

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

Consolidated Financial Statements

**With Independent Auditors' Review Report
For the Nine Months Ended September 30, 2021 and 2020**

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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 September 30, 2021 and 2020, and the related consolidated statements of comprehensive income for the three months and nine months ended September 30, 2021 and 2020, as well as the changes in equity and cash flows for the nine months ended September 30, 2021 and 2020, 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 September 30, 2021 and 2020, and of its consolidated financial performance for the three months and nine months ended September 30, 2021 and 2020, as well as its consolidated cash flows for the nine months ended September 30, 2021 and 2020 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)

November 11, 2021

Notes to Readers

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

WEIKENG INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Consolidated Statement of Comprehensive Income

For the three months and nine months ended September 30, 2021 and 2020

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

	For the three months ended				For the nine months ended				
	September 30				September 30				
	2021		2020		2021		2020		
	Amount	%	Amount	%	Amount	%	Amount	%	
4100	Net sales revenue (note (6)(r) and note (7))	\$ 19,581,426	100	17,265,545	100	54,084,640	100	42,824,338	100
5000	Cost of sales (note (6)(f))	18,055,943	92	16,411,670	95	50,290,831	93	40,540,230	95
	Gross profit	<u>1,525,483</u>	<u>8</u>	<u>853,875</u>	<u>5</u>	<u>3,793,809</u>	<u>7</u>	<u>2,284,108</u>	<u>5</u>
	Operating expenses (notes (6)(l), (6)(m), (6)(n), note (7) and (12)):								
6100	Selling expenses	549,872	2	436,506	2	1,465,176	3	1,161,595	3
6200	Administrative expenses	170,133	1	123,604	1	446,501	1	332,506	1
6450	Expected credit losses (gains) (note (6)(d))	4,671	-	18,904	-	(18,215)	-	34,688	-
		<u>724,676</u>	<u>3</u>	<u>579,014</u>	<u>3</u>	<u>1,893,462</u>	<u>4</u>	<u>1,528,789</u>	<u>4</u>
	Net operating income	<u>800,807</u>	<u>5</u>	<u>274,861</u>	<u>2</u>	<u>1,900,347</u>	<u>3</u>	<u>755,319</u>	<u>1</u>
	Non-operating income and expenses:								
7100	Interest income	770	-	753	-	2,462	-	3,630	-
7010	Other income (note (7))	1,725	-	10,575	-	13,228	-	39,908	-
7235	Gains (losses) on financial assets (liabilities) at fair value through profit or loss, net	2,220	-	(99)	-	7,663	-	1,815	-
7230	Foreign currency exchange gains (losses), net (note (6)(t))	12,761	-	73,189	-	25,581	-	94,015	-
7050	Finance costs (note (6)(l))	(41,421)	-	(51,380)	-	(127,305)	-	(205,100)	-
7590	Miscellaneous disbursements	(163)	-	(173)	-	(573)	-	(442)	-
		<u>(24,108)</u>	<u>-</u>	<u>32,865</u>	<u>-</u>	<u>(78,944)</u>	<u>-</u>	<u>(66,174)</u>	<u>-</u>
7900	Profit before tax	<u>776,699</u>	<u>5</u>	<u>307,726</u>	<u>2</u>	<u>1,821,403</u>	<u>3</u>	<u>689,145</u>	<u>1</u>
7950	Income tax expenses (note (6)(o))	244,984	2	73,162	1	560,297	1	159,895	-
8200	Profit	<u>531,715</u>	<u>3</u>	<u>234,564</u>	<u>1</u>	<u>1,261,106</u>	<u>2</u>	<u>529,250</u>	<u>1</u>
	Other comprehensive income:								
8310	Components of other comprehensive income 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	564	-	(489)	-	2,853	-	1,143	-
8349	Less: income tax relating to components of other comprehensive income that will not be reclassified to profit or loss	-	-	-	-	-	-	-	-
		<u>564</u>	<u>-</u>	<u>(489)</u>	<u>-</u>	<u>2,853</u>	<u>-</u>	<u>1,143</u>	<u>-</u>
8360	Components of other comprehensive income that may be reclassified to profit or loss								
8361	Exchange differences on translation of foreign financial statements	(26,443)	-	(47,808)	-	(101,272)	-	(114,822)	-
8399	Less: income tax relating to components of other comprehensive income that may be reclassified to profit or loss (note (6)(o))	(5,288)	-	(9,561)	-	(20,254)	-	(22,964)	-
		<u>(21,155)</u>	<u>-</u>	<u>(38,247)</u>	<u>-</u>	<u>(81,018)</u>	<u>-</u>	<u>(91,858)</u>	<u>-</u>
	Other comprehensive income, net	<u>(20,591)</u>	<u>-</u>	<u>(38,736)</u>	<u>-</u>	<u>(78,165)</u>	<u>-</u>	<u>(90,715)</u>	<u>-</u>
8500	Comprehensive income	<u>\$ 511,124</u>	<u>3</u>	<u>195,828</u>	<u>1</u>	<u>1,182,941</u>	<u>2</u>	<u>438,535</u>	<u>1</u>
	Earnings per common share (expressed in dollars) (note (6)(q))								
9750	Basic earnings per share	<u>\$ 1.42</u>		<u>0.64</u>		<u>3.41</u>		<u>1.44</u>	
9850	Diluted earnings per share	<u>\$ 1.25</u>		<u>0.63</u>		<u>2.96</u>		<u>1.42</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 Statement of Changes in Equity

For the nine months ended September 30, 2021 and 2020

(Expressed in Thousands of New Taiwan Dollars)

	Retained earnings					Other equity interest		Total equity
	Ordinary shares	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	
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:								
Legal reserve appropriated	-	-	25,866	-	(25,866)	-	-	-
Special reserve reversed	-	-	-	90,844	(90,844)	-	-	-
Cash dividends	-	-	-	-	(212,452)	-	-	(212,452)
	-	-	25,866	90,844	(329,162)	-	-	(212,452)
Consolidated net income for the nine months ended September 30, 2020	-	-	-	-	529,250	-	-	529,250
Other comprehensive income for the nine months ended September 30, 2020	-	-	-	-	-	(91,858)	1,143	(90,715)
Total comprehensive income for the nine months ended September 30, 2020	-	-	-	-	529,250	(91,858)	1,143	438,535
Balance at September 30, 2020	\$ 3,677,513	884,335	890,626	229,459	529,250	(236,166)	(84,009)	5,891,008
Balance at January 1, 2021	\$ 3,677,513	941,349	890,626	229,459	700,837	(282,193)	(83,513)	6,074,078
Appropriation and distribution of retained earnings:								
Legal reserve appropriated	-	-	70,083	-	(70,083)	-	-	-
Special reserve appropriated	-	-	-	136,246	(136,246)	-	-	-
Cash dividends	-	-	-	-	(494,508)	-	-	(494,508)
	-	-	70,083	136,246	(700,837)	-	-	(494,508)
Consolidated net income for the nine months ended September 30, 2021	-	-	-	-	1,261,106	-	-	1,261,106
Other comprehensive income for the nine months ended September 30, 2021	-	-	-	-	-	(81,018)	2,853	(78,165)
Total comprehensive income for the nine months ended September 30, 2021	-	-	-	-	1,261,106	(81,018)	2,853	1,182,941
Conversion of convertible bonds	313,041	218,921	-	-	-	-	-	531,962
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	759	-	(759)	-
Balance at September 30, 2021	\$ 3,990,554	1,160,270	960,709	365,705	1,261,865	(363,211)	(81,419)	7,294,473

See accompanying notes to consolidated financial statements.

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

Consolidated Statement of Cash Flows

For the nine months ended September 30, 2021 and 2020

(Expressed in Thousands of New Taiwan Dollars)

	For the nine months ended September 30,	
	2021	2020
Cash flows from operating activities:		
Profit before tax	\$ 1,821,403	689,145
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expenses	117,466	114,814
Amortization expenses	20,139	17,201
Expected credit losses (gains)	(18,215)	34,688
Net gains on financial assets or liabilities at fair value through profit or loss	(7,663)	(1,815)
Interest expenses	127,305	205,100
Interest income	(2,462)	(3,630)
Others	141	14
	<u>236,711</u>	<u>366,372</u>
Changes in operating assets and liabilities:		
Decrease (increase) in financial assets at fair value through profit or loss	11	(2,339)
Increase in notes and accounts receivable	(3,002,406)	(2,079,138)
Decrease in other receivable	534,220	293,322
Decrease (increase) in inventories	(1,702,047)	2,292,332
Increase in prepaid expenses and other current assets	(1,247)	(47,853)
	<u>(4,171,469)</u>	<u>456,324</u>
Increase (decrease) in notes and accounts payable	3,111,138	(1,696,973)
Decrease in other payable	(562,703)	(224,147)
Increase in contract liabilities and other current liabilities	84,580	142,421
Others	(5,109)	(4,430)
	<u>2,627,906</u>	<u>(1,783,129)</u>
Total changes in operating assets and liabilities	<u>(1,543,563)</u>	<u>(1,326,805)</u>
Total adjustments	<u>(1,306,852)</u>	<u>(960,433)</u>
Cash flow from operations	514,551	(271,288)
Interest received	2,462	3,630
Interest paid	(118,890)	(222,975)
Income taxes paid	(72,944)	(138,400)
Net cash flows from (used in) operating activities	<u>325,179</u>	<u>(629,033)</u>
Cash flows from investing activities:		
Proceeds from disposal of financial assets at fair value through other comprehensive income	7,446	-
Proceeds from capital reduction of financial assets at fair value through other comprehensive income	406	-
Acquisition of property, plant and equipment	(9,204)	(1,483)
Disposal of property, plant and equipment	282	-
Decrease (increase) in refundable deposits	(630)	1,008
Acquisition of intangible assets	(6,347)	(29,330)
Increase in other prepayments	(539)	-
Others	-	1,979
Net cash flows from (used in) investing activities	<u>(8,586)</u>	<u>(27,826)</u>
Cash flows from financing activities:		
Increase in short-term loans	276,342	983,498
Decrease in guarantee deposits received	-	(30)
Payments of lease liabilities	(104,791)	(101,253)
Cash dividends paid	(494,508)	(212,452)
Net cash flows from (used in) financing activities	<u>(322,957)</u>	<u>669,763</u>
Effect of exchange rate changes on cash and cash equivalents	<u>(103,047)</u>	<u>(113,710)</u>
Net decrease in cash and cash equivalents	(109,411)	(100,806)
Cash and cash equivalents at the beginning of period	2,486,340	2,336,361
Cash and cash equivalents at the end of period	<u>\$ 2,376,929</u>	<u>2,235,555</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 September 30, 2021 and 2020

WEIKENG INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

September 30, 2021 and 2020

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

(1) Company history

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

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

These consolidated financial statements were reported to the board of directors and issued on November 11, 2021.

(3) New standards, amendments and interpretations adopted:

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

The Group has initially adopted the following new amendments, which do not have a significant impact on its consolidated financial statements, from January 1, 2021:

- Amendments to IFRS 4 "Extension of the Temporary Exemption from Applying IFRS 9"
- Amendments to IFRS 9, IAS39, IFRS7, IFRS 4 and IFRS 16 "Interest Rate Benchmark Reform – Phase 2"
- Amendments to IFRS 16 "Covid-19-Related Rent Concessions beyond June 30, 2021"

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

The Group assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2022, would not have a significant impact on its consolidated financial statements:

- Amendments to IAS 16 "Property, Plant and Equipment – Proceeds before Intended Use"
- Amendments to IAS 37 "Onerous Contracts – Cost of Fulfilling a Contract"
- Annual Improvements to IFRS Standards 2018–2020
- Amendments to IFRS 3 "Reference to the Conceptual Framework"

(Continued)

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

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

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

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”
- IFRS 17 “ Insurance Contracts” and amendments to IFRS 17 “ Insurance Contracts”
- Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”
- Amendments to IAS 1 “Disclosure of Accounting Policies”
- Amendments to IAS 8 “Definition of Accounting Estimates”
- Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”

(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 statements are the same as those in the consolidated financial statement for the year ended December 31, 2020. For the related information, please refer to note (4) of the consolidated financial statements for the year ended December 31, 2020.

- (b) Basis of Consolidation

List of subsidiaries in the consolidated financial statements:

Name of Investor	Name of Subsidiary	Nature of operation	Shareholding		
			September 30, 2021	December 31, 2020	September 30, 2020
The Company	Weikeng International Co., Ltd. (WKI)	Electronic components computer peripherals products distribution and technical support	100 %	100 %	100 %
"	Weikeng Technology Co., Ltd. (WKZ)	Electronic components and technical support	100 %	100 %	100 %
"	Weikeng Technology Pte. Ltd. (WTP)	"	100 %	100 %	100 %

(Continued)

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

Name of Investor	Name of Subsidiary	Nature of operation	Shareholding		
			September 30, 2021	December 31, 2020	September 30, 2020
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 using the effective annual tax rate as forecasted by the management. This should be recognized fully as tax expense for the current period.

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

(d) Employee benefits

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

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

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

The preparation of the consolidated financial statements, estimates and underlying assumptions are reviewed on an ongoing basis which are in conformity with the consolidated financial statements for the year ended December 31, 2020. For related information, please refer to note (5) of the consolidated financial statements for the year ended December 31, 2020.

(Continued)

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

(6) Explanation of significant accounts

Except for the following disclosures, there were no material differences in the disclosures of significant accounts between the interim consolidated financial statements for the current period and the 2020 consolidated financial statements. Please refer to note (6) of the 2020 annual consolidated financial statements.

(a) Cash and cash equivalents

	September 30, 2021	December 31, 2020	September 30, 2020
Cash on hand	\$ 484	493	488
Checking accounts and demand deposits	<u>2,376,445</u>	<u>2,485,847</u>	<u>2,235,067</u>
	<u>\$ 2,376,929</u>	<u>2,486,340</u>	<u>2,235,555</u>

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

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

	September 30, 2021	December 31, 2020	September 30, 2020
Current financial assets at fair value through profit or loss:			
Non-derivative financial assets			
Stock listed on domestic markets	<u>\$ 563</u>	<u>624</u>	<u>636</u>
Non-current financial assets at fair value through profit or loss:			
Convertible bonds embedded options	<u>\$ 523</u>	<u>-</u>	<u>-</u>
Non-current financial liabilities at fair value through profit or loss:			
Convertible bonds embedded options	<u>\$ -</u>	<u>9,600</u>	<u>-</u>

As of September 30, 2021, December 31 and September 30, 2020, the Group did not provide any financial assets and liabilities at fair value through profit or loss as collateral for its loans.

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

	September 30, 2021	December 31, 2020	September 30, 2020
Equity investments at fair value through other comprehensive income:			
Domestic emerging market stock	\$ 274	4,348	3,851
Domestic unlisted stock	16,940	17,866	17,866
Foreign unlisted stock	<u>22,609</u>	<u>22,608</u>	<u>22,609</u>
	<u>\$ 39,823</u>	<u>44,822</u>	<u>44,326</u>

(Continued)

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

In September 2021, the Group has sold all of its shares held in Feature Integration Technology Inc., which were measured at fair value through other comprehensive income. The fair value of the shares was \$7,446 when disposed and the cumulative gains on disposal amounted to \$759, which has been transferred to retained earnings from other equity. There were no disposals of strategic investments and transfers of any cumulative gain or loss within equity relating to these investments as of September 30, 2020.

- (i) For credit risk and market risk, please refer to note (6)(t).
- (ii) As of September 30, 2021, December 31 and September 30, 2020, 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>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Notes receivable	\$ 217,230	266,113	188,080
Accounts receivable-measured as amortized cost	12,325,523	8,994,783	8,536,143
Accounts receivable-fair value through other comprehensive income	<u>1,240,158</u>	<u>1,530,656</u>	<u>1,713,518</u>
	13,782,911	10,791,552	10,437,741
Less: Loss allowance	<u>(83,267)</u>	<u>(112,529)</u>	<u>(169,838)</u>
	<u>\$ 13,699,644</u>	<u>10,679,023</u>	<u>10,267,903</u>

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

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

(i) The Company

<u>Credit rating</u>	<u>September 30, 2021</u>			
	<u>Carrying amount</u>	<u>Expected credit loss rate</u>	<u>Loss allowance provision</u>	<u>Credit impaired</u>
Listed company (assessed by group)				
Level A	\$ 4,001,480	0.76%	30,516	No
Level B	1,173,477	1.08%	12,665	No
Unlisted company	<u>1,348,965</u>	1.15%	<u>15,554</u>	No
	<u>\$ 6,523,922</u>		<u>58,735</u>	

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WEIKENG INDUSTRIAL CO., LTD. AND SUBSIDIARIES
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December 31, 2020				
Credit rating	Carrying amount	Expected credit loss rate	Loss allowance provision	Credit impaired
Listed company (assessed by group)				
Level A	\$ 2,754,068	0.85%	23,534	No
Level B	988,347	0.96%	9,456	No
Unlisted company	<u>1,118,185</u>	2.42%	<u>27,060</u>	No
	<u>\$ 4,860,600</u>		<u>60,050</u>	
September 30, 2020				
Credit rating	Carrying amount	Expected credit loss rate	Loss allowance provision	Credit impaired
Listed company (assessed by group)				
Level A	\$ 2,415,403	0.54%	13,042	No
Level B	1,707,407	1.35%	23,060	No
Unlisted company	<u>609,678</u>	2.52%	<u>15,366</u>	No
	<u>\$ 4,732,488</u>		<u>51,468</u>	

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

	September 30, 2021	December 31, 2020	September 30, 2020
Current	\$ 6,328,751	4,675,460	4,617,000
Overdue less than 90 days	192,923	182,910	113,579
Overdue 91 to 180 days	218	1,836	1,095
Overdue more than 181 days	<u>2,030</u>	<u>394</u>	<u>814</u>
	<u>\$ 6,523,922</u>	<u>4,860,600</u>	<u>4,732,488</u>

(ii) Subsidiaries

September 30, 2021			
	Carrying amount	Expected credit loss rate	Loss allowance provision
Current	\$ 6,908,377	0.05%	3,676
Overdue less than 90 days	344,765	4.91%	16,914
Overdue 91 to 180 days	5,527	65.53%	3,622
Overdue more than 181 days	<u>320</u>	100.00%	<u>320</u>
	<u>\$ 7,258,989</u>		<u>24,532</u>

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WEIKENG INDUSTRIAL CO., LTD. AND SUBSIDIARIES
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	December 31, 2020		
	Carrying amount	Expected credit loss rate	Loss allowance provision
Current	\$ 5,387,951	0.18%	9,655
Overdue less than 90 days	538,255	6.91%	37,167
Overdue 91 to 180 days	11	72.73%	8
Overdue more than 181 days	4,735	100.00%	4,735
	\$ 5,930,952		51,565
	September 30, 2020		
	Carrying amount	Expected credit loss rate	Loss allowance provision
Current	\$ 5,322,454	0.49%	25,886
Overdue less than 90 days	343,780	12.36%	42,483
Overdue 91 to 180 days	4,510	99.96%	4,508
Overdue more than 181 days	34,509	100.00%	34,509
	\$ 5,705,253		107,386

For the nine months ended September 30, 2021 and 2020, the movement in the allowance for notes and accounts receivable was as follows:

	For the nine months ended September 30,	
	2021	2020
Balance at January 1	\$ 112,529	170,737
Impairment losses recognized (reversed)	(18,215)	34,688
Amounts written off	(10,264)	(32,700)
Reclassifications	-	(79)
Effect of changes in foreign exchange rates	(783)	(2,808)
Balance at September 30	\$ 83,267	169,838

The Group entered into accounts receivable factoring agreements with banks. According to the factoring agreement, the Group does not bear the loss if the account debtor does not have the ability to make payments upon the transfer of the accounts receivable factoring. The Group has not provided other guarantees except for the promissory notes, which have the same amount with the factoring, used as the guarantee for the sales return and discount. The Group received the proceeds from the discounted accounts receivable 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.

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

As of September 30, 2021, December 31 and September 30, 2020, the Group sold its accounts receivable without recourse as follows:

September 30, 2021						
Purchaser	Amount Derecognized	Amount Paid	Advanced Unpaid	Amount Recognized in Other Receivables	Range of Interest Rate	Significant Transferring Terms
Financial institutions	\$ 3,257,591	2,943,116	-	314,475	0.53%~1.13%	None
December 31, 2020						
Purchaser	Amount Derecognized	Amount Paid	Advanced Unpaid	Amount Recognized in Other Receivables	Range of Interest Rate	Significant Transferring Terms
Financial institutions	\$ 3,053,437	2,749,698	-	303,739	0.64%~1.37%	None
September 30, 2020						
Purchaser	Amount Derecognized	Amount Paid	Advanced Unpaid	Amount Recognized in Other Receivables	Range of Interest Rate	Significant Transferring Terms
Financial institutions	\$ 3,539,846	3,202,635	-	337,211	0.68%~1.38%	None

As of September 30, 2021, December 31 and September 30, 2020, 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

	September 30, 2021	December 31, 2020	September 30, 2020
Other receivables – the receivables of the Group as an agent (note (6)(r))	\$ -	580,597	578,315
Other receivables – accounts receivable factored	314,475	303,739	337,211
Tax refund	40,094	28,037	33,518
Overdue receivable	22,122	22,124	23,246
Others	24,088	504	1,473
	400,779	935,001	973,763
Less: Loss allowance	(22,122)	(22,124)	(23,246)
	<u>\$ 378,657</u>	<u>912,877</u>	<u>950,517</u>

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WEIKENG INDUSTRIAL CO., LTD. AND SUBSIDIARIES
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For the nine months ended September 30, 2021 and 2020, the movement in the allowance for other receivables was as follows:

	For the nine months ended September 30,	
	2021	2020
Balance at January 1	\$ 22,124	23,313
Amounts written off	-	(109)
Reclassifications	-	79
Effect of changes in foreign exchange rates	(2)	(37)
Balance at September 30	<u>\$ 22,122</u>	<u>23,246</u>

As of September 30, 2021, December 31 and September 30, 2020, the Group did not provide any other receivables as collaterals for its loans.

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

(f) Inventories

	September 30, 2021	December 31, 2020	September 30, 2020
Merchandise inventories	\$ 8,756,550	7,369,025	7,491,138
Goods in transit	801,253	486,731	695,530
	<u>\$ 9,557,803</u>	<u>7,855,756</u>	<u>8,186,668</u>

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

	For the three months ended September 30,		For the nine months ended September 30,	
	2021	2020	2021	2020
Inventory valuation loss and obsolescence (Gain from price recovery of inventory)	\$ (34,266)	(99,336)	(83,106)	(137,419)
Loss on scrapping of inventory and others	3,779	-	61,005	-
	<u>\$ (30,487)</u>	<u>(99,336)</u>	<u>(22,101)</u>	<u>(137,419)</u>

The aforementioned gain from price recovery was resulted from the reason for the net realizable value below the cost had disappeared, which was because the portion of inventory was sold or scrapped which had been recognized valuation loss before. The net realizable value recovery was recognized as deduction of operating cost.

As of September 30, 2021, December 31 and September 30, 2020, the Group did not provide any inventories as collaterals for its loans.

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(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, 2021	\$ 77,377	30,065	3,854	4,817	18,657	134,770
Balance on September 30, 2021	\$ 77,377	29,418	4,583	7,169	14,910	133,457
Balance on January 1, 2020	\$ 77,377	30,927	5,436	4,578	30,973	149,291
Balance on September 30, 2020	\$ 77,377	30,282	4,203	4,198	21,012	137,072

The Group's property, plant and equipment have no significant additions, disposals, impairments or reversals during for the nine months ended September 30, 2021 and 2020. Information on depreciation for the period is disclosed in note (12)(a). For other related information, please refer to note (6)(g) of the 2020 annual consolidated financial statements.

(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 is presented below:

	<u>Buildings</u>	<u>Transportation equipment</u>	<u>Total</u>
Cost:			
Balance on January 1, 2021	\$ 407,267	11,861	419,128
Additions	158,619	-	158,619
Reductions	(12,805)	(1,121)	(13,926)
Effect of changes in exchange rates	(5,632)	(59)	(5,691)
Balance on September 30, 2021	\$ 547,449	10,681	558,130
Balance on January 1, 2020	\$ 389,090	7,548	396,638
Additions	28,970	-	28,970
Reductions	(22,556)	-	(22,556)
Effect of changes in exchange rates	(4,816)	-	(4,816)
Balance on September 30, 2020	\$ 390,688	7,548	398,236
Accumulated depreciation:			
Balance on January 1, 2021	\$ 223,194	5,755	228,949
Depreciation	105,285	2,471	107,756
Reductions	(12,805)	(1,121)	(13,926)
Effect of changes in exchange rates	(2,831)	(17)	(2,848)
Balance on September 30, 2021	\$ 312,843	7,088	319,931

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WEIKENG INDUSTRIAL CO., LTD. AND SUBSIDIARIES
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	Buildings	Transportation equipment	Total
Balance on January 1, 2020	\$ 114,037	2,988	117,025
Depreciation	99,716	1,977	101,693
Reductions	(21,806)	-	(21,806)
Effect of changes in exchange rates	(2,013)	-	(2,013)
Balance on September 30, 2020	<u>\$ 189,934</u>	<u>4,965</u>	<u>194,899</u>
Carrying amount:			
Balance on January 1, 2021	<u>\$ 184,073</u>	<u>6,106</u>	<u>190,179</u>
Balance on September 30, 2021	<u>\$ 234,606</u>	<u>3,593</u>	<u>238,199</u>
Balance on January 1, 2020	<u>\$ 275,053</u>	<u>4,560</u>	<u>279,613</u>
Balance on September 30, 2020	<u>\$ 200,754</u>	<u>2,583</u>	<u>203,337</u>

(i) Short-term borrowings

	September 30, 2021	December 31, 2020	September 30, 2020
Unsecured loans	\$ 9,103,277	9,076,469	10,159,553
Short-term notes and bills payable, net	918,380	668,846	668,798
	<u>\$ 10,021,657</u>	<u>9,745,315</u>	<u>10,828,351</u>
Unused short-term credit lines	<u>\$ 4,607,344</u>	<u>3,678,463</u>	<u>2,675,881</u>
Range of interest rates	<u>0.52%~3.90%</u>	<u>0.52%~4.57%</u>	<u>0.52%~4.57%</u>

(i) Issuance and repayment of borrowings

The Group's additional amounts in loans for the nine months ended September 30, 2021 and 2020 were \$24,922,033 and \$29,348,885, respectively, with maturities from October, 2021, to August, 2022 and from October, 2020, to September, 2021, respectively; and the repayments were \$24,645,691 and \$28,365,387, 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

	September 30, 2021	December 31, 2020	September 30, 2020
Other payable — the payables of the Group's as an agent (note(6)(r))	\$ -	632,478	613,563
Accrued expenses	232,018	257,310	281,574
Bonus payable	221,934	233,671	159,795
Remuneration to employees and directors	213,427	108,755	81,348
Interest payable	12,193	14,267	18,510
	<u>\$ 679,572</u>	<u>1,246,481</u>	<u>1,154,790</u>

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WEIKENG INDUSTRIAL CO., LTD. AND SUBSIDIARIES
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The accrued expenses include import and export fees, processing expense, professional services fees, pension, insurance, and payable for unused vacation time, etc.

(k) Convertible bonds payable

(i) Non-guaranteed convertible bonds:

	September 30, 2021	December 31, 2020	September 30, 2020
Aggregate principal amount	\$ 1,000,000	1,000,000	-
Bond discount	(26,200)	(70,678)	-
Cumulative converted amount	<u>(563,800)</u>	<u>-</u>	<u>-</u>
Bonds payable at end of period	<u>\$ 410,000</u>	<u>929,322</u>	<u>-</u>
Embedded derivative – call and put options			
Included in non-current financial liabilities at fair value through profit or loss	<u>\$ -</u>	<u>9,600</u>	<u>-</u>
Included in non-current financial assets at fair value through profit or loss	<u>523</u>	<u>-</u>	<u>-</u>
Equity component – conversion options (included in capital surplus – conversion options)	<u>\$ 24,869</u>	<u>57,014</u>	<u>-</u>

There were no significant issues, repurchases and repayments of bonds payable for the nine months ended September 30, 2021 and 2020. Please refer to note (6)(k) of the 2020 annual consolidated financial statements for the related information.

(l) Lease liabilities

	September 30, 2021	December 31, 2020	September 30, 2020
Current	<u>\$ 105,023</u>	<u>112,146</u>	<u>116,999</u>
Non-current	<u>\$ 137,120</u>	<u>78,793</u>	<u>86,723</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 September 30,		For the nine months ended September 30,	
	2021	2020	2021	2020
Interests on lease liabilities	<u>\$ 1,937</u>	<u>1,479</u>	<u>5,209</u>	<u>4,937</u>
Expenses relating to short-term leases	<u>\$ 1,478</u>	<u>1,314</u>	<u>4,653</u>	<u>4,096</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 were as follows:

	For the nine months ended September 30,	
	2021	2020
Total cash outflow for leases	<u>\$ 114,653</u>	<u>110,286</u>

(i) Real estate leases

The Group leases buildings for its office space, warehouses and dormitories. The leases of office space typically run for a period of 1 to 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. When the lessee is not reasonably certain to use an optional extended lease term, payments associated with the optional period will not be included within lease liabilities.

(ii) Other leases

The Group leases transportation equipment 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 nine months ended September 30, 2021 and 2020. Please refer to note (6)(m) of the 2020 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 onetime events since prior fiscal year. As a result, the pension cost in the accompanying interim period was measured and disclosed according to the actuarial report as of December 31, 2020 and 2019.

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

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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 September 30,		For the nine months ended September 30,	
	2021	2020	2021	2020
Operating expenses	\$ 275	429	823	1,287

(ii) Defined contribution plans

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

The Company and WKZ recognized the pension costs under the defined contribution method amounting to \$5,730, \$5,497, \$17,079 and \$16,535 for the three months and nine months ended September 30, 2021 and 2020, 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 \$17,105, \$4,857, \$48,436 and \$17,390 for the three months and nine months ended September 30, 2021 and 2020, respectively.

(o) Income taxes

(i) Income tax expenses

The amounts of income tax for the three months and nine months ended September 30, 2021 and 2020 were as follows:

	For the three months ended September 30,		For the nine months ended September 30,	
	2021	2020	2021	2020
Current tax expenses	\$ 244,984	73,162	560,297	159,895

The amounts of income tax recognized in other comprehensive income for the three months and nine months ended September 30, 2021 and 2020 were as follows:

	For the three months ended September 30,		For the nine months ended September 30,	
	2021	2020	2021	2020
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translation of foreign financial statements	\$ (5,288)	(9,561)	(20,254)	(22,964)

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(ii) The Company's and WKZ's income tax returns through 2019 have been examined and approved by the R.O.C. income tax authorities.

(p) Capital and other equities

As of September 30, 2021, December 31 and September 30, 2020, 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, 399,055 thousand shares, 367,751 thousand shares and 367,751 thousands shares, respectively, were issued. All issued shares were paid up upon issuance.

(i) Common stock

For the nine months ended September 30, 2021, 31,304 thousand new common shares, with a par value of \$10, amounting to \$313,041, were issued due to the conversion of convertible bonds.

(ii) Capital surplus

Balances on capital surplus of the Company were as follows:

	September 30, 2021	December 31, 2020	September 30, 2020
Additional paid in capital	\$ 1,096,819	845,753	845,753
Treasury share transactions	37,617	37,617	37,617
Donation from shareholders	712	712	712
Convertible bonds – conversion options	24,869	57,014	-
Others	253	253	253
	<u>\$ 1,160,270</u>	<u>941,349</u>	<u>884,335</u>

For the nine months ended September 30, 2021, the capital surplus deriving from those convertible bonds, which were converted to common stock, amounted to \$218,921 (including the capital surplus-conversion options transferred to the capital surplus-additional paid-in capital of \$32,145).

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

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WEIKENG INDUSTRIAL CO., LTD. AND SUBSIDIARIES
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(iii) Retained earnings

The Company's Article of Incorporation stipulates that Company's earnings should first be used to pay any taxes, offset the prior years' deficits, be set aside as legal reserve, and then set aside or reverse special reserve, any remaining profit, together with any undistributed retained earnings at the beginning, be distributed according to the distribution plan proposed by the Board of Directors to be submitted during the stockholders' meeting for approval. Before the distribution of dividends, the Board of Directors shall first take into consideration its profitability, plan of capital expenditure, business expansion and capital, requirements for cash flow, regulations, and degree of dilution of earnings per share in determining the proportion of stock and cash dividends to be paid. After the above appropriations, current and prior-period earnings that remain undistributed will be proposed for distribution by the Board of Directors, and a meeting of shareholders will be held to adopt this resolution. The total distribution shall not be less than 50% of the current earnings, and the cash dividends shall not be less than 20% of the total dividends.

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

1) Earnings distribution

The amounts for cash dividends of Company's earnings distribution for 2020 and 2019 were decided by the board meeting held on March 26, 2021 and March 27, 2020.

	<u>2020</u>		<u>2019</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	\$ 1.34468073	<u>494,508</u>	0.57770670	<u>212,452</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 September 30,</u>		<u>For the nine months ended September 30,</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Profit attributable to ordinary shareholders of the Company	\$ <u>531,715</u>	<u>234,564</u>	<u>1,261,106</u>	<u>529,250</u>

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

	For the three months ended		For the nine months ended	
	September 30,		September 30,	
	2021	2020	2021	2020
Weighted-average number of ordinary shares	<u>373,532</u>	<u>367,751</u>	<u>369,699</u>	<u>367,751</u>

(ii) Diluted earnings per share

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

	For the three months ended		For the nine months ended	
	September 30,		September 30,	
	2021	2020	2021	2020
Profit attributable shareholders of the Company (basic)	\$ 531,715	234,564	1,261,106	529,250
Convertible bonds payable	<u>890</u>	<u>-</u>	<u>2,521</u>	<u>-</u>
Profit attributable to ordinary shareholders of the Company (diluted)	<u>\$ 532,605</u>	<u>234,564</u>	<u>1,263,627</u>	<u>529,250</u>

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

	For the three months ended		For the nine months ended	
	September 30,		September 30,	
	2021	2020	2021	2020
Weighted-average number of ordinary shares (basic)	373,532	367,751	369,699	367,751
Effect of convertible bonds	48,934	-	51,533	-
Effect of employee stock remuneration	<u>4,957</u>	<u>3,407</u>	<u>6,059</u>	<u>4,113</u>
Weighted-average number of ordinary shares (diluted) on September 30	<u>427,423</u>	<u>371,158</u>	<u>427,291</u>	<u>371,864</u>

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(r) Revenue from contracts with customers

(i) Disaggregation of revenue

	For the three months ended September 30,		For the nine months ended September 30,	
	2021	2020	2021	2020
Primary geographical markets:				
Taiwan	\$ 1,963,115	1,686,557	5,503,880	4,279,602
China	16,427,478	14,617,199	45,241,708	36,137,095
Others	<u>1,190,833</u>	<u>961,789</u>	<u>3,339,052</u>	<u>2,407,641</u>
	<u>\$ 19,581,426</u>	<u>17,265,545</u>	<u>54,084,640</u>	<u>42,824,338</u>
Major products/services lines				
Chipset/memory components	\$ 7,394,897	7,550,342	20,160,983	18,530,665
Assorted and other components	12,184,864	9,655,039	33,916,822	24,233,435
Others	<u>1,665</u>	<u>60,164</u>	<u>6,835</u>	<u>60,238</u>
	<u>\$ 19,581,426</u>	<u>17,265,545</u>	<u>54,084,640</u>	<u>42,824,338</u>

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

As of September 30, 2021 and 2020, due to the above transactions, the other receivables amounted to \$0 and \$578,315 respectively, and the other payables amounted to \$0 and \$613,563, respectively. Please refer to note (6)(e) and (6)(j).

(ii) Contract balance

	September 30, 2021	December 31, 2020	September 30, 2020
Notes and accounts receivable (included related parties)	\$ 13,782,911	10,791,552	10,437,741
Less: allowance for impairment	<u>(83,267)</u>	<u>(112,529)</u>	<u>(169,838)</u>
	<u>\$ 13,699,644</u>	<u>10,679,023</u>	<u>10,267,903</u>
Contract liabilities	<u>\$ 271,609</u>	<u>195,013</u>	<u>180,026</u>

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

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WEIKENG INDUSTRIAL CO., LTD. AND SUBSIDIARIES
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The amounts of revenue recognized for the nine months ended September 30, 2021 and 2020 that were included in the contract liability balance at the beginning of the period were \$162,966 and \$62,835, respectively.

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

(s) Remuneration to employees and directors

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

For the three months and nine months ended September 30, 2021 and 2020, the accrued remuneration of the Company's employees were \$59,084, \$26,091, \$140,282 and \$58,941; as well as directors were \$14,772, \$6,522, \$35,071 and \$14,735, 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 \$78,442 and \$29,690 as well as remuneration of directors was \$19,611 and \$7,422 for the years ended December 31, 2020 and 2019, respectively. There were no differences between the distributed amounts and the accrued amounts in the consolidated financial statements. Related information would be available at the Market Observation Post System website.

(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 statements for the year ended December 31, 2020.

(i) Credit risk

For credit risk exposure of notes and accounts receivable, please refer to note (6)(d). The amount of other financial assets at amortized cost include other receivables which had been impaired. For the nine months ended September 30, 2021 and 2020, loss allowance provision, please refer to the note (6)(e).

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WEIKENG INDUSTRIAL CO., LTD. AND SUBSIDIARIES
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(ii) Liquidity risk

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

	<u>Carrying Amount</u>	<u>Contractual cash flows</u>	<u>Within a year</u>	<u>Over 1 year</u>
September 30, 2021				
Non-derivative financial liabilities				
Unsecured loans	\$ 9,103,277	(9,121,379)	(9,121,379)	-
Short-term notes and bill payable	918,380	(920,000)	(920,000)	-
Lease liabilities	242,143	(259,442)	(111,283)	(148,159)
Notes and accounts payable	6,686,998	(6,686,998)	(6,686,998)	-
Other payables	679,572	(679,572)	(679,572)	-
Bonds payable	410,000	(436,200)	-	(436,200)
	<u>\$ 18,040,370</u>	<u>(18,103,591)</u>	<u>(17,519,232)</u>	<u>(584,359)</u>
December 31, 2020				
Non-derivative financial liabilities				
Unsecured loans	\$ 9,076,469	(9,096,058)	(9,096,058)	-
Short-term notes and bills payable	668,846	(670,000)	(670,000)	-
Lease liabilities	190,939	(196,566)	(115,933)	(80,633)
Notes and accounts payable	3,575,860	(3,575,860)	(3,575,860)	-
Other payables	1,246,481	(1,246,481)	(1,246,481)	-
Bonds payable	929,322	(1,000,000)	-	(1,000,000)
Derivative financial liabilities				
Convertible bonds payable embedded derivatives	9,600	-	-	-
	<u>\$ 15,697,517</u>	<u>(15,784,965)</u>	<u>(14,704,332)</u>	<u>(1,080,633)</u>
September 30, 2020				
Non-derivative financial liabilities				
Unsecured loans	\$ 10,159,553	(10,185,596)	(10,185,596)	-
Short-term notes and bill payable	668,798	(670,000)	(670,000)	-
Lease liabilities	203,722	(209,520)	(120,980)	(88,540)
Notes and accounts payable	3,619,245	(3,619,245)	(3,619,245)	-
Other payables	1,154,790	(1,154,790)	(1,154,790)	-
	<u>\$ 15,806,108</u>	<u>(15,839,151)</u>	<u>(15,750,611)</u>	<u>(88,540)</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:

	September 30, 2021			December 31, 2020			September 30, 2020		
	Foreign currency	Exchange rate	TWD	Foreign currency	Exchange rate	TWD	Foreign currency	Exchange rate	TWD
Financial assets									
Monetary items									
USD	\$ 279,689	USD/TWD 27.795	7,773,965	257,506	USD/TWD 28.48	7,333,779	240,728	USD/TWD 29.12	7,009,998
USD	287	USD/CNY 6.4915	7,980	540	USD/CNY 6.5142	15,383	2,630	USD/CNY 6.8261	76,592
Non-monetary items									
USD	745	USD/TWD 27.795	20,707	745	USD/TWD 28.48	21,218	745	USD/TWD 29.12	21,694
Financial liabilities									
Monetary items									
USD	179,033	USD/TWD 27.795	4,976,217	172,907	USD/TWD 28.48	4,924,379	200,180	USD/TWD 29.12	5,829,228
USD	26,941	USD/CNY 6.4915	748,833	19,077	USD/CNY 6.5142	543,302	20,818	USD/CNY 6.8261	606,219

2) Currency risk sensitivity analysis

The Group's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, account receivables, other receivables, financial assets at fair value through other comprehensive income, loans and borrowings, accounts payables and other payables that are denominated in foreign currency. A change of 5% in the exchange rate of TWD or CNY against foreign currency for the nine months ended September 30, 2021 and 2020 would have increase (decreased) the other comprehensive income (before tax) \$1,035 and \$1,085, respectively. For the nine months ended September 30, 2021 and 2020 would have increased (decreased) the net profit before tax as follows. The analysis is performed on the same basis for both periods.

	For the nine months ended September 30,	
	2021	2020
USD (against the TWD)		
Strengthening 5%	\$ 139,887	59,039
Weakening 5%	(139,887)	(59,039)
USD (against the CNY)		
Strengthening 5%	(37,043)	(26,481)
Weakening 5%	37,043	26,481

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

As the Group deals in diverse foreign currencies, gains or losses on foreign exchange were summarized as a single amount. For the three months and nine months ended September 30, 2021 and 2020, the foreign exchange gains (losses), including both realized and unrealized, amounted to \$12,761, \$73,189, \$25,581 and \$94,015, respectively.

4) Interest rate analysis

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

	Carrying amount	
	September 30, 2021	September 30, 2020
Variable rate instruments:		
Financial assets	\$ 1,510,944	1,702,465
Financial liabilities	(9,103,277)	(10,159,553)

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

If the interest rate had increased or decreased by 0.25%, the Group's net profit before tax would have decreased or increased by \$14,236 and \$15,857 for the nine months ended September 30, 2021 and 2020, respectively, which would be mainly resulting from demand deposits, and unsecured loans with variable interest rates.

(iv) Fair value

1) Categories and the fair value of financial instruments

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

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WEIKENG INDUSTRIAL CO., LTD. AND SUBSIDIARIES
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	September 30, 2021				
	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	\$ 563	563	-	-	563
Convertible bonds payable embedded derivative	<u>523</u>	-	523	-	523
Subtotal	<u>1,086</u>				
Financial assets at fair value through other comprehensive income					
Notes and accounts receivable, net	1,240,158	-	-	-	-
Emerging market stock	274	274	-	-	274
Stocks unlisted on domestic markets and foreign market	<u>39,549</u>	-	-	39,549	39,549
Subtotal	<u>1,279,981</u>				
Financial assets measured at amortized cost					
Cash and cash equivalents	2,376,929	-	-	-	-
Notes and accounts receivable, net	12,459,486	-	-	-	-
Other receivables	338,563	-	-	-	-
Guarantee deposits paid	<u>74,097</u>	-	-	-	-
Subtotal	<u>15,249,075</u>				
	<u>\$ 16,530,142</u>				
Financial liabilities measured at amortized cost					
Bank loans	\$ 10,021,657	-	-	-	-
Lease liabilities	242,143	-	-	-	-
Notes and accounts payable	6,686,998	-	-	-	-
Other payables	679,572	-	-	-	-
Bonds payable	<u>410,000</u>	-	-	-	-
Subtotal	<u>18,040,370</u>				
	<u>\$ 18,040,370</u>				

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

	December 31, 2020				
	Carrying amount	Fair Value			
		Level 1	Level 2	Level 3	Total
Financial assets mandatorily measured at fair value through profit or loss					
Stocks listed on domestic markets	\$ <u>624</u>	624	-	-	624
Financial assets at fair value through other comprehensive income					
Notes and accounts receivable, net	1,530,656	-	-	-	-
Emerging market stock	4,348	4,348	-	-	4,348
Stocks unlisted on domestic markets and foreign market	<u>40,474</u>	-	-	40,474	40,474
Subtotal	<u>1,575,478</u>				
Financial assets measured at amortized cost					
Cash and cash equivalents	2,486,340	-	-	-	-
Notes and accounts receivable, net	9,148,367	-	-	-	-
Other receivables	884,840	-	-	-	-
Guarantee deposits paid	<u>73,467</u>	-	-	-	-
Subtotal	<u>12,593,014</u>				
	<u>\$ 14,169,116</u>				
Financial liabilities at fair value through profit or loss					
Convertible bonds payable embedded derivative	\$ <u>9,600</u>	-	9,600	-	9,600
Financial liabilities measured at amortized cost					
Bank loans	9,745,315	-	-	-	-
Lease liabilities	190,939	-	-	-	-
Notes and accounts payable	3,575,860	-	-	-	-
Other payables	1,246,481	-	-	-	-
Bonds payable	<u>929,322</u>	-	-	-	-
Subtotal	<u>15,687,917</u>				
	<u>\$ 15,697,517</u>				

(Continued)

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

	September 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	\$ 636	636	-	-	636
Financial assets at fair value through other comprehensive income					
Notes and accounts receivable, net	1,713,518	-	-	-	-
Emerging market stock	3,851	3,851	-	-	3,851
Stocks unlisted on domestic markets and foreign market	<u>40,475</u>	-	-	40,475	40,475
Subtotal	<u>1,757,844</u>				
Financial assets measured at amortized cost					
Cash and cash equivalents	2,235,555	-	-	-	-
Notes and accounts receivable, net	8,554,385	-	-	-	-
Other receivables	916,999	-	-	-	-
Guarantee deposits paid	<u>70,541</u>	-	-	-	-
Subtotal	<u>11,777,480</u>				
	<u>\$ 13,535,960</u>				
Financial liabilities measured at amortized cost					
Bank loans	\$ 10,828,351	-	-	-	-
Lease liabilities	203,722	-	-	-	-
Notes and accounts payable	3,619,245	-	-	-	-
Other payables	<u>1,154,790</u>	-	-	-	-
	<u>\$ 15,806,108</u>				

There were no transfers of financial instruments between any levels for the nine months ended September 30, 2021 and 2020.

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

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

a) Financial assets measured at amortized cost

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

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WEIKENG INDUSTRIAL CO., LTD. AND SUBSIDIARIES
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3) Valuation technique of financial instruments measured at fair value

a) Non-derivative financial instruments

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

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

b) Derivative financial instruments

Measurement of fair value of derivative instruments is based on the valuation techniques that are generally accepted by the market participants. For instance, discount method or option pricing models. Fair value of forward currency exchange is usually determined by using the forward currency rate.

4) Reconciliation of Level 3 fair values

	Fair value through other comprehensive income
	Unquoted equity instruments
Opening balance, January 1, 2021	\$ 40,474
Capital refunded	(406)
Total gains and losses recognized:	
In profit or loss	(519)
Ending Balance, September 30, 2021	\$ 39,549
Opening balance, January 1, 2020	\$ 42,453
Total gains and losses recognized:	
In other comprehensive income	(1,978)
Ending Balance, September 30, 2020	\$ 40,475

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- 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:

<u>Item</u>	<u>Valuation technique</u>	<u>Significant unobservable inputs</u>	<u>Inter-relationships between significant unobservable inputs and fair value measurement</u>
Financial assets at fair value through other comprehensive income	Guideline Public Company method	·Price-Sales ratio (0.77, 1.44 and 0.85 at September 30, 2021, December 31 and September 30, 2020, respectively) ·Price-Book ratio (0.81, 0.88 and 0.77 at September 30, 2021, December 31 and September 30, 2020, respectively) ·Lack-of-Marketability discount rate (17.25%, 17.25% and 12.93% on September 30, 2021, December 31 and September 30, 2020, respectively)	The estimated fair value would increase (decrease) if: ·The Price-Sales ratio were higher (lower); ·The Price-Book ratio were higher (lower); ·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

- (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, 2020.

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(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, 2020. 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, 2020. Please refer to note (6)(v) of the consolidated financial statements for the year ended December 31, 2020 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 nine months ended September 30, 2021 and 2020, were as follows:

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

The reconciliation of liabilities arising from financing activities was as follows:

	January 1, 2021	Cash flows	Non-cash changes			September 30, 2021
			Acquisition	Reduction	Foreign exchange movement	
Short-term loans	\$ 9,745,315	276,342	-	-	-	10,021,657
Lease liabilities	190,939	(104,791)	158,619	(4,953)	2,329	242,143
Bonds payable	929,322	-	-	(519,322)	-	410,000
Total liabilities from financing activities	<u>\$ 10,865,576</u>	<u>171,551</u>	<u>158,619</u>	<u>(524,275)</u>	<u>2,329</u>	<u>10,673,800</u>

	January 1, 2020	Cash flows	Non-cash changes			September 30, 2020
			Acquisition	Reduction	Foreign exchange movement	
Short-term loans	\$ 9,844,853	983,498	-	-	-	10,828,351
Lease liabilities	279,792	(101,253)	28,970	(767)	(3,020)	203,722
Total liabilities from financing activities	<u>\$ 10,124,645</u>	<u>882,245</u>	<u>28,970</u>	<u>(767)</u>	<u>(3,020)</u>	<u>11,032,073</u>

(7) Related-party transactions

(a) Name and relationships with related parties

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

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

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WEIKENG INDUSTRIAL CO., LTD. AND SUBSIDIARIES
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(b) Other related party transactions

(i) Sale of goods to related parties

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

	For the three months ended		For the nine months ended	
	September 30,		September 30,	
	2021	2020	2021	2020
Other related parties	\$ <u>-</u>	<u>-</u>	<u>13</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 were as follows:

	For the three months ended		For the nine months ended	
	September 30,		September 30,	
	2021	2020	2021	2020
Other related parties	\$ <u>1,673</u>	<u>2,524</u>	<u>5,189</u>	<u>7,241</u>

(iii) Lease

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

	For the three months ended		For the nine months ended	
	September 30,		September 30,	
	2021	2020	2021	2020
Other related parties	\$ <u>298</u>	<u>298</u>	<u>894</u>	<u>894</u>

(iv) Receivables from related parties

The receivables from related parties were as follows:

Account	Relationship	September	December	September
		30, 2021	31, 2020	30, 2020
Notes and accounts receivables	Other related parties	\$ <u>-</u>	<u>12</u>	<u>-</u>

(v) Payable to related parties

Account	Related party categories	September	December	September
		30, 2021	31, 2020	30, 2020
Other payables	Other related parties	\$ <u>371</u>	<u>460</u>	<u>770</u>

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(c) Key management personnel compensation

Key management personnel compensation comprised:

	For the three months ended		For the nine months ended	
	September 30,		September 30,	
	2021	2020	2021	2020
Short-term employee benefits	\$ 72,188	38,408	187,792	101,776
Post-employment benefits	208	200	623	600
	<u>\$ 72,396</u>	<u>38,608</u>	<u>188,415</u>	<u>102,376</u>

(8) Pledged assets: None.

(9) Commitments and contingencies:

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

	September	December	September
	30, 2021	31, 2020	30, 2020
	<u>\$ 358,540</u>	<u>167,400</u>	<u>166,600</u>

(10) Losses Due to Major Disasters: None

(11) Subsequent Events: None

(12) Other:

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

By item	By function	For the three months ended September	
		30,	
		2021	2020
		Operating expenses	Operating expenses
Employee benefits			
Salary		415,652	321,033
Labor and health insurance		25,169	22,581
Pension		23,110	10,783
Remuneration of directors		29,829	10,219
Others		15,210	11,381
Depreciation		38,963	37,799
Amortization		6,648	6,071

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WEIKENG INDUSTRIAL CO., LTD. AND SUBSIDIARIES
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By item	By function	For the nine months ended September 30,	
		2021	2020
		Operating expenses	Operating expenses
Employee benefits			
Salary		1,053,818	848,546
Labor and health insurance		77,476	63,161
Pension		66,338	35,212
Remuneration of directors		73,266	22,500
Others		45,265	34,400
Depreciation		117,466	114,816
Amortization		20,139	17,201

(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 nine months ended September 30, 2021:

(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	10,941,710	6,137,694	5,454,827	4,907,106	-	74.8 %	21,883,419	Y	N	N
"	"	WTP	100% owned subsidiary	10,941,710	611,490	528,105	475,662	-	7.2 %	21,883,419	Y	N	N
"	"	WKS	100% owned subsidiary	10,941,710	1,052,550	768,135	209,442	-	10.5 %	21,883,419	Y	N	Y

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

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

(Continued)

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

- (iii) Securities held as of September 30, 2021 (excluding investment in subsidiaries, associates and joint ventures):

(Shares/units (thousands))

Name of holder	Category and name of security	Relationship with company	Account title	Ending balance				Note
				Shares/Units (thousands)	Carrying amount	Percentage of ownership (%)	Fair value	
The Company	Securities of listed companies EBM Technologies Inc.	-	Financial assets mandatorily measured at fair value through profit or loss-current	34	\$ 563	-	\$ 563	
"	Clientron Corp.	-	Financial assets at fair value through other comprehensive income-non-current	15	\$ 274	0.02	\$ 274	
"	Paradigm I Venture Capital Company (Paradigm I)	-	"	750	\$ 7,459	6.79	\$ 7,459	
"	Paradigm Venture Capital Corporation (PVC Corp.)	-	"	230	2,300	10.49	2,300	
"	InnoBridge Venture Fund ILP. (InnoBridge)	-	"	-	15,150	9.90	15,150	
"	Shin Kong Global Venture Capital Corp.	-	"	3,000	4,800	12.00	4,800	
"	Vision Wide Technology Co., Ltd. (VTEC)	-	"	800	9,840	1.70	9,840	
					<u>\$ 39,549</u>		<u>\$ 39,549</u>	

- (iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20% of the capital stock: None
- (v) Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None
- (vi) Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None
- (vii) Related-party transactions for purchases and sales with amounts exceeding the lower of NT\$100 million or 20% of the capital stock:

(In thousands)

Name of company	Related party	Nature of relationship	Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		Note
			Purchases/(Sales)	Amount	Percentage of total purchases/(sales)	Payment terms	Unit price	Payment terms	Ending balance	Percentage of total notes/accounts receivable (payable)	
The Company	WKI	100%owned subsidiary	Purchases	349,294 (USD12,446)	1.66 %	OA30	No significant difference with other customer	-	(28,743) (USD(1,034))	(0.96) %	
	WKI	Parent company	(Sales)	(349,294) (USD(12,446))	(1.25) %	"	"	-	28,743 (USD1,034)	0.49 %	
	WKI	Subsidiary	(Sales)	(3,755,190) (USD(133,730))	(13.47)%	OA60	"	-	747,229 (USD26,884)	12.81 %	
	WKS	Parent company	Purchases	3,755,190 (USD133,730)	65.26 %	"	"	-	(747,229) (USD(26,884))	(58.40) %	

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

(Continued)

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

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

(In thousands)

Name of company	Counter-party	Nature of relationship	Ending balance	Turnover rate	Overdue		Amounts received in subsequent period (Note)	Allowance for bad debts	Note
					Amount	Action taken			
WKI	WKS	Subsidiary	747,229 (USD26,884)	7.69	-	-	USD 18,922	-	The amounts of the transaction and the ending balance had been offset in the consolidated financial statements.

Note: Information as of November 8, 2021.

- (ix) Trading in derivative instruments: Please refer to note (6)(b)
- (x) Business relationships and significant intercompany transactions:

No. (Note 1)	Name of company	Name of counter-party	Nature of relationship (Note 2)	Intercompany transactions			
				Account name	Amount	Trading terms	Percentage of the consolidated net revenue or total assets
0	The Company	WKI	1	Sales Revenue	57,600	The price is marked up based on operating cost, and the receivables depend on OA30 after offsetting the accounts payable.	0.11%
"	"	"	"	Accounts Receivable	1,503	"	0.01%
"	"	"	"	Management and Credit Service Revenue	266,941	The price is set by percentage of the contract and is received quarterly.	0.49%
"	"	"	"	Other Receivables	82,695	"	0.31%
"	"	WKS	"	Sales Revenue	1,810	The price is marked up based on operating cost, OA60.	-%
"	"	"	"	Management and Credit Service Revenue	5,858	The price is set by percentage of the contract and is received quarterly.	0.01%
"	"	WTP	"	Sales Revenue	33,250	The price is marked up based on operating cost, and the receivables depend on OA30 after offsetting the accounts payable.	0.06%
"	"	"	"	Accounts Receivable	8,224	"	0.03%
"	"	"	"	Management and Credit Service Revenue	4,032	The price is set by percentage of the contract and is received quarterly.	0.01%
"	"	"	"	Other Receivables	1,463	"	0.01%

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

No. (Note 1)	Name of company	Name of counter-party	Nature of relationship (Note 2)	Intercompany transactions			
				Account name	Amount	Trading terms	Percentage of the consolidated net revenue or total assets
1	WKI	The Company	2	Sales Revenue	349,294	The price is marked up based on operating cost, and the receivables depend on OA30 after offsetting the accounts payable.	0.65%
"	"	"	"	Accounts Receivable	28,743	"	0.11%
"	"	WKS	3	Sales Revenue	3,755,190	The price is marked up based on operating cost, and the receivables depend on funding demand and OA60.	6.94%
"	"	"	"	Accounts Receivable	747,229	"	2.77%
2	WKS	WKI	"	Service Revenue	27,758	The price is set by percentage of the contract, OA30.	0.05%
"	"	"	"	Accounts Receivable	910	"	-%

Note 1: The numbers filled in as follows:

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

Note 2: Relationship with the transactions labeled as follows:

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

(b) Information on investees:

The following is the information on investees for the nine months ended September 30, 2021 (excluding information on investees in Mainland China):

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
				September 30, 2021	December 31, 2020	Shares (In Thousands)	Percentage of Ownership	Carrying amount			
The Company	WKI	Hong Kong	Electronic components computer peripherals products distribution and technical support	\$ 1,322,295	1,044,995	473,950	100%	\$ 4,909,500	975,196	\$ 975,196	Subsidiary
"	WKZ	Taiwan	Electronic components and technical support	12,983	12,983	1,589	100%	25,985	(80)	(80)	"
"	WTP	Singapore	"	293,327	293,327	12,413	100%	352,696	30,047	30,047	"
				<u>\$ 1,628,605</u>	<u>1,351,305</u>			<u>\$ 5,288,181</u>		<u>\$ 1,005,163</u>	
WKI	Weitech	Hong Kong	Import and export trade of electronic components	0.41 (HKD0.1)	0.41 (HKD0.1)	-	100%	2,055 (USD74)	207 (USD7)	207 (USD7)	Subsidiary's subsidiary

(Continued)

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

(c) Information on investment in mainland China:

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

(In thousands)

Name of investee	Main businesses and products	Total amount of paid-in capital	Method of investment	Accumulated outflow of investment from Taiwan as of January 1, 2021	Investment flows		Accumulated outflow of investment from Taiwan as of September 30, 2021	Net income (losses) of the investee	Percentage of ownership	Investment income (losses) of investor	Book value (Note 3)	Accumulated remittance of earnings in current period
					Outflow (Note 3)	Inflow						
WKS	Electronic components computer peripherals products distribution and technical support	786,647 (USD25,000)	Note 1 - 4	304,594 (USD9,800)	-	-	304,594 (USD9,800)	68,216 (USD2,429) (Note 2)	100%	68,216 (USD2,429) (Note 2)	716,147 (USD25,765)	-
WKE	Electronic technology development and technical advisory	5,067 (RMB1,000)	Note 1 - 5	-	-	-	-	(386) (USD(14))	100%	(386) (USD(14))	5,047 (USD182)	-

- (ii) Limitation on investment in Mainland China:

Accumulated Investment in Mainland China as of September 30, 2021	Investment Amounts Authorized by Investment Commission, MOEA (note 3)	Upper Limit on Investment
304,594 (USD9,800)	694,875 (USD25,000)	4,376,684

Note 1: Investment in Mainland China was through a company in the third area.

Note 2: The investment gains and losses of the current period are recognized according to the financial statements, which have been reviewed by the Company's independent auditors, and were translated into New Taiwan Dollars at the average exchange rates.

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

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

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

- (iii) Significant transactions:

Please refer to Information on significant transactions for the information on significant direct or indirect transactions, which were eliminated in the preparation of consolidated financial statements, between the Group and the investee companies in Mainland China in 2021.

- (d) Major shareholders:

Shareholder's Name	Shareholding	Shares	Percentage
Weiji Investment Co., Ltd.		30,426,876	7.62 %

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

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

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

(14) Segment information:

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