

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

Consolidated Financial Statements

**With Independent Auditors' Review Report
For the Nine Months Ended September 30, 2022 and 2021**

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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, 2022 and 2021, and the related consolidated statements of comprehensive income for the three months and nine months ended September 30, 2022 and 2021, as well as the changes in equity and cash flows for the nine months ended September 30, 2022 and 2021, 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, 2022 and 2021, and of its consolidated financial performance for the three months and nine months ended September 30, 2022 and 2021, as well as its consolidated cash flows for the nine months ended September 30, 2022 and 2021 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 Yiu-Kwan Au and Kuan-Ying Kuo.

KPMG

Taipei, Taiwan (Republic of China)

November 11, 2022

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 September 30, 2022 and 2021

WEIKENG INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Consolidated Balance Sheets

September 30, 2022, December 31, and September 30, 2021

(Expressed in Thousands of New Taiwan Dollars)

Assets		September 30, 2022		December 31, 2021		September 30, 2021		Liabilities and Equity		September 30, 2022		December 31, 2021		September 30, 2021	
		Amount	%	Amount	%	Amount	%			Amount	%	Amount	%	Amount	%
Current assets:								Current liabilities:							
1100	Cash and cash equivalents (note (6)(a))	\$ 2,325,715	6	2,266,607	8	2,376,929	9	2100	Short-term borrowings (note (6)(i))	\$ 15,458,863	41	10,996,048	40	10,021,657	36
1110	Current financial assets at fair value through profit or loss (note (6)(b))	656	-	607	-	563	-	2130	Current contract liabilities (note (6)(r))	238,246	1	305,931	1	271,609	1
1170	Notes and accounts receivable, net (notes (6)(d) and (7))	15,245,893	41	13,548,981	49	13,699,644	51	2170	Accounts payable	7,113,168	19	5,308,148	19	6,686,998	25
1200	Other receivables (notes (6)(d) and (6)(e))	365,578	1	376,347	1	378,657	1	2200	Other payables (notes (6)(j) and (7))	852,444	2	952,772	4	679,572	3
1300	Inventories, net (note (6)(f))	18,128,743	49	10,286,868	38	9,557,803	35	2230	Current tax liabilities	741,042	2	361,274	1	528,269	2
1470	Prepaid expenses and other current assets	227,225	1	197,132	1	220,274	1	2280	Current lease liabilities (note (6)(l))	136,979	1	135,160	1	105,023	-
		<u>36,293,810</u>	<u>98</u>	<u>26,676,542</u>	<u>97</u>	<u>26,233,870</u>	<u>97</u>	2300	Other current liabilities	440,178	1	318,617	1	321,827	1
										<u>24,980,920</u>	<u>67</u>	<u>18,377,950</u>	<u>67</u>	<u>18,614,955</u>	<u>68</u>
Non-current assets:								Non-current liabilities:							
1510	Non-current financial assets at fair value through profit or loss (note (6)(b))	-	-	375	-	523	-	2500	Non-current financial liabilities at fair value through profit or loss (note (6)(b))	35,000	-	-	-	-	-
1517	Non-current financial assets at fair value through other comprehensive income (note (6)(c))	81,077	-	40,065	-	39,823	-	2530	Convertible bonds payable (note (6)(k))	1,864,893	5	126,336	-	410,000	2
1600	Property, plant and equipment (note (6)(g))	133,299	1	133,459	1	133,457	1	2570	Deferred tax liabilities	697,599	2	697,487	3	408,412	2
1755	Right-of-use assets (note (6)(h))	319,716	1	317,375	1	238,199	1	2580	Non-current lease liabilities (note (6)(l))	196,287	1	188,566	1	137,120	1
1780	Intangible assets	16,716	-	30,480	-	36,964	-	2640	Non-current net defined benefit liabilities (note (6)(n))	112,794	-	122,222	-	115,865	-
1840	Deferred tax assets	87,889	-	262,057	1	223,435	1	2670	Other non-current liabilities	181	-	181	-	181	-
1900	Other non-current assets	81,483	-	74,877	-	74,735	-			<u>2,906,754</u>	<u>8</u>	<u>1,134,792</u>	<u>4</u>	<u>1,071,578</u>	<u>5</u>
		<u>720,180</u>	<u>2</u>	<u>858,688</u>	<u>3</u>	<u>747,136</u>	<u>3</u>		Total liabilities	<u>27,887,674</u>	<u>75</u>	<u>19,512,742</u>	<u>71</u>	<u>19,686,533</u>	<u>73</u>
									Equity (note (6)(p)):						
								3100	Ordinary shares	4,235,432	11	4,159,342	15	3,990,554	15
								3200	Capital surplus	1,440,698	4	1,275,927	5	1,160,270	4
									Retained earnings:						
								3310	Legal reserve	1,132,248	3	960,709	4	960,709	4
								3320	Special reserve	454,583	1	365,705	1	365,705	1
								3350	Unappropriated retained earnings	1,605,974	5	1,715,388	6	1,261,865	4
										<u>3,192,805</u>	<u>9</u>	<u>3,041,802</u>	<u>11</u>	<u>2,588,279</u>	<u>9</u>
									Other equity interest:						
								3410	Exchange differences on translation of foreign financial statements	338,739	1	(373,405)	(2)	(363,211)	(1)
								3420	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	(81,358)	-	(81,178)	-	(81,419)	-
										<u>257,381</u>	<u>1</u>	<u>(454,583)</u>	<u>(2)</u>	<u>(444,630)</u>	<u>(1)</u>
									Total equity	<u>9,126,316</u>	<u>25</u>	<u>8,022,488</u>	<u>29</u>	<u>7,294,473</u>	<u>27</u>
Total assets		<u>\$ 37,013,990</u>	<u>100</u>	<u>27,535,230</u>	<u>100</u>	<u>26,981,006</u>	<u>100</u>	Total liabilities and equity		<u>\$ 37,013,990</u>	<u>100</u>	<u>27,535,230</u>	<u>100</u>	<u>26,981,006</u>	<u>100</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 Comprehensive Income

For the three months and nine months ended September 30, 2022 and 2021

(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				
	2022		2021		2022		2021		
	Amount	%	Amount	%	Amount	%	Amount	%	
4100	Net sales revenue (notes (6)(r) and (7))	\$ 18,203,776	100	19,581,426	100	52,549,338	100	54,084,640	100
5000	Cost of sales (note (6)(f))	16,820,923	92	18,055,943	92	48,348,341	92	50,290,831	93
	Gross profit	<u>1,382,853</u>	<u>8</u>	<u>1,525,483</u>	<u>8</u>	<u>4,200,997</u>	<u>8</u>	<u>3,793,809</u>	<u>7</u>
	Operating expenses (notes (6)(l), (6)(m), (6)(n), (7) and (12)):								
6100	Selling expenses	546,881	3	549,872	2	1,553,437	3	1,465,176	3
6200	Administrative expenses	170,306	1	170,133	1	468,153	1	446,501	1
6450	Expected credit losses (reversal gains) (note (6)(d))	(5,648)	-	4,671	-	(3,122)	-	(18,215)	-
		<u>711,539</u>	<u>4</u>	<u>724,676</u>	<u>3</u>	<u>2,018,468</u>	<u>4</u>	<u>1,893,462</u>	<u>4</u>
	Net operating income	<u>671,314</u>	<u>4</u>	<u>800,807</u>	<u>5</u>	<u>2,182,529</u>	<u>4</u>	<u>1,900,347</u>	<u>3</u>
	Non-operating income and expenses:								
7100	Interest income	803	-	770	-	3,085	-	2,462	-
7010	Other income (note (7))	6,014	-	1,725	-	11,400	-	13,228	-
7235	Gains (losses) on financial assets (liabilities) at fair value through profit or loss, net	(2,953)	-	2,220	-	(9,784)	-	7,663	-
7230	Foreign currency exchange gains, net (note (6)(t))	(19,314)	-	12,761	-	26,557	-	25,581	-
7050	Finance costs (notes (6)(k) and (6)(l))	(131,573)	(1)	(41,421)	-	(243,958)	-	(127,305)	-
7590	Miscellaneous disbursements	(172)	-	(163)	-	(487)	-	(573)	-
		<u>(147,195)</u>	<u>(1)</u>	<u>(24,108)</u>	<u>-</u>	<u>(213,187)</u>	<u>-</u>	<u>(78,944)</u>	<u>-</u>
7900	Profit before tax	<u>524,119</u>	<u>3</u>	<u>776,699</u>	<u>5</u>	<u>1,969,342</u>	<u>4</u>	<u>1,821,403</u>	<u>3</u>
7950	Income tax expenses (note (6)(o))	151,630	1	244,984	2	548,107	1	560,297	1
8200	Profit	<u>372,489</u>	<u>2</u>	<u>531,715</u>	<u>3</u>	<u>1,421,235</u>	<u>3</u>	<u>1,261,106</u>	<u>2</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	(36)	-	564	-	(180)	-	2,853	-
8349	Less: income tax relating to items that will not be reclassified to profit or loss	-	-	-	-	-	-	-	-
		<u>(36)</u>	<u>-</u>	<u>564</u>	<u>-</u>	<u>(180)</u>	<u>-</u>	<u>2,853</u>	<u>-</u>
8360	Items that may be reclassified to profit or loss								
8361	Exchange differences on translation of foreign financial statements	505,765	3	(26,443)	-	890,180	1	(101,272)	-
8399	Less: income tax relating to items that may be reclassified to profit or loss (note (6)(o))	101,153	1	(5,288)	-	178,036	-	(20,254)	-
		<u>404,612</u>	<u>2</u>	<u>(21,155)</u>	<u>-</u>	<u>712,144</u>	<u>1</u>	<u>(81,018)</u>	<u>-</u>
	Other comprehensive income, net	<u>404,576</u>	<u>2</u>	<u>(20,591)</u>	<u>-</u>	<u>711,964</u>	<u>1</u>	<u>(78,165)</u>	<u>-</u>
8500	Comprehensive income	<u>\$ 777,065</u>	<u>4</u>	<u>511,124</u>	<u>3</u>	<u>2,133,199</u>	<u>4</u>	<u>1,182,941</u>	<u>2</u>
	Earnings per common share (expressed in dollars) (note (6)(q))								
9750	Basic earnings per share	<u>\$ 0.88</u>		<u>1.42</u>		<u>3.38</u>		<u>3.41</u>	
9850	Diluted earnings per share	<u>\$ 0.78</u>		<u>1.25</u>		<u>3.14</u>		<u>2.96</u>	

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 Changes in Equity

For the nine months ended September 30, 2022 and 2021

(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, 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)
Profit 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
Balance at January 1, 2022	\$ 4,159,342	1,275,927	960,709	365,705	1,715,388	(373,405)	(81,178)	8,022,488
Appropriation and distribution of retained earnings:								
Legal reserve appropriated	-	-	171,539	-	(171,539)	-	-	-
Special reserve appropriated	-	-	-	88,878	(88,878)	-	-	-
Cash dividends	-	-	-	-	(1,270,232)	-	-	(1,270,232)
	-	-	171,539	88,878	(1,530,649)	-	-	(1,270,232)
Profit for the nine months ended September 30, 2022	-	-	-	-	1,421,235	-	-	1,421,235
Other comprehensive income for the nine months ended September 30, 2022	-	-	-	-	-	712,144	(180)	711,964
Total comprehensive income for the nine months ended September 30, 2022	-	-	-	-	1,421,235	712,144	(180)	2,133,199
Issuance of convertible bonds	-	114,313	-	-	-	-	-	114,313
Conversion of convertible bonds	76,090	50,458	-	-	-	-	-	126,548
Balance at September 30, 2022	\$ 4,235,432	1,440,698	1,132,248	454,583	1,605,974	338,739	(81,358)	9,126,316

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 Cash Flows

For the nine months ended September 30, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

	For the nine months ended September 30,	
	2022	2021
Cash flows from (used in) operating activities:		
Profit before tax	\$ 1,969,342	1,821,403
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expenses	123,138	117,466
Amortization expenses	20,864	20,139
Expected credit losses reversal gains	(3,122)	(18,215)
Net losses (gains) on financial assets or liabilities at fair value through profit or loss	9,784	(7,663)
Interest expenses	243,958	127,305
Interest income	(3,085)	(2,462)
Others	(4)	141
	<u>391,533</u>	<u>236,711</u>
Changes in operating assets and liabilities:		
Decrease in financial assets at fair value through profit or loss	-	11
Increase in notes and accounts receivable	(1,693,790)	(3,002,406)
Decrease in other receivables	10,769	534,220
Increase in inventories	(7,841,875)	(1,702,047)
Increase in prepaid expenses and other current assets	(30,076)	(1,247)
	<u>(9,554,972)</u>	<u>(4,171,469)</u>
Increase in accounts payable	1,805,020	3,111,138
Decrease in other payable	(150,977)	(562,703)
Increase in contract liabilities and other current liabilities	53,876	84,580
Others	(9,428)	(5,109)
	<u>1,698,491</u>	<u>2,627,906</u>
Total changes in operating assets and liabilities	<u>(7,856,481)</u>	<u>(1,543,563)</u>
Total adjustments	<u>(7,464,948)</u>	<u>(1,306,852)</u>
Cash flows (used in) from operations	(5,495,606)	514,551
Interest received	3,085	2,462
Interest paid	(188,271)	(118,890)
Income taxes paid	(216,306)	(72,944)
Net cash flows (used in) from operating activities	<u>(5,897,098)</u>	<u>325,179</u>
Cash flows from (used in) investing activities:		
Acquisition of financial assets at fair value through other comprehensive income	(42,000)	-
Proceeds from disposal of financial assets at fair value through other comprehensive income	-	7,446
Proceeds from capital reduction of financial assets at fair value through other comprehensive income	808	406
Acquisition of property, plant and equipment	(6,885)	(9,204)
Disposal of property, plant and equipment	-	282
Increase in refundable deposits	(6,466)	(630)
Acquisition of intangible assets	(5,324)	(6,347)
Increase in prepayments for equipments	(140)	(539)
Net cash flows used in investing activities	<u>(60,007)</u>	<u>(8,586)</u>
Cash flows from (used in) financing activities:		
Increase in short-term loans	4,462,815	276,342
Proceeds from issuing bonds	2,000,000	-
Payments of lease liabilities	(112,695)	(104,791)
Cash dividends paid	(1,270,232)	(494,508)
Net cash flows from (used in) financing activities	<u>5,079,888</u>	<u>(322,957)</u>
Effect of exchange rate changes on cash and cash equivalents	<u>936,325</u>	<u>(103,047)</u>
Net increase (decrease) in cash and cash equivalents	59,108	(109,411)
Cash and cash equivalents at the beginning of period	2,266,607	2,486,340
Cash and cash equivalents at the end of period	<u>\$ 2,325,715</u>	<u>2,376,929</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, 2022 and 2021

WEIKENG INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

September 30, 2022 and 2021

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

(1) Company history

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

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

These consolidated financial statements were reported to the board of directors and issued on November 11, 2022.

(3) New standards, amendments and interpretations adopted:

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

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

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

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

The Group assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2023, would not have a significant impact on its consolidated financial statements:

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

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

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

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

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

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”
- IFRS 17 “Insurance Contracts” and amendments to IFRS 17 “Insurance Contracts”
- Amendments to IFRS 17 “Initial Application of IFRS 17 and IFRS 9 – Comparative Information”
- IFRS16 “Requirements for Sale and Leaseback Transactions”

(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 the 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, 2021. For the related information, please refer to note (4) of the consolidated financial statements for the year ended December 31, 2021.

(b) Basis of Consolidation

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

Name of Investor	Name of Subsidiary	Nature of operation	Shareholding		
			September 30, 2022	December 31, 2021	September 30, 2021
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 %
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 %

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WEIKENG INDUSTRIAL CO., LTD. AND SUBSIDIARIES
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Name of Investor	Name of Subsidiary	Nature of operation	Shareholding		
			September 30, 2022	December 31, 2021	September 30, 2021
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, 2021. For related information, please refer to note (5) of the consolidated financial statements for the year ended December 31, 2021.

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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 were no material differences in the disclosures of significant accounts between the interim consolidated financial statements for the current period and the 2021 consolidated financial statements. Please refer to note (6) of the 2021 annual consolidated financial statements.

(a) Cash and cash equivalents

	September 30, 2022	December 31, 2021	September 30, 2021
Cash on hand	\$ 476	488	484
Checking accounts and demand deposits	<u>2,325,239</u>	<u>2,266,119</u>	<u>2,376,445</u>
	<u>\$ 2,325,715</u>	<u>2,266,607</u>	<u>2,376,929</u>

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

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

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

	September 30, 2022	December 31, 2021	September 30, 2021
Current financial assets mandatorily measured at fair value through profit or loss:			
Derivative instruments not used for hedging			
Forward exchange contracts	\$ 54	-	-
Non-derivative financial assets			
Stock listed on domestic markets	<u>602</u>	<u>607</u>	<u>563</u>
	<u>\$ 656</u>	<u>607</u>	<u>563</u>
Non-current financial assets at fair value through profit or loss:			
Convertible bonds – embedded derivatives	<u>\$ -</u>	<u>375</u>	<u>523</u>
Non-current financial liabilities at fair value through profit or loss:			
Convertible bonds – embedded derivatives	<u>\$ 35,000</u>	<u>-</u>	<u>-</u>

As of September 30, 2022, December 31 and September 30, 2021, the Group did not provide any financial assets and liabilities at fair value through profit or loss as collateral for its loans.

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

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WEIKENG INDUSTRIAL CO., LTD. AND SUBSIDIARIES
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(ii) Non-hedging derivative financial instruments

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

Forward exchange contracts :

	September 30, 2022		
	Amount (in thousands)	Currency	Maturity dates
Forward exchange purchased	USD 1,000	USD to NTD	2023.03.27

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

	September 30, 2022	December 31, 2021	September 30, 2021
Equity investments at fair value through other comprehensive income:			
Domestic emerging market stock	\$ 336	516	274
Domestic unlisted stock	58,133	16,941	16,940
Overseas unlisted stock	22,608	22,608	22,609
	\$ 81,077	40,065	39,823

(i) Equity investments at fair value through other comprehensive income

The Group designated the investments shown above as equity securities at fair value through other comprehensive income because these equity securities represent those investments that the Group intends to hold for long-term strategic purposes.

In September 2021, the Group 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 on the disposal and the cumulative gains on the 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, 2022.

(ii) As of September 30, 2022, December 31 and September 30, 2021, the Group did not provide any financial assets at fair value through other comprehensive income as collateral for its loans.

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

(d) Notes and accounts receivable

	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
Notes receivable	\$ 247,951	238,953	217,230
Accounts receivable-measured as amortized cost	11,346,407	11,366,808	12,325,523
Accounts receivable-fair value through other comprehensive income	<u>3,744,460</u>	<u>2,034,971</u>	<u>1,240,158</u>
	15,338,818	13,640,732	13,782,911
Less: Loss allowance	<u>(92,925)</u>	<u>(91,751)</u>	<u>(83,267)</u>
	<u>\$ 15,245,893</u>	<u>13,548,981</u>	<u>13,699,644</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, 2022</u>			
	<u>Carrying amount</u>	<u>Expected credit loss rate</u>	<u>Loss allowance provision</u>	<u>Credit impaired</u>
Listed company (assessed by group)				
Level A	\$ 4,817,979	0.48%	23,060	No
Level B	1,561,263	1.24%	19,435	No
Unlisted company	<u>1,486,015</u>	1.05%	<u>15,636</u>	No
	<u>\$ 7,865,257</u>		<u>58,131</u>	
<u>Credit rating</u>	<u>December 31, 2021</u>			
	<u>Carrying amount</u>	<u>Expected credit loss rate</u>	<u>Loss allowance provision</u>	<u>Credit impaired</u>
Listed company (assessed by group)				
Level A	\$ 4,009,216	0.52%	20,909	No
Level B	1,150,808	1.40%	16,108	No
Unlisted company	<u>1,436,928</u>	1.16%	<u>16,663</u>	No
	<u>\$ 6,596,952</u>		<u>53,680</u>	

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

<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><u>\$ 6,523,922</u></u>		<u><u>58,735</u></u>	

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

	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
Not past due	\$ 7,692,190	6,429,577	6,328,751
Overdue 90 days or less	173,067	163,041	192,923
Overdue 91 to 180 days	-	2,595	218
Overdue 181 days or more	-	<u>1,739</u>	<u>2,030</u>
	<u><u>\$ 7,865,257</u></u>	<u><u>6,596,952</u></u>	<u><u>6,523,922</u></u>

(ii) Subsidiaries

	<u>September 30, 2022</u>		
	<u>Carrying amount</u>	<u>Expected credit loss rate</u>	<u>Loss allowance provision</u>
Not past due	\$ 7,075,047	0.06%	4,039
Overdue 90 days or less	393,548	6.93%	27,290
Overdue 91 to 180 days	4,266	64.81%	2,765
Overdue 181 days or more	<u>700</u>	100%	<u>700</u>
	<u><u>\$ 7,473,561</u></u>		<u><u>34,794</u></u>
	<u>December 31, 2021</u>		
	<u>Carrying amount</u>	<u>Expected credit loss rate</u>	<u>Loss allowance provision</u>
Not past due	\$ 6,516,929	0.02%	1,107
Overdue 90 days or less	524,592	6.63%	34,770
Overdue 91 to 180 days	879	92.61%	814
Overdue 181 days or more	<u>1,380</u>	100%	<u>1,380</u>
	<u><u>\$ 7,043,780</u></u>		<u><u>38,071</u></u>

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

	September 30, 2021		
	Carrying amount	Expected credit loss rate	Loss allowance provision
Not past due	\$ 6,908,377	0.05%	3,676
Overdue 90 days or less	344,765	4.91%	16,914
Overdue 91 to 180 days	5,527	65.53%	3,622
Overdue 181 days or more	320	100%	320
	\$ 7,258,989		24,532

For the nine months ended September 30, 2022 and 2021, the movement in the allowance for notes and accounts receivable of the Group was as follows:

	For the nine months ended September 30,	
	2022	2021
Balance at January 1	\$ 91,751	112,529
Impairment losses reversed	(3,122)	(18,215)
Amounts written off	-	(10,264)
Reclassifications	(21)	-
Effect of changes in foreign exchange rates	4,317	(783)
Balance at September 30	\$ 92,925	83,267

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

The Group derecognized the above accounts receivable because it has transferred substantially all of the risks and rewards of their ownership, and it does not have any continuing involvement by them. The amounts receivable from the financial institutions were recognized as “other receivables” upon the derecognition of those accounts receivable. As of September 30, 2022, December 31 and September 30, 2021, the Group sold its accounts receivable without recourse as follows:

September 30, 2022						
Purchaser	Amount Derecognized	Amount Paid	Advanced Unpaid	Amount Recognized in Other Receivables	Range of Interest Rate	Significant Transferring Terms
Financial institutions	\$ 3,197,699	2,889,366	-	308,333	1.30%-4.97%	None

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Notes to the Consolidated Financial Statements

December 31, 2021						
Purchaser	Amount Derecognized	Amount Paid	Advanced Unpaid	Amount Recognized in Other Receivables	Range of Interest Rate	Significant Transferring Terms
Financial institutions	\$ 3,341,896	3,010,559	-	331,337	0.53%~1.14%	None

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

As of September 30, 2022, December 31 and September 30, 2021, 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, 2022	December 31, 2021	September 30, 2021
Other receivables – accounts receivable factored	\$ 308,333	331,337	314,475
Tax refund	41,126	32,623	40,094
Overdue receivables	22,158	22,121	22,122
Others	16,119	12,387	24,088
	387,736	398,468	400,779
Less: Loss allowance	(22,158)	(22,121)	(22,122)
	\$ 365,578	376,347	378,657

For the nine months ended September 30, 2022 and 2021, the movement in the allowance for other receivables was as follows:

	For the nine months ended September 30,	
	2022	2021
Balance at January 1	\$ 22,121	22,124
Reclassification	21	-
Effect of changes in foreign exchange rates	16	(2)
Balance at September 30	\$ 22,158	22,122

As of September 30, 2022, December 31 and September 30, 2021, the Group did not provide any other receivables as collaterals for its loans.

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

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(f) Inventories

	September 30, 2022	December 31, 2021	September 30, 2021
Merchandise inventories	\$ 16,183,276	9,688,311	8,756,550
Goods in transit	<u>1,945,467</u>	<u>598,557</u>	<u>801,253</u>
	<u>\$ 18,128,743</u>	<u>10,286,868</u>	<u>9,557,803</u>

The details of the cost of sales were as follows:

	For the three months ended September 30,		For the nine months ended September 30,	
	2022	2021	2022	2021
Inventory that has been sold	\$ 16,614,990	18,086,430	48,105,746	50,312,932
Write-down of inventories (Reversal of write-downs)	205,008	(34,266)	240,708	(83,106)
Loss on disposal of inventories and others	<u>925</u>	<u>3,779</u>	<u>1,887</u>	<u>61,005</u>
	<u>\$ 16,820,923</u>	<u>18,055,943</u>	<u>48,348,341</u>	<u>50,290,831</u>

As of September 30, 2022, December 31 and September 30, 2021, the Group did not provide any inventories as collaterals for its loans.

(g) Property, plant and equipment

	Land	Buildings and construction	Transportation equipment	Machinery equipment	Office and other facilities equipment	Total
Carrying amounts:						
Balance on January 1, 2022	\$ <u>77,377</u>	<u>29,202</u>	<u>4,316</u>	<u>8,581</u>	<u>13,983</u>	<u>133,459</u>
Balance on September 30, 2022	\$ <u>77,377</u>	<u>28,556</u>	<u>4,044</u>	<u>9,527</u>	<u>13,795</u>	<u>133,299</u>
Balance on January 1, 2021	\$ <u>77,377</u>	<u>30,065</u>	<u>3,854</u>	<u>4,817</u>	<u>18,657</u>	<u>134,770</u>
Balance on September 30, 2021	\$ <u>77,377</u>	<u>29,418</u>	<u>4,583</u>	<u>7,169</u>	<u>14,910</u>	<u>133,457</u>

The Group's property, plant and equipment have no significant additions, disposals, impairments or reversals during for the nine months ended September 30, 2022 and 2021. Information on depreciation for the period is disclosed in note (12)(a). For other related information, please refer to note (6)(g) of the 2021 annual consolidated financial statements.

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(h) Right-of-use assets

	<u>Buildings</u>	<u>Transportation equipment</u>	<u>Total</u>
Carrying amount:			
Balance on January 1, 2022	\$ <u>314,404</u>	<u>2,971</u>	<u>317,375</u>
Balance on September 30, 2022	\$ <u>312,349</u>	<u>7,367</u>	<u>319,716</u>
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>

There were no significant additions, disposal, or recognition and reversal of impairment losses of buildings and transportation equipments that are held as right-of-use assets for the nine months ended September 30, 2022 and 2021. Please refer to note (6)(h) of the 2021 annual consolidated financial statements for other related information.

(i) Short-term borrowings

	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
Unsecured loans	\$ 15,119,321	10,077,546	9,103,277
Short-term notes and bills payable, net	<u>339,542</u>	<u>918,502</u>	<u>918,380</u>
	<u>\$ 15,458,863</u>	<u>10,996,048</u>	<u>10,021,657</u>
Unused short-term credit lines	<u>\$ 4,586,310</u>	<u>4,473,838</u>	<u>4,607,344</u>
Range of interest rates	<u>0.52%~5.09%</u>	<u>0.52%~3.9%</u>	<u>0.52%~3.90%</u>

(i) Issuance and repayment of borrowings

The Group's additional amounts in loans for the nine months ended September 30, 2022 and 2021 were \$34,896,764 and \$24,922,033, respectively, with maturities from October, 2022, to August, 2023 and from October, 2021, to August, 2022 respectively; and the repayments were \$30,433,949 and \$24,645,691, 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

	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
Accrued expenses	\$ 278,798	319,556	232,018
Bonus payable	281,322	340,548	221,934
Remuneration to employees and directors	232,602	278,657	213,427
Interest payable	<u>59,722</u>	<u>14,011</u>	<u>12,193</u>
	<u>\$ 852,444</u>	<u>952,772</u>	<u>679,572</u>

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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, 2022	December 31, 2021	September 30, 2021
Aggregate principal amount	\$ 2,000,000	1,000,000	1,000,000
Bond discount	(135,107)	(7,564)	(26,200)
Cumulative converted amount	-	(866,100)	(563,800)
Bonds payable at end of period	<u>\$ 1,864,893</u>	<u>126,336</u>	<u>410,000</u>
Embedded derivative – put and call options			
Included in non-current financial liabilities at fair value through profit or loss	<u>\$ 35,000</u>	<u>-</u>	<u>-</u>
Included in non-current financial assets at fair value through profit or loss	<u>\$ -</u>	<u>375</u>	<u>523</u>
Equity component – conversion options (included in capital surplus – conversion options)	<u>\$ 114,313</u>	<u>7,634</u>	<u>24,869</u>

(ii) The effective interest rate of the fifth convertible bonds was 1.53%. The interest expenses on convertible bonds for the three months and nine months ended September 30, 2022 and 2021, were \$44, \$3,157, \$554 and \$10,233, respectively. The above fifth convertible bonds had been transferred into the ordinary shares on September 2022.

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

(iv) The Company issued the sixth domestic unsecured convertible bonds, with a face value of \$2,000,000 on June 1, 2022. The Company separated the convertible option from the liability and recognized it as equity and liability, respectively. The relevant information were as follows:

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

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WEIKENG INDUSTRIAL CO., LTD. AND SUBSIDIARIES
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The equity components were reported in capital surplus-conversion options. In accordance with IFRSs, the issue cost of the sixth domestic unsecured convertible bonds were allocated at \$287 to the capital surplus-conversion options.

The effective interest rate of the sixth convertible bonds was 1.51%. The interest expenses on convertible bonds was \$9,343 for the nine months ended September 30, 2022.

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

The bondholders have the right to request the Company to repurchase the bonds at a price equal to the face value, plus, an accrued premium three and four years after the issuance date. The annual interest rates for the redemption are 0.5% both three and four years after the issuance date.
 - 5) Conversion clause:
 - a) Bondholders may request to have the bonds converted into the common stock of the Company in accordance with conversion clause from September 2, 2022 to June 1, 2027.
 - b) Conversion price: NT\$34.27 per share. Starting from July 31, 2022, the adjusted conversion price due to distribution of retained earnings for 2021 was \$30.32.
- (vi) The loss on recognition of financial assets and liabilities amounted to \$9,833 for the nine months ended September 30, 2022.

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

(l) Lease liabilities

	September 30, 2022	December 31, 2021	September 30, 2021
Current	<u>\$ 136,979</u>	<u>135,160</u>	<u>105,023</u>
Non-current	<u>\$ 196,287</u>	<u>188,566</u>	<u>137,120</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,	
	2022	2021	2022	2021
Interests on lease liabilities	<u>\$ 2,034</u>	<u>1,937</u>	<u>5,592</u>	<u>5,209</u>
Expenses relating to short-term leases	<u>\$ 1,861</u>	<u>1,478</u>	<u>4,908</u>	<u>4,653</u>

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

	For the nine months ended September 30,	
	2022	2021
Total cash outflow for leases	<u>\$ 123,195</u>	<u>114,653</u>

(i) Real estate leases

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

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

(ii) Other leases

The Group leases transportation equipment 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.

(Continued)

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

(m) Operating lease — as lessor

There were no significant leases contracts for the nine months ended September 30, 2022 and 2021. Please refer to note (6)(m) of the 2021 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, 2021 and 2020.

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 a payment based on years of service and average salary for the six months prior to retirement.

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

	For the three months ended		For the nine months ended	
	September 30,		September 30,	
	2022	2021	2022	2021
Operating expenses	\$ 279	275	836	823

(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 \$6,180, \$5,730, \$18,169 and \$17,079 for the three months and nine months ended September 30, 2022 and 2021, respectively. Payment was made to the Bureau of Labor Insurance.

Other subsidiaries recognized the pension expense, basic endowment insurance expense, and social welfare expenses amounting to \$20,639, \$17,105, \$59,273 and \$48,436 for the three months and nine months ended September 30, 2022 and 2021, respectively.

(Continued)

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

(o) Income taxes

(i) Income tax expenses

The amounts of income tax for the three months and nine months ended September 30, 2022 and 2021 were as follows:

	<u>For the three months ended</u> <u>September 30,</u>		<u>For the nine months ended</u> <u>September 30,</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Current tax expenses	<u>\$ 151,630</u>	<u>244,984</u>	<u>548,107</u>	<u>560,297</u>

The amounts of income tax recognized in other comprehensive income for the three months and nine months ended September 30, 2022 and 2021 were as follows:

	<u>For the three months ended</u> <u>September 30,</u>		<u>For the nine months ended</u> <u>September 30,</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translation of foreign financial statements	<u>\$ 101,153</u>	<u>(5,288)</u>	<u>178,036</u>	<u>(20,254)</u>

(ii) Income tax assessment

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

(p) Capital and other equities

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

As of September 30, 2022, December 31 and September 30, 2021, the total number of authorized ordinary shares were 600,000 thousand shares, 550,000 thousand shares and 550,000 thousand shares, respectively, with par value of TWD 10 per share. The total value of authorized ordinary shares amounted to \$6,000,000, \$5,500,000 and \$5,500,000, respectively. As of that date, 423,543 thousand shares, 415,934 thousand shares and 399,055 thousand shares of ordinary shares were issued. All issued shares were paid up upon issuance.

(i) Common stock

For the nine months ended September 30, 2022, 7,609 thousand new common shares, with a par value of TWD 10, amounting to \$76,090, were issued due to the conversion of convertible bonds. The relevant statutory registration procedures have been completed.

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

(ii) Capital surplus

Balances on capital surplus of the Company were as follows:

	September 30, 2022	December 31, 2021	September 30, 2021
Additional paid in capital	\$ 1,287,803	1,229,711	1,096,819
Treasury share transactions	37,617	37,617	37,617
Donation from shareholders	712	712	712
Convertible bonds – conversion options	114,313	7,634	24,869
Others	<u>253</u>	<u>253</u>	<u>253</u>
	<u>\$ 1,440,698</u>	<u>1,275,927</u>	<u>1,160,270</u>

For the nine months ended September 30, 2022, the capital surplus deriving from those convertible bonds, which were converted to common stock, amounted to \$50,458 (including the capital surplus-conversion options transferred to the capital surplus-additional paid-in capital of \$7,634).

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

(iii) Retained earnings

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

(Continued)

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

1) Earnings distribution

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

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

(q) Earnings per share

The Company's 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>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Profit attributable to ordinary shareholders of the Company	\$ <u>372,489</u>	<u>531,715</u>	<u>1,421,235</u>	<u>1,261,106</u>

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

	<u>For the three months ended September 30,</u>		<u>For the nine months ended September 30,</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Weighted-average number of ordinary shares	<u>422,759</u>	<u>373,532</u>	<u>420,570</u>	<u>369,699</u>

(Continued)

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

(ii) Diluted earnings per share

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

	<u>For the three months ended September 30,</u>		<u>For the nine months ended September 30,</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Profit attributable shareholders of the Company (basic)	\$ 372,489	531,715	1,421,235	1,261,106
Convertible bonds payable	<u>9,805</u>	<u>890</u>	<u>19,663</u>	<u>2,521</u>
Profit attributable to ordinary shareholders of the Company (diluted)	<u>\$ 382,294</u>	<u>532,605</u>	<u>1,440,898</u>	<u>1,263,627</u>

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

	<u>For the three months ended September 30,</u>		<u>For the nine months ended September 30,</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Weighted-average number of ordinary shares (basic)	422,759	373,532	420,570	369,699
Effect of convertible bonds	64,225	48,934	30,677	51,533
Effect of employee stock remuneration	<u>6,231</u>	<u>4,957</u>	<u>7,934</u>	<u>6,059</u>
Weighted-average number of ordinary shares (diluted) on September 30	<u>493,215</u>	<u>427,423</u>	<u>459,181</u>	<u>427,291</u>

(r) Revenue from contracts with customers

(i) Disaggregation of revenue

	<u>For the three months ended September 30,</u>		<u>For the nine months ended September 30,</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Primary geographical markets:				
Taiwan	\$ 1,747,879	1,963,115	5,460,827	5,503,880
China	15,130,037	16,427,478	43,389,723	45,241,708
Others	<u>1,325,860</u>	<u>1,190,833</u>	<u>3,698,788</u>	<u>3,339,052</u>
	<u>\$ 18,203,776</u>	<u>19,581,426</u>	<u>52,549,338</u>	<u>54,084,640</u>

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

	For the three months ended		For the nine months ended	
	September 30,		September 30,	
	2022	2021	2022	2021
Major products/services lines				
Chipset/memory components	\$ 6,892,599	7,394,897	19,788,580	20,160,983
Mixed and other components	11,309,126	12,184,864	32,755,369	33,916,822
Others	<u>2,051</u>	<u>1,665</u>	<u>5,389</u>	<u>6,835</u>
	<u>\$ 18,203,776</u>	<u>19,581,426</u>	<u>52,549,338</u>	<u>54,084,640</u>

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

For the three months and nine months ended September 30, 2022 and 2021, the Group was determined as an agent in the aforementioned transactions which revenue amounted to \$0, \$0, \$0 and \$3,643, respectively. Due to the above transactions, all of the other receivables and the other payables amounted to \$0 as of September 30, 2022 and 2021.

(ii) Contract balance

	September	December	September
	30, 2022	31, 2021	30, 2021
Notes and accounts receivable (included related parties)	\$ 15,338,818	13,640,732	13,782,911
Less: allowance for impairment	<u>(92,925)</u>	<u>(91,751)</u>	<u>(83,267)</u>
	<u>\$ 15,245,893</u>	<u>13,548,981</u>	<u>13,699,644</u>
Contract liabilities	<u>\$ 238,246</u>	<u>305,931</u>	<u>271,609</u>

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

The amounts of revenue recognized for the nine months ended September 30, 2022 and 2021 that were included in the contract liability balance at the beginning of the periods were \$273,962 and \$162,966, 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.

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

(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, 2022 and 2021, the accrued remuneration of the Company's employees were \$42,725, \$59,084, \$158,880 and \$140,282; as well as directors were \$10,681, \$14,772, \$39,720 and \$35,071, 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 \$191,512 and \$78,442 as well as remuneration of directors was \$47,878 and \$19,611 for the years ended December 31, 2021 and 2020, 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, 2021.

(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 includes other receivables which had been impaired. For the nine months ended September 30, 2022 and 2021 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, 2022				
Non-derivative financial liabilities				
Unsecured loans	\$ 15,119,321	(15,292,851)	(15,292,851)	-
Short-term notes and bill payable	339,542	(340,000)	(340,000)	-
Lease liabilities	333,266	(348,370)	(143,698)	(204,672)
Accounts payable	7,113,168	(7,113,168)	(7,113,168)	-
Other payables	852,444	(852,444)	(852,444)	-
Bonds payable	1,864,893	(2,000,000)	-	(2,000,000)
Derivative financial liabilities				
Convertible bonds – embedded derivatives	35,000	-	-	-
	<u>\$ 25,657,634</u>	<u>(25,946,833)</u>	<u>(23,742,161)</u>	<u>(2,204,672)</u>
December 31, 2021				
Non-derivative financial liabilities				
Unsecured loans	\$ 10,077,546	(10,099,600)	(10,099,600)	-
Short-term notes and bills payable	918,502	(920,000)	(920,000)	-
Lease liabilities	323,726	(339,394)	(141,152)	(198,242)
Accounts payable	5,308,148	(5,308,148)	(5,308,148)	-
Other payables	952,772	(952,772)	(952,772)	-
Bonds payable	126,336	(133,900)	-	(133,900)
	<u>\$ 17,707,030</u>	<u>(17,753,814)</u>	<u>(17,421,672)</u>	<u>(332,142)</u>
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)
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>

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
Notes to the Consolidated Financial Statements

(iii) Market risk

1) Currency risk

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

	September 30, 2022			December 31, 2021			September 30, 2021		
	Foreign currency	Exchange rate	TWD	Foreign currency	Exchange rate	TWD	Foreign currency	Exchange rate	TWD
Financial assets									
Monetary items									
USD	\$ 302,253	USD/TWD 31.85	9,626,758	294,374	USD/TWD 27.68	8,148,260	279,689	USD/TWD 27.795	7,773,965
USD	813	USD/CNY 6.7863	25,894	388	USD/CNY 6.3935	10,731	287	USD/CNY 6.4915	7,980
Non-monetary items									
USD	745	USD/TWD 31.85	23,728	745	USD/TWD 27.68	20,622	745	USD/TWD 27.795	20,707
Financial liabilities									
Monetary items									
USD	264,875	USD/TWD 31.85	8,436,269	196,128	USD/TWD 27.68	5,428,819	179,033	USD/TWD 27.795	4,976,217
USD	16,540	USD/CNY 6.7863	526,799	24,714	USD/CNY 6.3935	684,073	26,941	USD/CNY 6.4915	748,833

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, 2022 and 2021 would have increased (decreased) the other comprehensive income (before tax) \$1,186 and \$1,035, respectively. For the nine months ended September 30, 2022 and 2021 would have increased (decreased) the net profit before tax as follows. The analysis is performed on the same basis for both periods.

	For the nine months ended September 30,	
	2022	2021
USD (against the TWD)		
Appreciating 5%	\$ 59,524	139,887
Depreciating 5%	(59,524)	(139,887)
USD (against the CNY)		
Appreciating 5%	(25,045)	(37,043)
Depreciating 5%	25,045	37,043

(Continued)

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, 2022 and 2021, the foreign exchange gain (loss), including both realized and unrealized, amounted to a loss of \$19,314, a gain of \$12,761, a gain of \$26,557 and a gain of \$25,581, respectively.

4) Interest rate analysis

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

	Carrying amount	
	September 30, 2022	September 30, 2021
Variable rate instruments:		
Financial assets	\$ 1,703,960	1,510,944
Financial liabilities	(15,119,321)	(9,103,277)

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 \$25,154 and \$14,236 for the nine months ended September 30, 2022 and 2021, 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
Notes to the Consolidated Financial Statements

	September 30, 2022				
	Carrying amount	Fair Value			
		Level 1	Level 2	Level 3	Total
Financial assets mandatorily measured at fair value through profit or loss					
Derivative financial assets	\$ 54	-	54	-	54
Stocks listed on domestic markets	<u>602</u>	602	-	-	602
Subtotal	<u>656</u>				
Financial assets at fair value through other comprehensive income					
Notes and accounts receivable, net	3,744,460	-	-	-	-
Emerging market stocks	336	336	-	-	336
Stocks unlisted on domestic markets and overseas market	<u>80,741</u>	-	-	80,741	80,741
Subtotal	<u>3,825,537</u>				
Financial assets measured at amortized cost					
Cash and cash equivalents	2,325,715	-	-	-	-
Notes and accounts receivable, net	11,501,433	-	-	-	-
Other receivables	324,452	-	-	-	-
Guarantee deposits	<u>80,686</u>	-	-	-	-
Subtotal	<u>14,232,286</u>				
	<u>\$ 18,058,479</u>				
Financial liabilities at fair value through profit or loss					
Convertible bonds – embedded derivatives	\$ <u>35,000</u>	-	35,000	-	35,000
Financial liabilities measured at amortized cost					
Bank loans	15,458,863	-	-	-	-
Lease liabilities	333,266	-	-	-	-
Accounts payable	7,113,168	-	-	-	-
Other payables	852,444	-	-	-	-
Bonds payable	<u>1,864,893</u>	-	-	-	-
Subtotal	<u>25,622,634</u>				
	<u>\$ 25,657,634</u>				

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WEIKENG INDUSTRIAL CO., LTD. AND SUBSIDIARIES
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	December 31, 2021				
	Carrying amount	Fair Value			
		Level 1	Level 2	Level 3	Total
Financial assets mandatorily measured at fair value through profit or loss					
Stocks listed on domestic markets	\$ 607	607	-	-	607
Convertible bonds – embedded derivatives	<u>375</u>	-	375	-	375
Subtotal	<u>982</u>				
Financial assets at fair value through other comprehensive income					
Notes and accounts receivable, net	2,034,971	-	-	-	-
Emerging market stocks	516	516	-	-	516
Stocks unlisted on domestic markets and overseas market	<u>39,549</u>	-	-	39,549	39,549
Subtotal	<u>2,075,036</u>				
Financial assets measured at amortized cost					
Cash and cash equivalents	2,266,607	-	-	-	-
Notes and accounts receivable, net	11,514,010	-	-	-	-
Other receivables	343,724	-	-	-	-
Guarantee deposits	<u>74,220</u>	-	-	-	-
Subtotal	<u>14,198,561</u>				
	<u>\$ 16,274,579</u>				
Financial liabilities measured at amortized cost					
Bank loans	\$ 10,996,048	-	-	-	-
Lease liabilities	323,726	-	-	-	-
Accounts payable	5,308,148	-	-	-	-
Other payables	952,772	-	-	-	-
Bonds payable	<u>126,336</u>	-	-	-	-
Subtotal	<u>17,707,030</u>				
	<u>\$ 17,707,030</u>				

(Continued)

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

	September 30, 2021				
	Carrying amount	Fair Value			
		Level 1	Level 2	Level 3	Total
Financial assets mandatorily measured at fair value through profit or loss					
Stocks listed on domestic markets	\$ 563	563	-	-	563
Convertible bonds-embedded derivatives	<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 stocks	274	274	-	-	274
Stocks unlisted on domestic markets and overseas 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	<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	-	-	-	-
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>				

There were no transfers of financial instruments between any levels for the nine months ended September 30, 2022 and 2021.

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

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

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

a) Financial assets measured at amortized cost

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

3) Valuation technique of financial instruments measured at fair value

a) Non-derivative financial instruments

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

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

b) Derivative financial instruments

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

4) Reconciliation of Level 3 fair values

	Fair value through other comprehensive income
	Unquoted equity instruments
Opening balance, January 1, 2022	\$ 39,549
Purchased	42,000
Capital refunded	(808)
Ending Balance, September 30, 2022	\$ 80,741

(Continued)

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

	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 other comprehensive income	(519)
Ending Balance, September 30, 2021	\$ 39,549

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

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

Quantified information of significant unobservable inputs was as follows:

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"> · Enterprise value to sale ratio as of September 30, 2022 and December 31, 2021 were 1.77 and 1.61, respectively. · Price-to-sale ratio as of September 30, 2021 was 0.77. · Price-book ratio as of September 30, 2022, December 31 and September 30, 2021 were 0.78, 0.9 and 0.81, respectively. · Market liquidity discount rate as of September 30, 2022, December 31 and September 30, 2021 were 17.45%, 17.45% and 17.25%, respectively. 	<ul style="list-style-type: none"> · The higher the price-to-sales ratio, price-book ratio, and the enterprise value to sale ratio, the higher the fair value <li style="text-align: center;">" <li style="text-align: center;">" · The higher the market liquidity discount rate, the lower the fair value

(Continued)

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

<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 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, 2021.

(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, 2021. 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, 2021. Please refer to note (6)(v) of the consolidated financial statements for the year ended December 31, 2021 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, 2022 and 2021, were as follows:

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

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

	<u>January 1, 2022</u>	<u>Cash flows</u>	<u>Non-cash changes</u>			<u>September 30, 2022</u>
			<u>Acquisition</u>	<u>Reduction</u>	<u>Foreign exchange movement</u>	
Short-term loans	\$ 10,996,048	4,462,815	-	-	-	15,458,863
Lease liabilities	323,726	(112,695)	93,146	(778)	29,867	333,266
Bonds payable	126,336	2,000,000	-	(261,443)	-	1,864,893
Total liabilities from financing activities	<u>\$ 11,446,110</u>	<u>6,350,120</u>	<u>93,146</u>	<u>(262,221)</u>	<u>29,867</u>	<u>17,657,022</u>

(Continued)

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

	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>

(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
Genlog Industrial Co., Ltd.	Substantive related-party

(b) Other related party transactions

(i) Sale of goods to related parties

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

	For the three months ended September 30,		For the nine months ended September 30,	
	2022	2021	2022	2021
Other related parties	\$ -	-	-	13

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 September 30,		For the nine months ended September 30,	
	2022	2021	2022	2021
Other related parties	\$ 1,079	1,673	4,102	5,189

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

(iii) Lease

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

	<u>For the three months ended</u> <u>September 30,</u>		<u>For the nine months ended</u> <u>September 30,</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Other related parties	\$ <u>229</u>	<u>298</u>	<u>686</u>	<u>894</u>

(iv) Payable to related parties

<u>Account</u>	<u>Related party</u> <u>categories</u>	<u>September</u> <u>30, 2022</u>	<u>December</u> <u>31, 2021</u>	<u>September</u> <u>30, 2021</u>
Other payables	Other related parties	\$ <u>221</u>	<u>355</u>	<u>371</u>

(c) Key management personnel compensation

Key management personnel compensation comprised:

	<u>For the three months ended</u> <u>September 30,</u>		<u>For the nine months ended</u> <u>September 30,</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Short-term employee benefits	\$ 66,325	72,188	220,617	187,792
Post-employment benefits	210	208	629	623
	<u>\$ 66,535</u>	<u>72,396</u>	<u>221,246</u>	<u>188,415</u>

(8) Assets pledged as security: None**(9) Commitments and contingencies:**

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

<u>September</u> <u>30, 2022</u>	<u>December</u> <u>31, 2021</u>	<u>September</u> <u>30, 2021</u>
<u>\$ 385,350</u>	<u>188,312</u>	<u>358,540</u>

(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 employee benefits, depreciation and amortization by function, is as follows:

By item	By function	For the three months ended September 30,	
		2022	2021
		Operating expenses	Operating expenses
Employee benefits			
Salary		408,587	415,652
Labor and health insurance		34,555	25,169
Pension		27,098	23,110
Remuneration of directors		16,826	29,829
Others		14,771	15,210
Depreciation		41,782	38,963
Amortization		7,141	6,648

By item	By function	For the nine months ended September 30,	
		2022	2021
		Operating expenses	Operating expenses
Employee benefits			
Salary		1,159,925	1,053,818
Labor and health insurance		91,007	77,476
Pension		78,278	66,338
Remuneration of directors		69,428	73,266
Others		39,476	45,265
Depreciation		123,138	117,466
Amortization		20,864	20,139

- (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, 2022:

- (i) Loans to other parties: None

(Continued)

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

(ii) Guarantees and endorsements for other parties:

(In thousands of new Taiwan dollars)

No.	Name of guarantor	Counter-party of guarantee and endorsement		Limitation on amount of guarantees and endorsements for a specific enterprise	Highest balance for guarantees and endorsements during the period	Balance of guarantees and endorsements as of reporting date	Actual usage amount during the period	Property pledged for guarantees and endorsements (Amount)	Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements	Maximum amount for guarantees and endorsements	Parent company endorsements/ guarantees to third parties on behalf of subsidiary (note 2)	Subsidiary endorsements/ guarantees to third parties on behalf of parent company (note 2)	Endorsements/ guarantees to third parties on behalf of companies in Mainland China (note 2)
		Name	Relationship with the Company										
0	The Company	WKI	100% owned subsidiary	13,689,474	8,754,296	8,220,795	7,131,678	-	90.08 %	27,378,948	Y	N	N
"	"	WTP	100% owned subsidiary	13,689,474	1,020,577	971,425	612,482	-	10.64 %	27,378,948	Y	N	N
"	"	WKS	100% owned by a subsidiary	13,689,474	1,450,428	1,450,428	1,057,650	-	15.89 %	27,378,948	Y	N	Y

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

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

(iii) Securities held as of September 30, 2022 (excluding investment in subsidiaries, associates and joint ventures):

(Shares/units (thousands))

Name of holder	Category and name of security	Relationship with company	Account title	Ending balance				Note
				Shares/Units (thousands)	Carrying amount	Percentage of ownership (%)	Fair value	
The Company	Securities of listed companies EBM Technologies Inc.	-	Financial assets mandatorily measured at fair value through profit or loss-current	34	\$ 602	-	\$ 602	
"	Clientron Corp.	-	Financial assets at fair value through other comprehensive income-non-current	15	\$ 336	0.02	\$ 336	
"	Paradigm I Venture Capital Company (Paradigm I)	-	"	750	\$ 7,458	6.79	\$ 7,458	
"	Paradigm Venture Capital Corporation (PVC Corp.)	-	"	230	2,301	10.49	2,301	
"	InnoBridge Venture Fund ILP. (InnoBridge)	-	"	-	15,150	9.90	15,150	
"	Shin Kong Global Venture Capital Corp.	-	"	960	4,800	12.00	4,800	
"	Vision Wide Technology Co., Ltd. (VTEC)	-	"	800	9,032	1.61	9,032	
"	Winsheng Material Technology Co., Ltd. (Winsheng Material)	-	"	1,400	42,000	4.37	42,000	
					\$ 80,741		\$ 80,741	

(iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of TWD300 million or 20% of the capital stock: None

(v) Acquisition of individual real estate with amount exceeding the lower of TWD300 million or 20% of the capital stock: None

(vi) Disposal of individual real estate with amount exceeding the lower of TWD300 million or 20% of the capital stock: None

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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 TWD100 million or 20% of the capital stock:

(In thousands)

Name of company	Related party	Nature of relationship	Transaction details			Transactions with terms different from others		Notes/Accounts receivable (payable)		Note
			Purchases/(Sales)	Amount	Percentage of total purchases/(sales)	Payment terms	Unit price	Payment terms	Ending balance	
The Company	WKI	100% owned subsidiary	(Sales)	(155,780) (USD5,300)	(0.72)%	OA30	No significant difference with other customers	No significant difference with other customers	117,625 (USD3,693)	1.48 %
The Company	WKI	100% owned subsidiary	Purchases	111,005 (USD3,811)	0.49 %	"	No significant difference with other suppliers	No significant difference with other suppliers	- (USD -)	- %
The Company	WTP	100% owned subsidiary	(Sales)	(106,229) (USD3,622)	(0.49)%	"	No significant difference with other customers	No significant difference with other customers	25,023 (USD786)	0.31 %
WKI	The Company	Parent company	Purchases	155,780 (USD5,300)	0.55 %	"	No significant difference with other suppliers	No significant difference with other suppliers	(117,625) (USD3,693)	(4.58) %
WKI	The Company	Parent company	(Sales)	(111,005) (USD3,811)	(0.42)%	"	No significant difference with other customers	No significant difference with other customers	- (USD -)	- %
WKI	WKS	Subsidiary	(Sales)	(3,708,978) (USD126,755)	(13.88)%	OA60	"	"	498,502 (USD15,652)	9.26 %
WKS	WKI	Parent company	Purchases	3,708,978 (USD126,755)	60.24 %	"	No significant difference with other suppliers	No significant difference with other suppliers	(498,502) (USD15,652)	(37.28) %
WTP	The Company	Parent company	Purchases	106,229 (USD3,622)	6.05 %	OA30	"	"	(25,023) (USD786)	(10.65) %

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

- (viii) Receivables from related parties with amounts exceeding the lower of TWD100 million or 20% of the capital stock:

(In thousands)

Name of company	Counter-party	Nature of relationship	Ending balance	Turnover rate	Overdue		Amounts received in subsequent period (Note)	Allowance for bad debts	Note
					Amount	Action taken			
The Company	WKI	100% owned subsidiary	Accounts receivables 117,625 (USD3,693)	3.19	-	-	USD 291	-	The amounts of the transaction and the ending balance had been offset in the consolidated financial statements.
The Company	WKI	100% owned subsidiary	Other receivables 132,455 (USD4,159)	-	-	-	USD 1,230	-	"
WKI	WKS	Subsidiary	Accounts receivable 498,502 (USD15,652)	8.35	-	-	USD 10,770	-	"

Note: Information as of November 7, 2022.

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

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

(x) Business relationships and significant intercompany transactions:

No. (Note 1)	Name of company	Name of counter-party	Nature of relationship (Note 2)	Intercompany transactions			Percentage of the consolidated net revenue or total assets
				Account name	Amount	Trading terms	
0	The Company	WKI	1	Sales Revenue	155,780	The price is marked up based on operating cost, and the receivables depend on OA30 after offsetting the accounts payable.	0.30%
"	"	"	"	Accounts Receivable	117,625	"	0.32%
"	"	"	"	Management and Credit Service Revenue	265,335	The price is set by percentage of the contract and the receivable is received quarterly.	0.50%
"	"	"	"	Other Receivables	132,455	"	0.36%
"	"	WTP	"	Sales Revenue	106,229	The price is marked up based on operating cost, and the receivables depend on OA30 after offsetting the accounts payable.	0.20%
1	WKI	The Company	2	Sales Revenue	111,005	"	0.21%
"	"	WKS	3	Sales Revenue	3,708,978	The price is marked up based on operating cost, and the receivables depend on funding demand and OA60.	7.06%
"	"	"	"	Accounts Receivable	498,502	"	1.35%

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, 2022 (excluding information on investees in Mainland China):

(In thousands)

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Highest		Net income (losses) of investee	Investment income (losses) of investor	Note	
				September 30, 2022	December 31, 2021	Shares (In Thousands)	Percentage of Ownership				Carrying amount
The Company	WKI	Hong Kong	Electronic components computer peripherals products distribution and technical support	\$ 1,620,445	1,322,295	552,450	100%	\$ 7,088,141	730,137	\$ 730,137	Subsidiary
"	WKZ	Taiwan	Electronic components and technical support	12,983	12,983	1,589	100%	25,785	(146)	(146)	"
"	WTP	Singapore	"	293,327	293,327	12,413	100%	512,277	82,945	82,945	"
				<u>\$ 1,926,755</u>	<u>1,628,605</u>			<u>\$ 7,626,203</u>		<u>\$ 812,936</u>	
WKI	Weitech	Hong Kong	Import and export trade of electronic components	0.41 (HKD0.1)	0.41 (HKD0.1)	-	100%	2,583 (USD81)	191 (USD7)	191 (USD7)	Sub- subsidiary

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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, 2022	Investment flows		Accumulated outflow of investment from Taiwan as of September 30, 2022	Net income (losses) of the investee (Note 2)	Percentage of ownership	Investment income (losses) of investor (Note 2)	Book value (Note 3)	Accumulated remittance of earnings in current period
					Outflow (Note 3)	Inflow						
WKS	Electronic components computer peripherals products distribution and technical support	786,647 (USD25,000)	Note 1 - 4	304,594 (USD9,800)	-	-	304,594 (USD9,800)	(54,902) (USD(1,876))	100%	(54,902) (USD(1,876))	719,096 (USD22,578)	-
WKE	Electronic technology development and technical advisory	5,067 (CNY1,000)	Note 1 - 5	-	-	-	-	(711) (USD(24))	100%	(711) (USD(24))	5,362 (USD168)	-

(ii) Limitation on investment in Mainland China:

Accumulated Investment in Mainland China as of September 30, 2022	Investment Amounts Authorized by Investment Commission, MOEA (note 3)	Upper Limit on Investment
304,594 (USD9,800 thousand)	796,250 (USD25,000 thousand)	5,475,790

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

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

Note 3: The currency was translated into New Taiwan Dollars at the exchange rate at the end of reporting period. (TWD: 31.85/USD)

Note 4: The difference was due to Weikeng International Co. Ltd.'s investment of USD15,200 thousand on Weikeng International (Shanghai) Co. Ltd. using its own funds.

Note 5: The difference was due to Weikeng International (Shanghai) Co. Ltd.'s investment of CNY1,000 thousand on Weikeng Electronic Technology (Shanghai) Co. Ltd. using its own funds.

(iii) Significant transactions:

Please refer to Information on significant transactions for the information on significant direct or indirect transactions, which were eliminated in the preparation of consolidated financial statements, between the Group and the investee companies in Mainland China in 2022.

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

(d) Major shareholders:

Shareholder's Name	Shareholding	Shares	Percentage
Weiji Investment Co., Ltd.		30,426,876	7.18 %

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

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 sheets for the segment profit and assets, respectively.