance provision	Credit impaired
Listed company (assessed by group)				
Level A	\$ 1,520,690	0.57%	8,675	No
Level B	1,864,780	1.89%	35,185	No
Unlisted company	<u>666,407</u>	1.17%	<u>7,774</u>	No
	<u>\$ 4,051,877</u>		<u>51,634</u>	
December 31, 2019				
Credit rating	Carrying amount	Expected credit loss rate	Loss allowance provision	Credit impaired
Listed company (assessed by group)				
Level A	\$ 1,897,369	0.54%	10,305	No
Level B	1,177,580	1.26%	14,833	No
Unlisted company	<u>706,642</u>	1.30%	<u>9,216</u>	No
	<u>\$ 3,781,591</u>		<u>34,354</u>	
June 30, 2019				
Credit rating	Carrying amount	Expected credit loss rate	Loss allowance provision	Credit impaired
Listed company (assessed by group)				
Level A	\$ 1,567,104	0.59%	9,237	No
Level B	729,906	1.58%	11,501	No
Unlisted company	<u>955,458</u>	0.80%	<u>7,598</u>	No
	<u>\$ 3,252,468</u>		<u>28,336</u>	

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

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

	<u>June 30, 2020</u>	<u>December 31, 2019</u>	<u>June 30, 2019</u>
Not past due	\$ 3,894,869	3,551,395	2,888,442
Overdue less than 90 days	150,030	224,660	343,334
Overdue 91 to 180 days	4,443	4,985	19,187
Overdue more than 181 days	<u>2,535</u>	<u>551</u>	<u>1,505</u>
	<u>\$ 4,051,877</u>	<u>3,781,591</u>	<u>3,252,468</u>

(ii) Subsidiaries

	<u>June 30, 2020</u>		
	<u>Carrying amount</u>	<u>Expected credit loss rate</u>	<u>Loss allowance provision</u>
Not past due	\$ 4,945,444	0.01%	290
Overdue less than 90 days	541,856	9.16%	49,621
Overdue 91 to 180 days	27,938	38.04%	10,627
Overdue more than 181 days	<u>46,543</u>	100.00%	<u>46,543</u>
	<u>\$ 5,561,781</u>		<u>107,081</u>
	<u>December 31, 2019</u>		
	<u>Carrying amount</u>	<u>Expected credit loss rate</u>	<u>Loss allowance provision</u>
Not past due	\$ 3,998,016	0.01%	464
Overdue less than 90 days	506,448	7.11%	36,032
Overdue 91 to 180 days	15,680	37.70%	5,912
Overdue more than 181 days	<u>92,455</u>	100.00%	<u>92,455</u>
	<u>\$ 4,612,599</u>		<u>134,863</u>
	<u>June 30, 2019</u>		
	<u>Carrying amount</u>	<u>Expected credit loss rate</u>	<u>Loss allowance provision</u>
Not past due	\$ 3,551,749	0.01%	344
Overdue less than 90 days	523,710	3.95%	20,672
Overdue 91 to 180 days	35,876	34.14%	12,247
Overdue more than 181 days	<u>113,823</u>	100.00%	<u>113,823</u>
	<u>\$ 4,225,158</u>		<u>147,086</u>

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

For the six months ended June 30, 2020 and 2019, the movement in the allowance for notes and accounts receivable were as follows:

	For the six months ended June 30,	
	2020	2019
Balance at January 1	\$ 170,737	185,733
Impairment loss recognized (reversed)	15,784	(5,490)
Amounts written off	(21,515)	(245)
Reclassifications	(80)	-
Effect of changes in foreign exchange rates	(2,166)	2,286
Balance at Jun 30	\$ 162,760	182,284

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

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

As of June 30, 2020, December 31 and June 30, 2019, the Group sold its trade receivable without recourse as follows:

June 30, 2020						
Purchaser	Amount Derecognized	Amount Paid	Advanced Unpaid	Amount Recognized in Other Receivables	Range of Interest Rate	Significant Transferring Terms
Financial institutions	\$ 4,112,418	3,737,398	-	375,020	0.83%~2.88%	None

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

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

June 30, 2019

Purchaser	Amount Derecognized	Amount Paid	Advanced Unpaid	Amount Recognized in Other Receivables	Range of Interest Rate	Significant Transferring Terms
Financial institutions	\$ 3,839,938	3,520,170	-	319,768	1.11%~3.54%	None

As of June 30, 2020, December 31 and June 30, 2019, the Group did not provide any receivables as collaterals for its loans.

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

(e) Other receivables

	June 30, 2020	December 31, 2019	June 30, 2019
Other receivables — the receivables of the Group as an agent (note (6)(r))	\$ 879,018	938,929	156,207
Other receivables — accounts receivable factored	375,020	280,060	319,768
Other receivables — related parties	-	-	10
Tax refund	-	22,769	-
Overdue receivable	23,355	23,313	27,643
Others	2,575	2,081	2,152
	1,279,968	1,267,152	505,780
Less: Loss allowance	(23,355)	(23,313)	(27,643)
	<u>\$ 1,256,613</u>	<u>1,243,839</u>	<u>478,137</u>

For the six months ended June 30, 2020 and 2019, the movement in the allowance for other receivables were as follows:

	For the six months ended June 30,	
	2020	2019
Balance at January 1	\$ 23,313	27,643
Amounts written off	(18)	-
Reclassifications	80	-
Effect of changes in foreign exchange rates	(20)	-
Balance at June 30	<u>\$ 23,355</u>	<u>27,643</u>

As of June 30, 2020, December 31 and June 30, 2019, the Group did not provide any other receivables as collaterals for its loans.

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

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

(f) Inventories

	<u>June 30, 2020</u>	<u>December 31, 2019</u>	<u>June 30, 2019</u>
Merchandise inventories	\$ 8,621,422	9,522,408	10,949,674
Goods in transit	<u>686,923</u>	<u>956,592</u>	<u>922,578</u>
	<u>\$ 9,308,345</u>	<u>10,479,000</u>	<u>11,872,252</u>

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

	<u>For the three months ended June 30,</u>		<u>For the six months ended June 30,</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Inventory valuation loss and obsolescence (Gain from price recovery of inventory)	\$ (11,688)	(10)	38,083	157,581
Loss on scrapping of inventory and others	<u>-</u>	<u>876</u>	<u>-</u>	<u>985</u>
	<u>\$ (11,688)</u>	<u>866</u>	<u>38,083</u>	<u>158,566</u>

For the six months ended June 30, 2020 and 2019, The write-down of inventories to net realizable value amounted to \$38,083 and \$157,581, respectively. For the three months ended June 30, 2020 and 2019, the reversal of inventory valuation losses amounted \$11,688 and \$10, respectively, resulting from the slow-moving inventories sold by the group.

As of June 30, 2020, December 31 and June 30, 2019, the Group did not provide any inventories as collaterals for its loans.

(g) Property, plant and equipment

	<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>
Carrying amounts:						
Balance on January 1, 2020	\$ <u>77,377</u>	<u>30,927</u>	<u>5,436</u>	<u>4,578</u>	<u>30,973</u>	<u>149,291</u>
Balance on June 30, 2020	\$ <u>77,377</u>	<u>30,495</u>	<u>4,595</u>	<u>4,041</u>	<u>24,275</u>	<u>140,783</u>
Balance on January 31, 2019	\$ <u>77,377</u>	<u>31,790</u>	<u>5,912</u>	<u>5,999</u>	<u>35,737</u>	<u>156,815</u>
Balance on June 30, 2019	\$ <u>77,377</u>	<u>31,359</u>	<u>5,149</u>	<u>5,354</u>	<u>33,550</u>	<u>152,789</u>

The Group's property, plant and equipment have no significant additions, disposals, impairments or reversals during for the six months ended June 30, 2020 and 2019. Information on depreciation for the period is disclosed in note (12)(a). For other related information, please refer to note (6)(g) of the 2019 annual consolidated financial statements.

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WEIKENG INDUSTRIAL CO., LTD. AND SUBSIDIARIES
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(h) Right-of-use assets

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

	<u>Buildings</u>	<u>Transportation equipment</u>	<u>Total</u>
Cost:			
Balance on January 1, 2020	\$ 389,090	7,548	396,638
Additions	1,841	-	1,841
Reductions	(1,232)	-	(1,232)
Effect of changes in exchange rates	(4,590)	-	(4,590)
Balance on June 30, 2020	<u>\$ 385,109</u>	<u>7,548</u>	<u>392,657</u>
Balance on January 1, 2019	\$ 394,091	7,548	401,639
Additions	1,012	-	1,012
Effect of changes in exchange rates	3,911	-	3,911
Balance on June 30, 2019	<u>\$ 399,014</u>	<u>7,548</u>	<u>406,562</u>
Accumulated depreciation:			
Balance on January 1, 2020	\$ 114,037	2,988	117,025
Depreciation	66,764	1,428	68,192
Reductions	(478)	-	(478)
Effect of changes in exchange rates	(2,209)	-	(2,209)
Balance on June 30, 2020	<u>\$ 178,114</u>	<u>4,416</u>	<u>182,530</u>
Balance on January 1, 2019	\$ -	-	-
Depreciation	65,505	1,494	66,999
Effect of changes in exchange rates	(150)	-	(150)
Balance on June 30, 2019	<u>\$ 65,355</u>	<u>1,494</u>	<u>66,849</u>
Carrying amount:			
Balance on January 1, 2020	<u>\$ 275,053</u>	<u>4,560</u>	<u>279,613</u>
Balance on June 30, 2020	<u>\$ 206,995</u>	<u>3,132</u>	<u>210,127</u>
Balance on June 30, 2019	<u>\$ 333,659</u>	<u>6,054</u>	<u>339,713</u>

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

(i) Short-term borrowings

The details of Group's short-term borrowings were as follows:

	June 30, 2020	December 31, 2019	June 30, 2019
Unsecured loans	\$ 9,602,411	9,175,602	10,295,303
Short-term notes and bills payable, net	669,050	669,251	669,214
	<u>\$ 10,271,461</u>	<u>9,844,853</u>	<u>10,964,517</u>
Unused short-term credit lines	<u>\$ 3,163,648</u>	<u>4,909,723</u>	<u>3,987,673</u>
Range of interest rates	<u>0.52%~4.57%</u>	<u>1.02%~4.35%</u>	<u>1.02%~4.35%</u>

(i) Issuance and repayment of borrowings

The Group's additional amounts in loans for the six months ended June 30, 2020 and 2019 were \$17,932,089 and \$16,729,077, respectively, with maturities from June, 2020, to March, 2021 and from July, 2019, to May, 2020, respectively; and the repayments were \$17,505,481 and \$17,502,035, 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

	June 30, 2020	December 31, 2019	June 30, 2019
Other payable — the payables of the Group's as an agent (note(6)(r))	\$ 343,674	936,542	152,758
Accrued expenses	224,925	235,370	198,864
Bonus payable	80,022	154,821	74,547
Remuneration to employees and directors	74,854	48,720	104,107
Interest payable	24,930	36,154	51,576
	<u>\$ 748,405</u>	<u>1,411,607</u>	<u>581,852</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. AND SUBSIDIARIES
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(k) Convertible bonds payable

(i) Non-guaranteed convertible bonds:

	December 31, 2019	June 30, 2019
Aggregate principal amount	\$ 200,000	200,000
Bond discount	-	(26)
Cumulative converted amount	<u>(200,000)</u>	<u>(192,200)</u>
	-	7,774
Less: Convertible bonds payable – could be repaid within one year	<u>-</u>	<u>7,774</u>
Bonds payable at end of period	<u>\$ -</u>	<u>-</u>
Embedded derivative – call and put options	<u>\$ -</u>	<u>-</u>
Equity component – conversion options (included in capital surplus – conversion options)	<u>\$ -</u>	<u>317</u>

The effective interest rates of the fourth convertible bonds was 2.47%. The annual interest expenses on convertible bonds payable for the six months ended June 30, 2019 was \$274.

- (ii) As the fourth convertible bonds have issued for two years, the creditors may request a buy back. Therefore, based on the conservative principles, the fourth conversion of convertible bonds are recognized as current liabilities since August 22, 2017. The above convertible bonds had expired on August 22, 2019, and all of them had been transferred into the ordinary shares of the Group before the expiration date.

There were no significant issues, repurchases and repayments of bonds payable for the six months ended June 30, 2020 and 2019. Please refer to note (6)(k) of the 2019 annual consolidated financial statements for the related information.

(l) Lease liabilities

	June 30, 2020	December 31, 2019	June 30, 2019
Current	<u>\$ 112,668</u>	<u>127,571</u>	<u>137,060</u>
Non-current	<u>\$ 98,292</u>	<u>152,221</u>	<u>202,576</u>

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

The amounts recognized in profit or loss were as follows:

	For the three months ended June 30,		For the six months ended June 30,	
	2020	2019	2020	2019
Interest on lease liabilities	<u>\$ 1,585</u>	<u>2,573</u>	<u>3,458</u>	<u>5,039</u>
Expenses relating to short-term leases	<u>\$ 1,254</u>	<u>1,883</u>	<u>2,782</u>	<u>3,713</u>

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WEIKENG INDUSTRIAL CO., LTD. AND SUBSIDIARIES
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The amounts recognized in the statement of cash flows for the Group was as follows:

	For the six months ended June 30,	
	2020	2019
Total cash outflow for leases	\$ 73,501	76,664

(i) Real estate leases

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

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

(ii) Other leases

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

(m) Operating lease —as lessor

There were no significant leases contracts for the six months ended June 30, 2019. Please refer to note (6)(m) of the 2019 annual consolidated financial statements for other related information.

(n) Employee benefits

(i) Defined benefit plans

Management believes that there was no material volatility of the market, no material reimbursement and settlement or other material one time events since prior fiscal year. As a result, the pension cost in the accompanying interim period was measured and disclosed according to the actuarial report as of December 31, 2019 and 2018.

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

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WEIKENG INDUSTRIAL CO., LTD. AND SUBSIDIARIES
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The expenses recognized in profit or loss for the Group were as follows:

	For the three months ended		For the six months ended	
	June 30,		June 30,	
	2020	2019	2020	2019
Operating expense	<u>\$ 429</u>	<u>721</u>	<u>858</u>	<u>1,442</u>

(ii) Defined contribution plans

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

The Company and WTC recognized the pension costs under the defined contribution method amounting to \$5,511, \$5,517, \$11,038 and \$11,060 for the three months and six months ended June 30, 2020 and 2019, respectively. Payment was made to the Bureau of Labor Insurance.

Other subsidiaries recognized the pension expense, basic endowment insurance expense, and social welfare expenses amounting to \$2,356, \$15,518, \$12,533 and \$31,669 for the three months and six months ended June 30, 2020 and 2019, respectively.

(o) Income taxes

(i) Income tax expenses

The amount of income tax for the three months and six months ended June 30, 2020 and 2019 were as follows:

	For the three months ended		For the six months ended	
	June 30,		June 30,	
	2020	2019	2020	2019
Current tax expense	<u>\$ 53,206</u>	<u>26,292</u>	<u>86,733</u>	<u>55,993</u>

(Continued)

WEIKENG INDUSTRIAL CO., LTD. AND SUBSIDIARIES
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The amount of income tax recognized in other comprehensive income for the three months and six months ended June 30, 2020 and 2019 were as follows:

	For the three months ended		For the six months ended	
	June 30,		June 30,	
	2020	2019	2020	2019
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translation of foreign financial statements	\$ (18,358)	3,466	(13,403)	9,692

(ii) The tax authority has assessed the income tax returns of the Company and WTC for the years through 2016 and 2018, respectively.

(p) Capital and other equities

As of June 30, 2020, December 31 and June 30, 2019, the total value of nominal ordinary shares amounted to \$4,500,000 each having a par value of \$10 per share, totaling 450,000 thousand ordinary shares of which, 367,751 thousand shares, 367,751 thousand shares and 367,252 thousands shares, respectively, were issued. All issued shares were paid up upon issuance.

(i) Common stock

For the six months ended June 30, 2019, 1,606 thousand new common shares, with a par value of \$10, amounting to \$16,058, were issued due to the conversion of convertible bonds. As of reporting date, the related registration procedures were completed.

(ii) Capital surplus

Balance on capital surplus of the Group were as follows:

	June 30,	December	June 30,
	2020	31, 2019	2019
Additional paid in capital	\$ 845,753	845,753	842,637
Treasury share transactions	37,617	37,617	37,617
Donation from shareholders	712	712	712
Convertible bonds– conversion options	-	-	317
Other	253	253	253
	\$ 884,335	884,335	881,536

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WEIKENG INDUSTRIAL CO., LTD. AND SUBSIDIARIES
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For the six months ended June 30, 2019, the capital surplus deriving from those convertible bonds, which was converted to common stock, amounted to \$8,834. (including the capital surplus-conversion options transferred to the capital surplus-additional paid-in capital of \$1,018).

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

(iii) Retained earnings

The Company's Article of Incorporation stipulates that Company's earnings, net of relative expenses and remuneration to employees and directors, should first be used to pay any taxes and offset the prior years' deficits, 10% of the remaining balance is to be set aside as legal reserve, and then set aside or reverse special reserve according to the regulations and consider the amount which directly transferring into retained earnings in the current year, any remaining profit, together with any undistributed retained earnings at the beginning, be distributed according to the distribution plan proposed by the Board of Directors to be submitted during the stockholders' meeting for approval. Before the distribution of dividends, the Company shall first take into consideration its operating environment, industry developments, and the long-term interests of stockholders, as well as its programs to maintain operating efficiency and meet its capital expenditure budget and financial goals in determining the stock or cash dividends to be paid. After the above appropriations, current and prior-period earnings that remain undistributed will be proposed for distribution by the Board of Directors, and a meeting of shareholders will be held to adopt this resolution. The total distribution shall not be less than 50% of the current earnings, and the cash dividends shall not be less than 20% of the total dividends.

According to the R.O.C. Company Act, the Company should distribute dividends and bonus, or all or part of the legal reserve and capital surplus, stipulated by the Company Act, as cash dividends based on the resolution of the Board of Directors with two-thirds directors present and approved by one-half of the present directors.

1) Earnings distribution

The amount for cash dividends of Company's earnings distribution for 2019 was decided by the Board of directors held on March 27, 2020, and the Company's earnings distribution for 2018 was decided via a general meeting of the shareholders held on June 20, 2019.

(Continued)

WEIKENG INDUSTRIAL CO., LTD. AND SUBSIDIARIES
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	<u>2019</u>		<u>2018</u>	
	<u>Amount per share</u>	<u>Total amount</u>	<u>Amount per share</u>	<u>Total amount</u>
Dividends distributed to ordinary shareholders:				
Cash dividends	\$ 0.57770670	<u>212,452</u>	1.02063987	354,165
Stock dividends			0.59793133	<u>207,484</u>
				<u>\$ 561,649</u>

(q) Earnings per share

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

(i) Basic earnings per share

1) Profit attributable to ordinary shareholders of the Company

	<u>For the three months ended June 30,</u>		<u>For the six months ended June 30,</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
	Profit attributable to ordinary shareholders of the Company	\$ <u>203,809</u>	<u>86,398</u>	<u>294,686</u>

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

	<u>For the three months ended June 30,</u>		<u>For the six months ended June 30,</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
	Weighted-average number of ordinary share	<u>367,751</u>	<u>345,973</u>	<u>367,751</u>

(ii) Diluted earnings per share

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

	<u>For the three months ended June 30,</u>		<u>For the six months ended June 30,</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
	Profit attributable shareholders of the Company (basic)	\$ 203,809	86,398	294,686
Convertible bonds payable	-	97	-	274
Profit attributable to ordinary shareholders of the Company (diluted)	<u>\$ 203,809</u>	<u>86,495</u>	<u>294,686</u>	<u>161,058</u>

(Continued)

WEIKENG INDUSTRIAL CO., LTD. AND SUBSIDIARIES
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2) Weighted-average number of ordinary shares (thousands, diluted)

	For the three months ended June 30,		For the six months ended June 30,	
	2020	2019	2020	2019
Weighted-average number of ordinary shares (basic)	367,751	345,973	367,751	345,550
Effect of convertible bonds	-	1,030	-	1,452
Effect of employee stock remuneration	2,140	922	3,203	2,655
Weighted-average number of ordinary shares (diluted) on June 30	<u>369,891</u>	<u>347,925</u>	<u>370,954</u>	<u>349,657</u>

(r) Revenue from contracts with customers

(i) Disaggregation of revenue

	For the three months ended June 30,		For the six months ended June 30,	
	2020	2019	2020	2019
Primary geographical markets:				
Taiwan	\$ 1,445,501	861,568	2,593,045	1,811,663
China	11,864,403	9,909,815	21,519,896	18,656,136
Others	687,379	802,508	1,445,852	1,615,732
	<u>\$ 13,997,283</u>	<u>11,573,891</u>	<u>25,558,793</u>	<u>22,083,531</u>
Major products/services lines				
Chipset/memory components	\$ 6,061,945	4,530,968	10,980,323	9,061,203
Assorted and other components	7,935,307	7,040,761	14,578,396	13,010,101
Others	31	2,162	74	12,227
	<u>\$ 13,997,283</u>	<u>11,573,891</u>	<u>25,558,793</u>	<u>22,083,531</u>

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WEIKENG INDUSTRIAL CO., LTD. AND SUBSIDIARIES
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The Group was determined in some specific transactions as an agent that the other party sold some merchandises to end-customer by delivering them to the Group. In these cases, the Group did not obtain the control of the merchandises, therefore, the Group recognized the remaining amount which was offset against the payment to the other party from the transactions; or recognized the commission signed with the other party, as revenue.

Due to the above transactions, the other receivables amounted to \$879,018 and \$156,207 as of June 30, 2020 and 2019, respectively; and the other payables amounted to \$343,674 and \$152,758 as of the six months ended June 30, 2020 and 2019, respectively. Please refer to note (6)(e) and (6)(j).

(ii) Contract balance

	<u>June 30, 2020</u>	<u>December 31, 2019</u>	<u>June 30, 2019</u>
Notes and accounts receivable (included related parties)	\$ 9,613,658	8,394,190	7,477,626
Less: allowance for impairment	<u>(162,760)</u>	<u>(170,737)</u>	<u>(182,284)</u>
	<u>\$ 9,450,898</u>	<u>8,223,453</u>	<u>7,295,342</u>
Contract liabilities	<u>\$ 129,527</u>	<u>91,026</u>	<u>70,200</u>

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

The amounts of revenue recognized for the six months ended June 30, 2020 and 2019 that were included in the contract liability balance at the beginning of the period were \$61,757 and \$115,120, respectively.

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

(s) Remuneration to employees and directors

The Audit committee, established by the independent directors, has replaced the supervisors' authority after the re-election of the new directors at the shareholders' meeting held on June 13, 2018, and amended the relevant provisions in the Company's articles of incorporation.

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

For the three months and six months ended June 30, 2020 and 2019, the accrued remuneration of the Company's employees were \$22,664, \$10,092, \$32,850 and \$18,446; as well as directors were \$5,667, \$2,523, \$8,213 and \$4,612, respectively. These amounts were calculated by using the Company's profit before tax for the period before deducting the amount of the remuneration to employees and directors, multiplied by the distribution ratio of remuneration to employees and directors under the Company's articles of Incorporation, and expensed under operating expenses. If the Board of Directors resolved to distribute employees' remuneration in the form of shares, the numbers of shares to be distributed were calculated based on the closing price of the Company's ordinary shares one day before the date of the meeting of the board of directors.

The accrued remuneration of the Company's employees was \$29,690 and \$73,349 as well as remuneration of directors was \$7,422 and \$18,337 for the years ended December 31, 2019 and 2018, respectively. There was no differences between the distributed amounts and the accrued amounts in the consolidated financial statements. Related information would be available at the Market Observation Post System website.

(t) Financial Instruments

Except for those mentioned below, there were no significant changes in the fair value of the Group's financial instruments and degree of exposure to credit risk. Please refer to the note (6)(t) of the consolidated financial statement for the year ended December 31, 2019.

(i) Credit risk

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).

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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, excluding estimated interest payments.

	<u>Carrying Amount</u>	<u>Contractual cash flows</u>	<u>Within a year</u>	<u>Over 1 year</u>
June 30, 2020				
Non-derivative financial liabilities				
Unsecured loans	\$ 9,602,411	(9,602,411)	(9,602,411)	-
Short-term notes and bill payable, net	669,050	(670,000)	(670,000)	-
Lease liabilities	210,960	(217,515)	(116,948)	(100,567)
Notes and accounts payable	5,510,206	(5,510,206)	(5,510,206)	-
Other payables and dividends payable	764,315	(764,315)	(764,315)	-
	<u>\$ 16,756,942</u>	<u>(16,764,447)</u>	<u>(16,663,880)</u>	<u>(100,567)</u>
December 31, 2019				
Non-derivative financial liabilities				
Unsecured loans	\$ 9,175,602	(9,175,602)	(9,175,602)	-
Short-term notes and bills payable, net	669,251	(670,000)	(670,000)	-
Lease liabilities	279,792	(289,857)	(133,384)	(156,473)
Notes and accounts payable	5,316,218	(5,316,218)	(5,316,218)	-
Other payables	1,174,242	(1,174,242)	(1,174,242)	-
Derivative financial liabilities				
Forward exchange contracts:	4,040			
Outflow	-	(123,699)	(123,699)	-
Inflow	-	119,659	119,659	-
	<u>\$ 16,619,145</u>	<u>(16,629,959)</u>	<u>(16,473,486)</u>	<u>(156,473)</u>
June 30, 2019				
Non-derivative financial liabilities				
Unsecured loans	\$ 10,295,303	(10,295,303)	(10,295,303)	-
Short-term notes and bill payable, net	669,214	(670,000)	(670,000)	-
Lease liabilities	339,636	(352,327)	(144,037)	(208,290)
Notes and accounts payable	3,910,281	(3,910,281)	(3,910,281)	-
Other payables and dividends payable	725,055	(725,055)	(725,055)	-
Bonds payable	7,774	(7,800)	(7,800)	-
Derivative financial liabilities				
Forward exchange contracts:	7,870			
Outflow	-	(687,656)	(687,656)	-
Inflow	-	679,786	679,786	-
	<u>\$ 15,955,133</u>	<u>(15,968,636)</u>	<u>(15,760,346)</u>	<u>(208,290)</u>

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

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WEIKENG INDUSTRIAL CO., LTD. AND SUBSIDIARIES
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(iii) Market risk

1) Currency risk

The Group's significant exposure to foreign currency risk was as follows:

	June 30, 2020			December 31, 2019			June 30, 2019		
	Foreign currency	Exchange rate	TWD	Foreign currency	Exchange rate	TWD	Foreign currency	Exchange rate	TWD
Financial assets									
Monetary items									
USD	\$ 251,294	USD/TWD 29.58	7,433,267	226,081	USD/TWD 30.020	6,786,937	175,126	USD/TWD 31.060	5,439,412
USD	1,430	USD/CNY 7.0766	42,288	1,877	USD/CNY 6.9830	56,349	791	USD/CNY 6.8702	24,576
Non-monetary items									
USD	745	USD/TWD 29.58	22,037	745	USD/TWD 30.020	22,365	745	USD/TWD 31.060	23,140
Financial liabilities									
Monetary items									
USD	184,716	USD/TWD 29.58	5,463,888	179,097	USD/TWD 30.020	5,376,480	168,043	USD/TWD 31.060	5,219,407
USD	30,441	USD/CNY 7.0766	900,433	39,178	USD/CNY 6.9830	1,176,111	29,530	USD/CNY 6.8702	917,214

2) Currency risk sensitivity analysis

The Group's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, notes and account receivables, other receivables, financial assets at fair value through other comprehensive income, loans and borrowings, notes and accounts payables and other payables that are denominated in foreign currency. A change of 5% in the exchange rate of TWD or CNY against foreign currency for the six months ended June 30, 2020 and 2019 would have increase (decreased) the other comprehensive income (before tax) \$1,102 and \$1,157, respectively. For the six months ended June 30, 2020 and 2019 would have increased (decreased) the net profit before tax as follows. The analysis is performed on the same basis for both periods.

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	For the six months ended	
	June 30,	
	2020	2019
USD (against the TWD)		
Strengthening 5%	\$ 98,469	11,000
Weakening 5%	(98,469)	(11,000)
USD (against the CNY)		
Strengthening 5%	(42,907)	(44,632)
Weakening 5%	42,907	44,632

3) Exchange gains and losses of monetary items

As the Group deals in diverse foreign currencies, gains or losses on foreign exchange were summarized as a single amount. For the three months and six months ended June 30, 2020 and 2019, the foreign exchange gain (loss), including both realized and unrealized, amounted to a gain of \$43,510, a loss of \$30,177, a gain of \$20,826 and a loss of \$8,869, respectively.

4) Interest rate analysis

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

	Carrying amount	
	June 30, 2020	June 30, 2019
Variable rate instruments:		
Financial assets	\$ 2,030,675	1,382,438
Financial liabilities	(9,602,411)	(10,295,303)

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

If the interest rate had increased or decreased by 0.25%, the Group's net profit before tax would have decreased or increased by \$9,465 and \$11,141 for the six months ended June 30, 2020 and 2019, respectively, which would be mainly resulting from demand deposits, and unsecured loans with variable interest rates.

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(iv) Fair value

1) Categories and the fair value of financial instruments

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

	June 30, 2020				
	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	\$ 735	735	-	-	735
Financial assets at fair value through other comprehensive income					
Notes and accounts receivable, net	1,029,462	-	-	-	-
Emerging market stock	4,341	4,341	-	-	4,341
Stocks unlisted on domestic markets and foreign market	42,453	-	-	42,453	42,453
Subtotal	<u>1,076,256</u>				
Financial assets measured at amortized cost					
Cash and cash equivalents	2,574,054	-	-	-	-
Notes and accounts receivable, net	8,421,436	-	-	-	-
Other receivables	1,256,613	-	-	-	-
Guarantee deposits paid	70,583	-	-	-	-
Subtotal	<u>12,322,686</u>				
	<u>\$ 13,399,677</u>				
Financial liabilities measured at amortized cost					
Bank loans	\$ 10,271,461	-	-	-	-
Notes and accounts payable	210,960	-	-	-	-
Other payables and dividends payable	5,510,206	-	-	-	-
Bonds payable	764,315	-	-	-	-
	<u>\$ 16,756,942</u>				

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	December 31, 2019				
	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	\$ 522	522	-	-	522
Financial assets at fair value through other comprehensive income					
Notes and accounts receivable, net	990,167	-	-	-	-
Emerging market stock	2,709	2,709	-	-	2,709
Stocks unlisted on domestic markets and foreign market	42,453	-	-	42,453	42,453
Subtotal	<u>1,035,329</u>				
Financial assets measured at amortized cost					
Cash and cash equivalents	2,336,361	-	-	-	-
Notes and accounts receivable, net	7,233,286	-	-	-	-
Other receivables	1,221,070	-	-	-	-
Guarantee deposits paid	71,549	-	-	-	-
Subtotal	<u>10,862,266</u>				
	<u>\$ 11,898,117</u>				
Financial liabilities mandatorily measured at fair value through profit or loss					
Derivative instruments not used for hedging					
Forward exchange contracts	\$ 4,040	-	4,040	-	4,040
Financial liabilities measured at amortized cost					
Bank loans	9,844,853	-	-	-	-
Lease liabilities	279,792	-	-	-	-
Notes and accounts payable	5,316,218	-	-	-	-
Other payables	1,174,242	-	-	-	-
Subtotal	<u>16,615,105</u>				
	<u>\$ 16,619,145</u>				

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	June 30, 2019				
	Carrying amount	Fair Value			Total
		Level 1	Level 2	Level 3	
Financial assets mandatorily measured at fair value through profit or loss					
Derivative instruments not used for hedging					
Forward exchange contracts	\$ 1,220	-	1,220	-	1,220
Stocks listed on domestic markets	<u>566</u>	566	-	-	566
Subtotal	<u>1,786</u>				
Financial assets at fair value through other comprehensive income					
Notes and accounts receivable, net	742,715	-	-	-	-
Emerging market stock	2,636	2,636	-	-	2,636
Stocks unlisted on domestic markets and foreign market	<u>47,683</u>	-	-	47,683	47,683
Subtotal	<u>793,034</u>				
Financial assets measured at amortized cost					
Cash and cash equivalents	1,862,329	-	-	-	-
Notes and accounts receivable, net	6,552,627	-	-	-	-
Other receivables	478,137	-	-	-	-
Guarantee deposits paid	<u>72,778</u>	-	-	-	-
Subtotal	<u>8,965,871</u>				
	<u>\$ 9,760,691</u>				
Financial liabilities mandatorily measured at fair value through profit or loss					
Derivative instruments not used for hedging					
Forward exchange contracts	\$ <u>7,870</u>	-	7,870	-	7,870
Financial liabilities measured at amortized cost					
Bank loans	10,964,517	-	-	-	-
Lease liabilities	339,636	-	-	-	-
Notes and accounts payable	3,910,281	-	-	-	-
Other payables and dividends payable	725,055	-	-	-	-
Bonds payable	<u>7,774</u>	-	-	-	-
Subtotal	<u>15,947,263</u>				
	<u>\$ 15,955,133</u>				

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There were no transfers of financial instruments between any levels for the six months ended June 30, 2020 and 2019.

2) Valuation techniques for financial instruments not measured at fair value

The Group's valuation techniques and assumptions used for financial instruments not measured at fair value are as follows:

a) Financial assets measured at amortized cost

If there is quoted price generated by transactions, the recent transaction price and quoted price data is used as the basis for fair value measurement. However, if no quoted prices are available, the discounted cash flows are used to estimate fair values.

3) Valuation technique of financial instruments measured at fair value

a) Non-derivative financial instruments

If the financial instrument has a public quoted price in an active market, the public quoted price will be determined as the fair value. The measurements on fair value of the financial instruments without an active market are determined using the valuation technique or the quoted market price of its competitors. 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 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.

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WEIKENG INDUSTRIAL CO., LTD. AND SUBSIDIARIES
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4) Reconciliation of Level 3 fair values

	Fair value through other comprehensive income
	Unquoted equity instruments
Opening balance, January 1, 2020 (the same as ending Balance, June 30, 2020)	\$ 42,453
Opening balance, January 1, 2019	\$ 60,883
Total gains and losses recognized:	
In other comprehensive income	(13,200)
Ending Balance, June 30, 2019	\$ 47,683

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

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

Quantified information of significant unobservable inputs was as follows:

Item	Valuation technique	Significant unobservable inputs	Inter-relationships between significant unobservable inputs and fair value measurement
Financial assets at fair value through other comprehensive income	Guideline Public Company method	<ul style="list-style-type: none"> ·Price-Sales ratio (0.84, 0.7 and 0.79 at June 30, 2020, December 31 and June 30, 2019, respectively) ·Price-Book ratio (0.77, 0.9 and 0.83 at June 30, 2020, December 31 and June 30, 2019, respectively) ·Lack-of-Marketability discount rate (12.93%, 12.93% and 17.02% on June 30, 2020, December 31 and June 30, 2019, respectively) 	<p>The estimated fair value would increase (decrease) if:</p> <ul style="list-style-type: none"> ·The Price-Sales ratio were higher (lower); ·the Price-Book ratio were higher (lower); or ·the Lack-of-Marketability discount rate were lower (higher)
Financial assets at fair value through profit or loss	Net Asset Value Method	·Net asset value	·Not applicable

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

(u) Financial risk management

There was no significant changes in the Group's financial risk management and policies as disclosed in the note (6)(u) of the consolidated financial statements for the year ended December 31, 2019.

(v) Capital management

The Group's objectives, policies and processes of capital management are consistent with those disclosed in the consolidated financial statements for the year ended December 31, 2019. In addition, there were no significant differences between the summary quantitative data of the items of capital management in the consolidated financial statements and those disclosed in the consolidated financial statements for the year ended December 31, 2019. Please refer to note (6)(v) of the consolidated financial statements for the year ended December 31, 2019 for further details.

(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 six months ended June 30, 2020 and 2019, were as follows:

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

(ii) For conversion of convertible bonds to ordinary shares, please refer to note (6)(k).

Reconciliation of liabilities arising from financing activities were as follows:

	January 1, 2020	Cash flows	Non-cash changes			June 30, 2020
			Acquisition	Reduction	Foreign exchange movement	
Short-term loans	\$ 9,844,853	426,608	-	-	-	10,271,461
Lease liabilities	279,792	(67,261)	1,841	(771)	(2,641)	210,960
Total liabilities from financing activities	<u>\$ 10,124,645</u>	<u>359,347</u>	<u>1,841</u>	<u>(771)</u>	<u>(2,641)</u>	<u>10,482,421</u>

	January 1, 2019	Cash flows	Non-cash changes			June 30, 2019
			Acquisition	Foreign exchange movement	Reduction	
Short-term loans	\$ 11,737,475	(772,958)	-	-	-	10,964,517
Lease liabilities	401,639	(67,912)	1,012	4,897	-	339,636
Total liabilities from financing activities	<u>\$ 12,139,114</u>	<u>(840,870)</u>	<u>1,012</u>	<u>4,897</u>	<u>-</u>	<u>11,304,153</u>

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

(7) Related-party transactions

(a) Name and relationship with related parties

The following are entities that have had transactions with the Group during the period covered in the consolidated financial report were as follows:

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

(b) Other related party transactions

(i) Sale of goods to related parties

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

	<u>For the three months ended</u> <u>June 30,</u>		<u>For the six months ended</u> <u>June 30,</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Other related parties	<u>\$ -</u>	<u>-</u>	<u>2</u>	<u>(2)</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 of transactions between the Group and related parties were as follows:

	<u>For the three months ended</u> <u>June 30,</u>		<u>For the six months ended</u> <u>June 30,</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Other related parties	<u>\$ 2,448</u>	<u>2,556</u>	<u>4,717</u>	<u>5,099</u>

(iii) Lease

The Group leased a portion of its building to its related parties for office use purpose. The rental is collected monthly, were as follows:

	<u>For the three months ended</u> <u>June 30,</u>		<u>For the six months ended</u> <u>June 30,</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Other related parties	<u>\$ 298</u>	<u>327</u>	<u>596</u>	<u>653</u>

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

(iv) Receivables from related parties

The receivables from related parties were as follows:

<u>Account</u>	<u>Relationship</u>	<u>June 30, 2020</u>	<u>December 31, 2019</u>	<u>June 30, 2019</u>
Other receivables	Other related parties	\$ -	-	10

(v) Payable to related parties

<u>Account</u>	<u>Related party categories</u>	<u>June 30, 2020</u>	<u>December 31, 2019</u>	<u>June 30, 2019</u>
Other payables	Other related parties	\$ 696	963	804

(c) Key management personnel compensation

Key management personnel compensation comprised:

	<u>For the three months ended June 30,</u>		<u>For the six months ended June 30,</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Short-term employee benefits	\$ 36,268	37,320	63,368	66,996
Post-employment benefits	200	220	400	440
	\$ 36,468	37,540	63,768	67,436

(8) Pledged assets: None.

(9) Commitments and contingencies:

As of June 30, 2020, December 31 and June 30, 2019 the balance of L/Cs for customs and value added tax and the purchase of merchandise were as follows:

<u>June 30, 2020</u>	<u>December 31, 2019</u>	<u>June 30, 2019</u>
\$ 168,900	171,100	326,600

(10) Losses Due to Major Disasters: None

(11) Subsequent Events: None

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

(12) Other:

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

By item	By function	For the three months ended June 30,	
		2020	2019
		Operating expense	Operating expense
Employee benefits			
Salary	\$	269,833	260,862
Labor and health insurance		17,680	23,508
Pension		8,296	21,756
Remuneration of directors		8,934	2,554
Others		11,954	11,562
Depreciation		38,238	39,196
Amortization		5,562	1,364

By item	By function	For the six months ended June 30,	
		2020	2019
		Operating expense	Operating expense
Employee benefits			
Salary	\$	527,513	524,158
Labor and health insurance		40,580	47,670
Pension		24,429	44,171
Remuneration of directors		12,281	7,013
Others		23,059	24,685
Depreciation		77,017	76,355
Amortization		11,130	2,856

- (b) Seasonality of operations:

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

(13) Other disclosures:

- (a) Information on significant transactions:

The following is the information on significant transactions required by the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" for the Group for the six months ended June 30, 2020:

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

- (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	8,542,770	6,628,688	5,748,088	4,375,644	-	100.9 %	17,085,540	Y	-	-
"	"	WTP	100% owned subsidiary	8,542,770	570,380	562,020	392,212	-	9.9 %	17,085,540	Y	-	-
"	"	WKS	100% owned subsidiary	8,542,770	1,545,918	1,101,540	629,503	-	19.3 %	17,085,540	Y	-	Y

Note 1 : The total amount of the guarantee provided by the Company shall not exceed three hundred percent (300%) of the higher amount between the Company's capital amount and net worth. However, for any individual entity whose voting shares are 50% owned, 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 June 30, 2020 (excluding investment in subsidiaries, associates and joint ventures):

(Shares/units (thousands))

Name of holder	Category and name of security	Relationship with company	Account title	Ending balance				Note
				Shares/Units (thousands)	Carrying amount	Percentage of ownership (%)	Fair value	
The Company	Securities of listed companies EBMTechologies Inc.	-	Financial assets mandatorily measured at fair value through profit or loss-current	34	\$ 735	-	\$ 735	
The Company	Feature Integration Technology Inc.	-	Financial assets at fair value through other comprehensive income-noncurrent	158	\$ 3,954	0.53	\$ 3,954	
"	Clientron Corp.	-	"	15	387	0.02	387	
					\$ 4,341		\$ 4,341	
The Company	Paradigm I Venture Capital Company(Paradigm I)	-	Financial assets at fair value through other comprehensive income-noncurrent	750	\$ 9,437	6.79	\$ 9,437	
"	Paradigm Venture Capital Corporation(PVC Corp.)	-	"	271	3,226	10.49	3,226	
"	InnoBridge Venture Fund ILP. (InnoBridge)	-	"	-	15,150	9.90	15,150	
"	Shin Kong Global Venture Capital Corp.	-	"	3,000	4,800	12.00	4,800	
"	Vision Wide Technology Co., Ltd.(VTEC)	-	"	800	9,840	1.70	9,840	
					\$ 42,453		\$ 42,453	

- (iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20% of the capital stock: None
- (v) Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None
- (vi) Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None

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

(vii) Related-party transactions for purchases and sales with amounts exceeding the lower of NT\$100 million or 20% of the capital stock:

Name of company	Related party	Nature of relationship	Transaction details			Transactions with terms different from others		Notes/Accounts receivable (payable)		Note
			Purchases/(Sales)	Amount	Percentage of total purchases/(sales)	Payment terms	Unit price	Payment terms	Ending balance	
The Company	WKI	100% owned subsidiary	(Sales)	(243,962) (USD(8,119))	(2) %	OA30	No significant difference with other customer	-	Accounts Receivable 140,748 (USD4,758)	3 %
"	"	"	Purchases	147,855 (USD4,918)	1 %	"	"	-	-	- %
WKI	The Company	Parent company	Purchases	243,962 (USD8,119)	2 %	"	"	-	Accounts Payable (140,748) (USD(4,758))	(6) %
"	"	"	(Sales)	(147,855) (USD(4,918))	(1) %	"	"	-	-	- %
"	WKS	Subsidiary	(Sales)	(1,468,895) (USD(48,957))	(13) %	OA60	"	-	Accounts Receivable 922,252 (USD31,178)	22 %
WKS	WKI	Parent company	Purchases	1,468,895 (USD48,957)	72 %	"	"	-	Accounts Payable (922,252) (USD(31,178))	(68) %

Note: The transactions have been eliminated in the consolidated financial statement.

(viii) Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of the capital stock:

(in thousands of foreign currency)

Name of company	Counter-party	Nature of relationship	Ending balance	Turnover rate	Overdue		Amounts received in subsequent period (Note)	Allowance for bad debts	Note
					Amount	Action taken			
The Company	WKI	100% owned Subsidiary	140,748 (USD4,758)	6.60	-	-	USD 2,367	-	The transactions have been eliminated in the consolidated financial statement
"	"	"	102,502 (USD3,465)	-	-	-	USD 1,861	-	"
WKI	WKS	Subsidiary	922,252 (USD31,178)	2.81	-	-	USD 21,797	-	"

Note: Information as of July 31, 2020.

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

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

(x) Business relationships and significant intercompany transactions:

No. (Note 1)	Name of company	Name of counter-party	Nature of relationship (Note 2)	Intercompany transactions			
				Account name	Amount	Trading terms	Percentage of the consolidated net revenue or total assets
0	The Company	WKI	1	Sales Revenue	243,962	The price is marked up based on operating cost, and the receivables depend on OA30 after offsetting the accounts payable.	0.95%
"	"	"	"	Accounts Receivable	140,748	"	0.60%
"	"	"	"	Management and Credit Service Revenue	118,092	The price is set by percentage of the contract and is received quarterly.	0.46%
"	"	"	"	Other Receivables	102,502	"	0.43%
"	"	WKS	"	Sales Revenue	1,158	The price is marked up based on operating cost, OA60.	-%
"	"	"	"	Accounts Receivable	1,611	"	0.01%
"	"	WTP	"	Sales Revenue	7,420	The price is marked up based on operating cost, and the receivables depend on OA30 after offsetting the accounts payable.	0.03%
"	"	"	"	Accounts Receivable	1,111	"	-%
"	"	"	"	Other Receivables	1,033	"	-%
1	WKI	The Company	2	Sales Revenue	147,855	The price is marked up based on operating cost, and the receivables depend on OA30 after offsetting the accounts payable.	0.58%
"	"	WKS	3	Sales Revenue	1,468,895	The price is marked up based on operating cost, and the receivables depend on funding demand and OA60.	5.75%
"	"	"	"	Accounts Receivable	922,252	"	3.91%
2	WKS	WKI	"	Service Revenue	159,555	The price is set by percentage of the contract, OA30.	0.62%
"	"	"	"	Accounts Receivable	39,770	"	0.17%

Note 1: The numbers filled in as follows:

1. 0 represents the Company.
2. Subsidiaries are sorted in a numerical order starting from 1.

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

Note 2: Relationship with the transactions labeled as follows:

- 1 represents the transactions from the parent company to its subsidiaries.
- 2 represents the transactions from the subsidiaries to the parent company.
- 3 represents the transactions between subsidiaries.

(b) Information on investees:

The following is the information on investees for the six months ended June 30, 2020 (excluding information on investees in Mainland China):

(in thousands of foreign currency)

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Highest			Net income (losses) of investee	Investment income (losses) of investor	Note
				June 30, 2020	December 31, 2019	Shares (In Thousands)	Percentage of Ownership	Carrying amount			
The Company	WKI	Hong Kong	Electronic components computer peripherals products distribution and technical support	\$ 1,044,995	774,275	396,250	100%	\$ 3,654,201	120,592	\$ 120,592	Subsidiary
"	WTC	Taipei	Electronic components and technical support	12,983	12,983	1,589	100%	26,465	(128)	(128)	"
"	WTP	Singapore	"	293,327	293,327	12,413	100%	325,512	(4,507)	(4,507)	"
	Total			\$ 1,351,305	1,080,585			\$ 4,006,178		\$ 115,957	
WKI	Weitech	Hong Kong	Import and export trade of electronic components	0.41 (HKD0.1)	0.41 (HKD0.1)	-	100%	1,963 (USD66)	135 (USD4)	135 (USD4)	Subsidiary's subsidiary

(c) Information on investment in mainland China:

(i) The names of investees in Mainland China, the main businesses and products, and other information:

(in thousands of foreign currency)

Name of investee	Main businesses and products	Total amount of paid-in capital	Method of investment	Accumulated outflow of investment from Taiwan as of January 1, 2020	Investment flows		Accumulated outflow of investment from Taiwan as of June 30, 2020	Net income (losses) of the investee	Percentage of ownership	Investment income (losses) of investor (Note 2)	Book value	Accumulated remittance of earnings in current period
					Outflow (Note 3)	Inflow						
WKS	Electronic components computer peripherals products distribution and technical support	786,647 (USD25,000)	Note 1 - 4	304,594 (USD9,800)	-	-	304,594 (USD9,800)	51,562 (USD1,719) (Note 2)	100%	51,562 (USD1,719) (Note 2)	604,853 (USD20,448)	-
WKE	Electronic technology development and technical advisory	5,067 (RMB1,000)	Note 1 - 5	-	-	-	-	(788) (USD(26))	100%	(788) (USD(26))	4,520 (USD153)	-

(ii) Limitation on investment in Mainland China:

Accumulated Investment in Mainland China as of June 30, 2020	Investment Amounts Authorized by Investment Commission, MOEA (note 3)	Upper Limit on Investment
304,594 (USD9,800)	739,500 (USD25,000)	3,417,108

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 for the six months ended June 30, 2020.

Note 3: The currency were translated into New Taiwan Dollars at the exchange rates at the end of reporting period.

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WEIKENG INDUSTRIAL CO., LTD. AND SUBSIDIARIES
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Note 4: The difference was due to Weikeng International Co. Ltd.'s investment of US\$15,200 thousand dollars on Weikeng International (Shanghai) Co. Ltd. using its funds.

Note 5: The difference was due to Weikeng International (Shanghai) Co. Ltd.'s investment of RMB1,000 thousand dollars on Weikeng Electronic Technology (Shanghai) Co. Ltd. using its funds.

(iii) Significant transactions:

Please refer to Information on significant transactions for the information on significant direct or indirect transactions, which were eliminated in the preparation of consolidated financial statements, between the Group and the investee companies in Mainland China in 2020.

(d) Major shareholders:

Shareholder's Name	Shareholding	Shares	Percentage
Weiji Investment Co., Ltd.		31,426,876	8.55 %

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

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

(14) Segment information:

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