

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

Consolidated Financial Statements

**With Independent Auditors' Review Report
For the Three Months Ended March 31, 2024 and 2023**

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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 March 31, 2024 and 2023, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the three months ended March 31, 2024 and 2023, 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 the Standard on Review Engagements 2410, "Review of Financial Information Performed by the Independent Auditor of the Entity" of the Republic of China. 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 Standards on Auditing of the Republic of China 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 March 31, 2024 and 2023, and of its consolidated financial performance and its consolidated cash flows for the three months ended March 31, 2024 and 2023 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 reviews resulting in this independent auditors' review report are Au, Yiu-Kwan and Hsin, Yu-Ting.

KPMG

Taipei, Taiwan (Republic of China)

May 6, 2024

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.)

WEIKENG INDUSTRIAL CO., LTD. AND SUBSIDIARIES**Consolidated Balance Sheets****March 31, 2024, December 31, and March 31, 2023**

(expressed in thousands of New Taiwan Dollars)

| Assets | | March 31, 2024 | | December 31, 2023 | | March 31, 2023 | | Liabilities and Equity | | March 31, 2024 | | December 31, 2023 | | March 31, 2023 | |
|----------------------------|---|----------------------|------------|-------------------|------------|-------------------|------------|-------------------------------------|---|----------------------|------------|-------------------|------------|-------------------|------------|
| | | Amount | % | Amount | % | Amount | % | | | Amount | % | Amount | % | Amount | % |
| Current assets: | | | | | | | | Current liabilities: | | | | | | | |
| 1100 | Cash and cash equivalents (note (6)(a)) | \$ 2,404,601 | 6 | 2,410,732 | 6 | 2,226,723 | 7 | 2100 | Short-term borrowings (note (6)(h)) | \$ 16,176,428 | 41 | 14,702,073 | 38 | 12,617,138 | 41 |
| 1110 | Current financial assets at fair value through profit or loss (note (6)(b)) | 774 | - | 850 | - | 785 | - | 2130 | Current contract liabilities (note (6)(p)) | 1,137,733 | 3 | 1,053,924 | 3 | 1,123,126 | 4 |
| 1170 | Notes and accounts receivable, net (notes (6)(d) and (7)) | 14,827,742 | 38 | 13,586,966 | 35 | 12,151,923 | 39 | 2170 | Accounts payable | 8,583,815 | 22 | 9,592,848 | 25 | 3,424,482 | 11 |
| 1200 | Other receivables (note (6)(d)) | 317,585 | 1 | 387,353 | 1 | 355,501 | 1 | 2200 | Other payables (note (7)) | 727,990 | 2 | 846,652 | 2 | 740,615 | 2 |
| 1300 | Inventories, net (note (6)(e)) | 19,956,464 | 51 | 20,516,999 | 53 | 14,940,647 | 48 | 2230 | Current tax liabilities | 239,492 | 1 | 196,256 | 1 | 340,256 | 1 |
| 1470 | Prepayments and other current assets | 1,276,434 | 3 | 960,531 | 3 | 492,942 | 2 | 2280 | Current lease liabilities (note (6)(j)) | 133,932 | - | 140,303 | - | 138,112 | - |
| | | <u>38,783,600</u> | <u>99</u> | <u>37,863,431</u> | <u>98</u> | <u>30,168,521</u> | <u>97</u> | 2300 | Other current liabilities | 460,484 | 1 | 481,545 | 1 | 415,643 | 1 |
| | | | | | | | | | | <u>27,459,874</u> | <u>70</u> | <u>27,013,601</u> | <u>70</u> | <u>18,799,372</u> | <u>60</u> |
| Non-current assets: | | | | | | | | Non-current liabilities: | | | | | | | |
| 1517 | Non-current financial assets at fair value through other comprehensive income (note (6)(c)) | 77,262 | - | 77,285 | - | 90,169 | - | 2500 | Non-current financial liabilities at fair value through profit or loss (note (6)(b)) | 8,561 | - | 14,144 | - | 21,182 | - |
| 1600 | Property, plant and equipment (note (6)(f)) | 150,163 | - | 146,748 | - | 129,414 | - | 2530 | Bonds payable (note (6)(i)) | 1,774,735 | 5 | 1,768,116 | 5 | 1,877,311 | 6 |
| 1755 | Right-of-use assets (note (6)(g)) | 266,473 | 1 | 286,220 | 1 | 346,628 | 1 | 2570 | Deferred tax liabilities | 857,292 | 2 | 857,291 | 2 | 874,322 | 3 |
| 1780 | Intangible assets | 10,415 | - | 6,597 | - | 12,935 | - | 2580 | Non-current lease liabilities (note (6)(j)) | 142,832 | - | 156,868 | - | 217,197 | 1 |
| 1840 | Deferred tax assets | 129,657 | - | 190,007 | 1 | 205,441 | 1 | 2640 | Non-current net defined benefit liabilities | 68,017 | - | 69,867 | - | 78,222 | - |
| 1900 | Other non-current assets | 80,022 | - | 76,012 | - | 232,919 | 1 | 2670 | Other non-current liabilities | 193 | - | 193 | - | 181 | - |
| | | <u>713,992</u> | <u>1</u> | <u>782,869</u> | <u>2</u> | <u>1,017,506</u> | <u>3</u> | | | <u>2,851,630</u> | <u>7</u> | <u>2,866,479</u> | <u>7</u> | <u>3,068,415</u> | <u>10</u> |
| | | | | | | | | | | <u>30,311,504</u> | <u>77</u> | <u>29,880,080</u> | <u>77</u> | <u>21,867,787</u> | <u>70</u> |
| | | | | | | | | Total liabilities | | | | | | | |
| | | | | | | | | Equity (note (6)(n)): | | | | | | | |
| | | | | | | | | 3100 | Common shares | 4,280,715 | 10 | 4,280,715 | 11 | 4,235,432 | 13 |
| | | | | | | | | 3200 | Capital surplus | 1,526,125 | 4 | 1,526,125 | 4 | 1,440,646 | 5 |
| | | | | | | | | | Retained earnings: | | | | | | |
| | | | | | | | | 3310 | Legal reserve | 1,304,638 | 3 | 1,304,638 | 4 | 1,132,248 | 4 |
| | | | | | | | | 3320 | Special reserve | - | - | - | - | 454,583 | 1 |
| | | | | | | | | 3350 | Unappropriated earnings | 1,836,033 | 5 | 1,667,096 | 4 | 2,078,614 | 7 |
| | | | | | | | | | | <u>3,140,671</u> | <u>8</u> | <u>2,971,734</u> | <u>8</u> | <u>3,665,445</u> | <u>12</u> |
| | | | | | | | | | Other equity interest: | | | | | | |
| | | | | | | | | 3410 | Exchange differences on translation of foreign financial statements | 330,407 | 1 | 79,453 | - | 58,040 | - |
| | | | | | | | | 3420 | Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income | (91,830) | - | (91,807) | - | (81,323) | - |
| | | | | | | | | | | <u>238,577</u> | <u>1</u> | <u>(12,354)</u> | <u>-</u> | <u>(23,283)</u> | <u>-</u> |
| | | | | | | | | Total equity | | <u>9,186,088</u> | <u>23</u> | <u>8,766,220</u> | <u>23</u> | <u>9,318,240</u> | <u>30</u> |
| Total assets | | <u>\$ 39,497,592</u> | <u>100</u> | <u>38,646,300</u> | <u>100</u> | <u>31,186,027</u> | <u>100</u> | Total liabilities and equity | | <u>\$ 39,497,592</u> | <u>100</u> | <u>38,646,300</u> | <u>100</u> | <u>31,186,027</u> | <u>100</u> |

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese.)

WEIKENG INDUSTRIAL CO., LTD. AND SUBSIDIARIES**Consolidated Statement of Comprehensive Income****For the three months ended March 31, 2024 and 2023****(expressed in thousands of New Taiwan Dollars, except for earnings per share)**

| | | For the three months ended March 31 | | | |
|------|--|--|------------|-------------------|------------|
| | | 2024 | | 2023 | |
| | | Amount | % | Amount | % |
| 4100 | Net sales revenue (note (6)(p)) | \$ 18,444,276 | 100 | 16,524,492 | 100 |
| 5000 | Cost of sales (note (6)(e)) | <u>17,395,128</u> | <u>94</u> | <u>15,471,377</u> | <u>94</u> |
| | Gross profit | <u>1,049,148</u> | <u>6</u> | <u>1,053,115</u> | <u>6</u> |
| | Operating expenses (notes (6)(j), (6)(l), (6)(q), (7) and (12)): | | | | |
| 6100 | Selling expenses | 455,100 | 3 | 514,179 | 3 |
| 6200 | Administrative expenses | 116,250 | 1 | 119,504 | 1 |
| 6450 | Expected credit (reversal gains) losses (note (6)(d)) | <u>(7,335)</u> | <u>-</u> | <u>8,916</u> | <u>-</u> |
| | | <u>564,015</u> | <u>4</u> | <u>642,599</u> | <u>4</u> |
| | Net operating income | <u>485,133</u> | <u>2</u> | <u>410,516</u> | <u>2</u> |
| | Non-operating income and expenses: | | | | |
| 7100 | Interest income | 2,928 | - | 2,144 | - |
| 7010 | Other income (note (7)) | 2,093 | - | 2,163 | - |
| 7230 | Foreign currency exchange (losses) gains, net (note (6)(r)) | (24,915) | - | 16,891 | - |
| 7235 | Gains on financial assets (liabilities) at fair value through profit or loss, net (note (6)(i)) | 5,507 | - | 10,001 | - |
| 7050 | Finance costs (notes (6)(i) and (6)(j)) | (255,383) | (1) | (215,569) | (1) |
| 7590 | Miscellaneous disbursements | <u>(206)</u> | <u>-</u> | <u>(328)</u> | <u>-</u> |
| | | <u>(269,976)</u> | <u>(1)</u> | <u>(184,698)</u> | <u>(1)</u> |
| 7900 | Profit before tax | 215,157 | 1 | 225,818 | 1 |
| 7950 | Income tax expenses (note (6)(m)) | <u>46,220</u> | <u>-</u> | <u>55,840</u> | <u>-</u> |
| 8200 | Profit | <u>168,937</u> | <u>1</u> | <u>169,978</u> | <u>1</u> |
| | Other comprehensive income: | | | | |
| 8310 | Items that will not be reclassified to profit or loss | | | | |
| 8316 | Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income | (23) | - | 24 | - |
| 8349 | Less: Income tax related to items that will not be reclassified to profit or loss | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| | | <u>(23)</u> | <u>-</u> | <u>24</u> | <u>-</u> |
| 8360 | Items that may be reclassified to profit or loss | | | | |
| 8361 | Exchange differences on translation of foreign financial statements | 313,692 | 1 | (39,225) | - |
| 8399 | Less: Income tax related to items that will be reclassified to profit or loss (note (6)(m)) | <u>62,738</u> | <u>-</u> | <u>(7,845)</u> | <u>-</u> |
| | | <u>250,954</u> | <u>1</u> | <u>(31,380)</u> | <u>-</u> |
| | Other comprehensive income | <u>250,931</u> | <u>1</u> | <u>(31,356)</u> | <u>-</u> |
| 8500 | Comprehensive income | <u>\$ 419,868</u> | <u>2</u> | <u>138,622</u> | <u>1</u> |
| | Earnings per ordinary share (expressed in New Taiwan dollars) (note (6)(o)) | | | | |
| 9750 | Basic earnings per share | <u>\$ 0.39</u> | | <u>0.40</u> | |
| 9850 | Diluted earnings per share | <u>\$ 0.34</u> | | <u>0.34</u> | |

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese.)

WEIKENG INDUSTRIAL CO., LTD. AND SUBSIDIARIES**Consolidated Statement of Changes in Equity****For the three months ended March 31, 2024 and 2023****(expressed in thousands of New Taiwan Dollars)**

| | Common stock | Capital surplus | Retained earnings | | | Exchange differences on translation of foreign financial statements | Other equity interest | Total equity |
|--|---------------------|--------------------|-------------------|--------------------|----------------------------|---|--|------------------|
| | | | Legal reserve | Special reserve | Unappropriated earnings | | Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income | |
| Balance at January 1, 2023 | \$ 4,235,432 | 1,440,646 | 1,132,248 | 454,583 | 1,908,636 | 89,420 | (81,347) | 9,179,618 |
| Profit for the three months ended March 31, 2023 | - | - | - | - | 169,978 | - | - | 169,978 |
| Other comprehensive income for the three months ended March 31, 2023 | - | - | - | - | - | (31,380) | 24 | (31,356) |
| Total comprehensive income for the three months ended March 31, 2023 | - | - | - | - | 169,978 | (31,380) | 24 | 138,622 |
| Balance at March 31, 2023 | \$ 4,235,432 | 1,440,646 | 1,132,248 | 454,583 | 2,078,614 | 58,040 | (81,323) | 9,318,240 |
| Balance at January 1, 2024 | \$ 4,280,715 | 1,526,125 | 1,304,638 | - | 1,667,096 | 79,453 | (91,807) | 8,766,220 |
| Profit for the three months ended March 31, 2024 | - | - | - | - | 168,937 | - | - | 168,937 |
| Other comprehensive income for the three months ended March 31, 2024 | - | - | - | - | - | 250,954 | (23) | 250,931 |
| Total comprehensive income for the three months ended March 31, 2024 | - | - | - | - | 168,937 | 250,954 | (23) | 419,868 |
| Balance at March 31, 2024 | \$ 4,280,715 | 1,526,125 | 1,304,638 | - | 1,836,033 | 330,407 | (91,830) | 9,186,088 |

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese.)

WEIKENG INDUSTRIAL CO., LTD. AND SUBSIDIARIES**Consolidated Statement of Cash Flows****For the three months ended March 31, 2024 and 2023****(expressed in thousands of New Taiwan Dollars)**

| | For the three months ended March 31, | |
|--|---|--------------------|
| | 2024 | 2023 |
| Cash flows from (used in) operating activities: | | |
| Profit before tax | \$ 215,157 | 225,818 |
| Adjustments: | | |
| Adjustments to reconcile profit (loss): | | |
| Depreciation expenses | 43,002 | 42,309 |
| Amortization expenses | 1,965 | 3,173 |
| Expected credit (reversal gain) losses | (7,335) | 8,916 |
| Net gains on financial assets and liabilities at fair value through profit or loss | (5,507) | (10,001) |
| Interest expenses | 255,383 | 215,569 |
| Interest income | (2,928) | (2,144) |
| Others | (410) | 57 |
| | <u>284,170</u> | <u>257,879</u> |
| Changes in operating assets and liabilities: | | |
| (Increase) decrease in notes and accounts receivable | (1,233,441) | 683,588 |
| Decrease in other receivables | 69,771 | 10,830 |
| Decrease in inventories | 560,535 | 1,325,810 |
| Increase in prepayments and other current assets | (199,717) | (350,161) |
| | <u>(802,852)</u> | <u>1,670,067</u> |
| Decrease in financial liabilities at fair value profit or loss | - | (915) |
| Decrease in accounts payable | (1,009,033) | (136,252) |
| Decrease in other payable | (131,115) | (244,705) |
| Increase in contract liabilities and other current liabilities | 62,748 | 216,508 |
| Decrease in net defined benefit liabilities | (1,850) | (1,734) |
| | <u>(1,079,250)</u> | <u>(167,098)</u> |
| Total changes in operating assets and liabilities | <u>(1,882,102)</u> | <u>1,502,969</u> |
| Total adjustments | <u>(1,597,932)</u> | <u>1,760,848</u> |
| Cash flows (used in) from operations | (1,382,775) | 1,986,666 |
| Interest received | 2,788 | 2,085 |
| Interest paid | (236,419) | (270,093) |
| Income taxes paid | (2,943) | (48,091) |
| Net cash flows (used in) from operating activities | <u>(1,619,349)</u> | <u>1,670,567</u> |
| Cash flows from (used in) investing activities: | | |
| Acquisition of financial assets at fair value through other comprehensive income | - | (9,056) |
| Acquisition of property, plant and equipment | (6,167) | (2,434) |
| Increase in refundable deposits | (119,436) | (152,650) |
| Acquisition of intangible assets | (5,454) | (5,397) |
| Increase in other prepayments | (613) | (1,834) |
| Net cash flows used in investing activities | <u>(131,670)</u> | <u>(171,371)</u> |
| Cash flows from (used in) financing activities: | | |
| Increase (decrease) in short-term borrowings | 1,474,355 | (2,030,760) |
| Payments of lease liabilities | (40,002) | (39,338) |
| Net cash flows (used in) from financing activities | <u>1,434,353</u> | <u>(2,070,098)</u> |
| Effect of exchange rate changes on cash and cash equivalents | <u>310,535</u> | <u>(41,882)</u> |
| Net decrease in cash and cash equivalents | (6,131) | (612,784) |
| Cash and cash equivalents at the beginning of period | 2,410,732 | 2,839,507 |
| Cash and cash equivalents at the end of period | <u>\$ 2,404,601</u> | <u>2,226,723</u> |

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese.)

WEIKENG INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

March 31, 2024 and 2023

(expressed in thousands of New Taiwan Dollars, unless otherwise specified)

(1) Company history

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

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

These consolidated financial statements were authorized for issue by the Board of Directors on May 6, 2024.

(3) New standards, amendments and interpretations adopted:

- (a) The impact of the IFRS Accounting Standards endorsed by the Financial Supervisory Commission, 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, 2024:

- Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”
- Amendments to IAS 1 “Non-current Liabilities with Covenants”
- Amendments to IAS 7 and IFRS 7 “Supplier Finance Arrangements”
- Amendments to IFRS 16 “Lease Liability in a Sale and Leaseback”

(Continued)

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

- (b) The impact of IFRS Accounting Standards 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 |
|---|---|--------------------------------|
| IFRS 18 “Presentation and Disclosure in Financial Statements” | <p>The new standard introduces three categories of income and expenses, two income statement subtotals and one single note on management performance measures. The three amendments, combined with enhanced guidance on how to disaggregate information, set the stage for better and more consistent information for users, and will affect all the entities.</p> <ul style="list-style-type: none"> ● A more structured income statement: under current standards, companies use different formats to present their results, making it difficult for investors to compare financial performance across companies. The new standard promotes a more structured income statement, introducing a newly defined ‘operating profit’ subtotal and a requirement for all income and expenses to be allocated between three new distinct categories based on a company’s main business activities. ● Management performance measures (MPMs): the new standard introduces a definition for management performance measures, and requires companies to explain in a single note to the financial statements why the measure provides useful information, how it is calculated and reconcile it to an amount determined under IFRS Accounting Standards. ● Greater disaggregation of information: the new standard includes enhanced guidance on how companies group information in the financial statements. This includes guidance on whether information is included in the primary financial statements or is further disaggregated in the notes. | January 1, 2027 |

(Continued)

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

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

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

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”
- IFRS 17 “Insurance Contracts” and amendments to IFRS 17 “Insurance Contracts”
- Amendments to IAS21 “Lack of Exchangeability”

(4) Summary of material 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 Accounting Standards endorsed by the FSC) for a complete set of the annual consolidated financial statements.

Except the following accounting policies mentioned below, the material accounting policies adopted in the consolidated financial statements are the same as those in the consolidated financial statement for the year ended December 31, 2023. For the related information, please refer to note (4) of the consolidated financial statements for the year ended December 31, 2023.

(b) Basis of Consolidation

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

| Name of Investor | Name of Subsidiary | Nature of operation | Shareholding | | |
|------------------|---------------------------------------|--|----------------|-------------------|----------------|
| | | | March 31, 2024 | December 31, 2023 | March 31, 2023 |
| The Company | Weikeng International Co., Ltd. (WKI) | Electronic components computer peripherals products distribution and technical support | 100 % | 100 % | 100 % |
| " | Weikeng Technology Co., Ltd. (WKZ) | Electronic components and technical support | 100 % | 100 % | 100 % |
| " | Weikeng Technology Pte. Ltd. (WTP) | " | 100 % | 100 % | 100 % |

(Continued)

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

| Name of Investor | Name of Subsidiary | Nature of operation | Shareholding | | |
|------------------|---|--|----------------|-------------------|----------------|
| | | | March 31, 2024 | December 31, 2023 | March 31, 2023 |
| WKI | Weikeng International (Shanghai) Co., Ltd. (WKS) | Electronic components computer peripherals products distribution and technical support | 100 % | 100 % | 100 % |
| " | Weitech International Co., Ltd. (Weitech) | Import and export trade of electronic components | 100 % | 100 % | 100 % |
| WKS | SiUltra Electronic Technology (Shanghai) Co., Ltd. (SiU) (Note 1) | Electronic technology development and technical advisory | 100 % | 100 % | 100 % |

Note 1: Weikeng Electronic Technology (Shanghai) Co., Ltd. was renamed to SiUltra Electronic Technology (Shanghai) Co., Ltd. on July 27, 2023.

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

The Group classifies the asset as current under one of the following criteria, and all other assets are classified as non current.

- (i) It expects to realize the asset, or intends to sell or consume it, in its normal operating cycle;
- (ii) It holds the asset primarily for the purpose of trading;
- (iii) It expects to realize the asset within twelve months after the reporting period; or
- (iv) The asset is cash or a cash equivalent (as defined in IAS 7) unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

The Group classifies the liability as current under one of the following criteria, and all other liabilities are classified as non current.

- (i) It expects to settle the liability in its normal operating cycle;
- (ii) It holds the liability primarily for the purpose of trading
- (iii) The liability is due to be settled within twelve months after the reporting period; or
- (iv) It does not have the right at the end of the reporting period to defer settlement of the liability for at least twelve months after the reporting period.

(d) Income taxes

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

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

Income tax expenses for the period are measured by multiplying together the pre-tax income for the interim reporting period and the management's best estimate of effective annual tax rate. 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.

(e) 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 fiscal 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 IFRS Accounting Standards (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, 2023. For related information, please refer to note (5) of the consolidated financial statements for the year ended December 31, 2023.

(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 2023 consolidated financial statements. Please refer to note (6) of the 2023 annual consolidated financial statements.

(a) Cash and cash equivalents

| | March 31, 2024 | December 31, 2023 | March 31, 2023 |
|---------------------------------------|----------------------------|------------------------------|---------------------------|
| Cash on hand | \$ 394 | 382 | 465 |
| Checking accounts and demand deposits | 2,372,207 | 2,379,645 | 2,226,258 |
| Time deposits | <u>32,000</u> | <u>30,705</u> | <u>-</u> |
| | <u>\$ 2,404,601</u> | <u>2,410,732</u> | <u>2,226,723</u> |

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

(Continued)

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

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

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

| | <u>March 31, 2024</u> | <u>December 31, 2023</u> | <u>March 31, 2023</u> |
|---|---------------------------|------------------------------|---------------------------|
| Current financial assets at fair value through profit or loss: | | | |
| Non-derivative financial assets | | | |
| Stocks listed on domestic markets | \$ <u>774</u> | <u>850</u> | <u>785</u> |
| Non-current financial liabilities at fair value through profit or loss: | | | |
| Convertible bonds – embedded derivatives | \$ <u>8,561</u> | <u>14,144</u> | <u>21,182</u> |

As of March 31, 2024, December 31 and March 31, 2023, the Group did not provide any financial assets at fair value through profit or loss as collateral for its loans.

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

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

| | <u>March 31, 2024</u> | <u>December 31, 2023</u> | <u>March 31, 2023</u> |
|--|---------------------------|------------------------------|---------------------------|
| Debt investments at fair value through other comprehensive income: | | | |
| Overseas unlisted convertible promissory note | \$ 9,056 | 9,056 | 9,056 |
| Limited Partnership Company-InnorBridge Venture Fund I, L.P. | <u>-</u> | <u>-</u> | <u>15,150</u> |
| | <u>9,056</u> | <u>9,056</u> | <u>24,206</u> |
| Equity investments at fair value through other comprehensive income: | | | |
| Domestic emerging market stocks | 214 | 237 | 371 |
| Domestic unlisted stocks | 60,534 | 60,534 | 58,134 |
| Overseas unlisted stocks | <u>7,458</u> | <u>7,458</u> | <u>7,458</u> |
| | <u>\$ 77,262</u> | <u>77,285</u> | <u>90,169</u> |

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

The Group has made an assessment that the debt investment were held within a business model whose objective was achieved by both collecting contractual cash flows and selling financial assets. Therefore, they have been classified as financial assets at fair value through other comprehensive income.

(Continued)

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

(ii) 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 strategy and not for trading purposes.

There were no disposals of strategic investments, nor were there any transfers of any cumulative gain or loss within equity relating to these investments in the three months ended March 31, 2024 and 2023.

- (iii) The investee company, Shin Kong Global Venture Capital Corp. (SKGVC), which was recognized as non-current financial assets at fair value through other comprehensive income, reduced its capital to refund \$2,400 in 2023, leading to a reduction of the Company's shareholding in SKGVC from 960 thousand shares to 720 thousand shares.
- (iv) The Group invested in InnoBridge Venture Fund I, L.P. , a limited partnership company, in October 2006. The investment had been designated as a financial asset at fair value through other comprehensive income upon the adoption of IFRS 9. As of March 31, 2024, the book value was \$0. In accordance with the IFRS Q&A released by the Accounting Research and Development Foundation on June 15, 2023, wherein the financial asset cannot be designated as at fair value through other comprehensive income, the classification need not be applied retroactively to the investments in limited partnership companies that were made prior to June 30, 2023, according to the Q&A for the classification of financial assets released by the FSC. Therefore, the Group continues to measure its investment in InnoBridge Venture Fund I, L.P. as a financial asset at fair value through other comprehensive income.
- (v) For credit risk and market risk, please refer to note (6)(r).
- (vi) As of March 31, 2024, December 31 and March 31, 2023, the Group did not provide any financial assets at fair value through other comprehensive income as collateral for its loans.

(d) Notes and accounts receivable

| | March 31, 2024 | December 31, 2023 | March 31, 2023 |
|---|-----------------------------|------------------------------|---------------------------|
| Notes receivable | \$ 205,711 | 204,733 | 199,401 |
| Accounts receivable-measured as amortized cost | 11,998,558 | 11,040,545 | 10,716,810 |
| Accounts receivable-fair value through other comprehensive income | <u>2,763,828</u> | <u>2,485,651</u> | <u>1,339,780</u> |
| | 14,968,097 | 13,730,929 | 12,255,991 |
| Less: Loss allowance | <u>(140,355)</u> | <u>(143,963)</u> | <u>(104,068)</u> |
| | <u>\$ 14,827,742</u> | <u>13,586,966</u> | <u>12,151,923</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.

(Continued)

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

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 Group's loss allowance of notes and accounts receivable were determined as follows:

(i) The Company

| March 31, 2024 | | | | |
|------------------------------------|----------------------------|----------------------------------|-----------------------|------------------------|
| <u>Credit rating</u> | <u>Carrying amount</u> | <u>Expected credit loss rate</u> | <u>Loss allowance</u> | <u>Credit impaired</u> |
| Listed company (assessed by group) | | | | |
| Level A | \$ 5,380,411 | 0.51% | 27,680 | No |
| Level B | 1,068,225 | 1.34% | 14,326 | No |
| Unlisted company | <u>1,383,723</u> | 1.01% | <u>13,915</u> | No |
| | <u>\$ 7,832,359</u> | | <u>55,921</u> | |
| December 31, 2023 | | | | |
| <u>Credit rating</u> | <u>Carrying amount</u> | <u>Expected credit loss rate</u> | <u>Loss allowance</u> | <u>Credit impaired</u> |
| Listed company (assessed by group) | | | | |
| Level A | \$ 4,484,835 | 0.55% | 24,483 | No |
| Level B | 1,216,338 | 1.26% | 15,305 | No |
| Unlisted company | <u>1,422,654</u> | 1.03% | <u>14,600</u> | No |
| | <u>\$ 7,123,827</u> | | <u>54,388</u> | |
| March 31, 2023 | | | | |
| <u>Credit rating</u> | <u>Carrying amount</u> | <u>Expected credit loss rate</u> | <u>loss allowance</u> | <u>Credit impaired</u> |
| Listed company (assessed by group) | | | | |
| Level A | \$ 2,947,378 | 0.55% | 16,328 | No |
| Level B | 1,618,334 | 1.27% | 20,627 | No |
| Unlisted company | <u>1,479,606</u> | 1.18% | <u>17,477</u> | No |
| | <u>\$ 6,045,318</u> | | <u>54,432</u> | |

(Continued)

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

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

| | March 31, 2024 | December 31, 2023 | March 31, 2023 |
|-------------------------|---------------------------|------------------------------|---------------------------|
| Not past due | \$ 7,803,885 | 7,070,656 | 5,836,668 |
| Overdue 90 days or less | 28,474 | 53,171 | 208,650 |
| | \$ 7,832,359 | 7,123,827 | 6,045,318 |

(ii) Subsidiaries

| March 31, 2024 | | | |
|--------------------------|----------------------------|--|---------------------------|
| | Carrying amount | Expected credit loss rate | Loss allowance |
| Not past due | \$ 6,433,208 | 0.01% | 690 |
| Overdue 90 days or less | 651,814 | 5.25% | 34,237 |
| Overdue 91 to 180 days | 2,384 | 49.29% | 1,175 |
| Overdue 181 days or more | 48,332 | 100% | 48,332 |
| | \$ 7,135,738 | | 84,434 |
| December 31, 2023 | | | |
| | Carrying amount | Expected credit loss rate | Loss allowance |
| Not past due | \$ 6,126,572 | 0.01% | 390 |
| Overdue 90 days or less | 430,360 | 10.43% | 44,896 |
| Overdue 91 to 180 days | 15,226 | 61.38% | 9,345 |
| Overdue 181 days or more | 34,944 | 100% | 34,944 |
| | \$ 6,607,102 | | 89,575 |
| March 31, 2023 | | | |
| | Carrying amount | Expected credit loss rate | Loss allowance |
| Not past due | \$ 5,829,256 | 0.06% | 3,233 |
| Overdue 90 days or less | 365,316 | 8.69% | 31,737 |
| Overdue 91 to 180 days | 4,809 | 70.16% | 3,374 |
| Overdue 181 days or more | 11,292 | 100% | 11,292 |
| | \$ 6,210,673 | | 49,636 |

(Continued)

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

For the three months ended March 31, 2024 and 2023, the movements in the allowance for notes and accounts receivable of the Group were as follows:

| | For the three months ended March 31, | |
|---|---|-----------------------|
| | 2024 | 2023 |
| Balance at January 1 | \$ 143,963 | 94,699 |
| Impairment losses recognized (reversal gains) | (7,335) | 8,916 |
| Effect of changes in foreign exchange rates | 3,727 | 453 |
| Balance at March 31 | <u>\$ 140,355</u> | <u>104,068</u> |

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

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

As of March 31, 2024, December 31 and March 31, 2023, the information of accounts receivable sold without recourse was as follows:

| March 31, 2024 | | | | | | |
|--------------------------|--------------------------------|------------------------|----------------------------|---|---------------------------------------|---|
| Purchaser | Amount Derecognized | Amount Paid | Advanced Unpaid | Amount Recognized in Other Receivables | Range of Interest Rate | Significant Transferring Terms |
| Financial institutions | \$ 2,819,527 | 2,537,504 | - | 282,023 | 6.04%~6.68% | None |
| December 31, 2023 | | | | | | |
| Purchaser | Amount Derecognized | Amount Paid | Advanced Unpaid | Amount Recognized in Other Receivables | Range of Interest Rate | Significant Transferring Terms |
| Financial institutions | \$ 3,372,394 | 3,035,553 | - | 336,841 | 6.06%~6.69% | None |
| March 31, 2023 | | | | | | |
| Purchaser | Amount Derecognized | Amount Paid | Advanced Unpaid | Amount Recognized in Other Receivables | Range of Interest Rate | Significant Transferring Terms |
| Financial institutions | \$ 3,203,878 | 2,892,209 | - | 311,669 | 4.85%~6.35% | None |

(Continued)

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

As of March 31, 2024, December 31 and March 31, 2023, the Group did not provide any receivables as collaterals for its loans.

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

(e) Inventories

| | March 31, 2024 | December 31, 2023 | March 31, 2023 |
|-------------------------|-----------------------------|------------------------------|---------------------------|
| Merchandise inventories | \$ 17,849,464 | 18,613,949 | 13,606,167 |
| Goods in transit | 2,107,000 | 1,903,050 | 1,334,480 |
| | <u>\$ 19,956,464</u> | <u>20,516,999</u> | <u>14,940,647</u> |

The details of the cost of sales were as follows:

| | For the three months ended March 31, | |
|---|---|--------------------------|
| | 2024 | 2023 |
| Inventory that has been sold | \$ 17,345,737 | 15,357,379 |
| Inventory valuation loss and obsolescence | 48,923 | 113,624 |
| Loss on disposal of inventory | 468 | 374 |
| | <u>\$ 17,395,128</u> | <u>15,471,377</u> |

As of March 31, 2024, December 31 and March 31, 2023, the Group did not provide any inventories as collaterals for its loans.

(f) Property, plant and equipment

| | Land | Buildings and construction | Transportation equipment | Machinery equipment | Office and other facilities equipment | Total |
|----------------------------|------------------|---|-------------------------------------|--------------------------------|--|----------------|
| Carrying amounts: | | | | | | |
| Balance on January 1, 2024 | \$ <u>77,377</u> | <u>27,476</u> | <u>7,555</u> | <u>20,109</u> | <u>14,231</u> | <u>146,748</u> |
| Balance on March 31, 2024 | \$ <u>77,377</u> | <u>27,260</u> | <u>10,812</u> | <u>19,171</u> | <u>15,543</u> | <u>150,163</u> |
| Balance on January 1, 2023 | \$ <u>77,377</u> | <u>28,339</u> | <u>3,613</u> | <u>8,288</u> | <u>12,149</u> | <u>129,766</u> |
| Balance on March 31, 2023 | \$ <u>77,377</u> | <u>28,122</u> | <u>4,875</u> | <u>8,101</u> | <u>10,939</u> | <u>129,414</u> |

The Group's property, plant and equipment have no significant additions, disposals, impairments or reversals during for the three months ended March 31, 2024 and 2023. Information on depreciation for the period is disclosed in note (12)(a). For other related information, please refer to note (6)(f) of the 2023 annual consolidated financial statements.

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

(g) Right-of-use assets

| | <u>Buildings</u> | <u>Transportation equipment</u> | <u>Total</u> |
|----------------------------|-------------------|-------------------------------------|----------------|
| Carrying amount: | | | |
| Balance on January 1, 2024 | \$ <u>281,328</u> | <u>4,892</u> | <u>286,220</u> |
| Balance on March 31, 2024 | \$ <u>258,823</u> | <u>7,650</u> | <u>266,473</u> |
| Balance on January 1, 2023 | \$ <u>277,665</u> | <u>6,584</u> | <u>284,249</u> |
| Balance on March 31, 2023 | \$ <u>340,691</u> | <u>5,937</u> | <u>346,628</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 three months ended March 31, 2024 and 2023. Please refer to note (6)(g) of the 2023 annual consolidated financial statements for other related information.

(h) Short-term borrowings

| | <u>March 31, 2024</u> | <u>December 31, 2023</u> | <u>March 31, 2023</u> |
|---|---------------------------|------------------------------|---------------------------|
| Unsecured loans | \$ 15,148,603 | 13,673,644 | 12,018,464 |
| Short-term notes and bills payable, net | <u>1,027,825</u> | <u>1,028,429</u> | <u>598,674</u> |
| | <u>\$ 16,176,428</u> | <u>14,702,073</u> | <u>12,617,138</u> |
| Unused short-term credit lines | <u>\$ 4,729,984</u> | <u>5,579,350</u> | <u>6,730,929</u> |
| Range of interest rates | <u>1.73%~6.78%</u> | <u>1.72%~6.82%</u> | <u>1.60%~6.08%</u> |

(i) Issuance and repayment of borrowings

The Group's incremental amounts in loans for the three months ended March 31, 2024 and 2023 were \$9,503,438 and \$10,480,072, respectively, with maturities from April, 2024 to November, 2024 and from April, 2023 to November, 2023, respectively; and the repayments were \$8,029,083 and \$12,510,832, respectively.

(ii) For information on the Group's interest risk, foreign currency risk and liquidity risk, please refer to note (6)(r).

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

(i) Convertible bonds payable

(i) Non-guaranteed convertible bonds:

| | March 31, 2024 | December 31, 2023 | March 31, 2023 |
|--|----------------------------|------------------------------|---------------------------|
| The sixth aggregate principal amount | \$ 2,000,000 | 2,000,000 | 2,000,000 |
| Bond discount | (86,265) | (92,884) | (120,989) |
| Cumulative repurchased amount | (1,700) | (1,700) | (1,700) |
| Cumulative converted amount | <u>(137,300)</u> | <u>(137,300)</u> | <u>-</u> |
| Bonds payable at end of period | <u>\$ 1,774,735</u> | <u>1,768,116</u> | <u>1,877,311</u> |
| Embedded derivative – put and call options | | | |
| Included in non-current financial liabilities at fair value through profit or loss | <u>\$ 8,561</u> | <u>14,144</u> | <u>21,182</u> |
| Equity component – conversion options (included in capital surplus – conversion options) | <u>\$ 106,369</u> | <u>106,369</u> | <u>114,216</u> |

(ii) The effective interest rate of the sixth convertible bonds was 1.51%. The interest expenses on convertible bonds for the three months ended March 31, 2024 and 2023, were \$6,619 and \$7,002, respectively.

(iii) The net gain or loss on the recognition of financial assets and liabilities for the three months ended March 31, 2024 and 2023, amounted to a gain of \$5,583 and \$9,991, respectively.

(iv) There were no issuances, repurchases and repayments of bonds payable for the three months ended March 31, 2024 and 2023. Please refer to note (6)(j) to the 2023 annual consolidated financial statements for the related information.

(j) Lease liabilities

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

| | March 31, 2024 | December 31, 2023 | March 31, 2023 |
|-------------|---------------------------|------------------------------|---------------------------|
| Current | <u>\$ 133,932</u> | <u>140,303</u> | <u>138,112</u> |
| Non-current | <u>\$ 142,832</u> | <u>156,868</u> | <u>217,197</u> |

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

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

The amounts recognized in profit or loss were as follows:

| | For the three months ended | |
|--|-----------------------------------|--------------|
| | March 31, | |
| | <u>2024</u> | <u>2023</u> |
| Interest expenses on lease liabilities | <u>\$ 1,885</u> | <u>2,372</u> |
| Expenses relating to short-term leases | <u>\$ 1,392</u> | <u>1,478</u> |

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

| | For the three months ended | |
|-------------------------------|-----------------------------------|---------------|
| | March 31, | |
| | <u>2024</u> | <u>2023</u> |
| Total cash outflow for leases | <u>\$ 43,279</u> | <u>43,188</u> |

(i) Real estate leases

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

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

(ii) Other leases

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

The Group leases office space, dormitories, transportation equipment and parking space with lease terms of one year. Since these leases are short term, the Group elected not to recognize its right-of-use assets and lease liabilities for these leases.

(k) Operating lease — as lessor

There were no significant leases contracts for the three months ended March 31, 2024 and 2023. Please refer to note (6)(l) of the 2023 annual consolidated financial statements for other related information.

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

(l) 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, 2023 and 2022.

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 March 31, | |
|--------------------|---|-------------|
| | 2024 | 2023 |
| Operating expenses | \$ 266 | 425 |

(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 expenses for the pension plan contributions to the Bureau of Labor Insurance amounted to \$6,172 and \$6,259 for the three months ended March 31, 2024 and 2023, respectively.

Other subsidiaries recognized the pension expense, basic endowment insurance expense, and social welfare expenses amounting to \$19,836 and \$20,975 for the three months ended March 31, 2024 and 2023, respectively.

(m) Income taxes

(i) Income tax expenses

The amounts of income tax for the three months ended March 31, 2024 and 2023 were as follows:

| | For the three months ended March 31, | |
|----------------------|---|---------------|
| | 2024 | 2023 |
| Current tax expenses | \$ 46,220 | 55,840 |

(Continued)

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

The amounts of income tax recognized in other comprehensive income for the three months ended March 31, 2024 and 2023 were as follows:

| | For the three months ended | |
|---|-----------------------------------|-----------------------|
| | March 31, | |
| | 2024 | 2023 |
| Items that may be reclassified subsequently to profit or loss: | | |
| Exchange differences on translation of foreign financial statements | \$ <u>62,738</u> | <u>(7,845)</u> |

(ii) Income tax assessment

The Company's and WKZ's income tax returns through 2021 and 2022, respectively, have been examined and approved by the R.O.C. tax authorities.

(n) Capital and other equities

Except for the following disclosure, there was no significant change in capital and other equity for the three months ended March 31, 2024 and 2023. For the related information, please refer to note (6)(o) to the consolidated financial statements for the year ended December 31, 2023.

(i) Capital surplus

Balances on capital surplus of the Company were as follows:

| | March 31, 2024 | December 31, 2023 | March 31, 2023 |
|--|----------------------------|------------------------------|---------------------------|
| Additional paid in capital | \$ 1,381,129 | 1,381,129 | 1,287,803 |
| Treasury share transactions | 37,662 | 37,662 | 37,662 |
| Donation from shareholders | 712 | 712 | 712 |
| Convertible bonds – conversion options | 106,369 | 106,369 | 114,216 |
| Others | <u>253</u> | <u>253</u> | <u>253</u> |
| | <u>\$ 1,526,125</u> | <u>1,526,125</u> | <u>1,440,646</u> |

(Continued)

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

(ii) Retained earnings

The Company's Article of Incorporation stipulate that the Company's earnings should first be estimated and retained to cover taxable contributions, losses, legal reserve, special reserve, or reversal of special reserve, and the remaining balance should be the distributable earnings for the current year; the Board of Directors may prepare a proposal for the distribution of earnings by combining the unappropriated earnings of the previous year. In accordance with the Company Act, if the distribution of earnings or reserves is to be made through the issuance of new shares, the Board of Directors shall prepare a proposal and submit it to the shareholders' meeting for resolution; if the distribution is to be made through the issuance of cash, the Board of Directors is authorized to report to the shareholders' meeting with the attendance of at least two-thirds of the directors and the resolution of a majority of the directors present. The Board of Directors shall determine the proportion of stock dividends and cash dividends to be distributed among the stockholders' dividends with reference to the Company's corporate profitability, future capital expenditure plans, expansion plans, capital planning, cash flow requirements, laws and regulations, and the degree of dilution of earnings per share, and shall prepare a resolution on the appropriation of earnings for submission to the shareholders' meeting for resolution, and the amount to be distributed shall be no less than 50 % of the Company's distributable earnings for the current year, and with the amount proposed to be distributed in cash dividends to be no less than 20% of the total amount of the dividends to be distributed to the shareholders.

1) Earnings distribution

The amounts for cash dividends of the Company's earnings distribution for 2023 and 2022 were decided by the meetings of directors held on April 18, 2024 and April 28, 2023.

| | <u>2023</u> | | <u>2022</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 | \$ 2.03086000 | <u><u>870,000</u></u> | 3.06721661 | <u><u>1,312,988</u></u> |

(o) 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 March 31,</u> | |
|--|---|-----------------------|
| | <u>2024</u> | <u>2023</u> |
| Profit attributable to ordinary shareholders of the Company | \$ <u><u>168,937</u></u> | <u><u>169,978</u></u> |

(Continued)

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

| | | | | |
|------|--|----|---|----------------|
| 2) | Weighted-average number of ordinary shares (thousands) | | For the three months ended March 31, | |
| | | | <u>2024</u> | <u>2023</u> |
| | Weighted-average number of ordinary shares | | <u>428,072</u> | <u>423,543</u> |
| | | | For the three months ended March 31, | |
| | | | <u>2024</u> | <u>2023</u> |
| 3) | Basic earnings per share (TWD) | \$ | <u>0.39</u> | <u>0.40</u> |
| (ii) | Diluted earnings per share | | | |
| 1) | Profit attributable to ordinary shareholders of the Company (diluted) | | For the three months ended March 31, | |
| | | | <u>2024</u> | <u>2023</u> |
| | Profit attributable shareholders of the Company (basic) | \$ | 168,937 | 169,978 |
| | Convertible bonds payable | | 993 | (3,035) |
| | Profit attributable to ordinary shareholders of the Company (diluted) | \$ | <u>169,930</u> | <u>166,943</u> |
| 2) | Weighted-average number of ordinary shares (thousands, diluted) | | For the three months ended March 31, | |
| | | | <u>2024</u> | <u>2023</u> |
| | Weighted-average number of ordinary shares (basic) | | 428,072 | 423,543 |
| | Effect of convertible bonds | | 66,942 | 65,907 |
| | Effect of employee stock remuneration | | 2,826 | 5,944 |
| | Weighted-average number of ordinary shares (diluted) on March 31 | | <u>497,840</u> | <u>495,394</u> |
| | | | For the three months ended March 31, | |
| | | | <u>2024</u> | <u>2023</u> |
| 3) | Diluted earnings per share (TWD) | \$ | <u>0.34</u> | <u>0.34</u> |

(Continued)

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

(p) Revenue from contracts with customers

(i) Disaggregation of revenue

| | For the three months ended March 31, | |
|-------------------------------|---|-------------------|
| | 2024 | 2023 |
| Primary geographical markets: | | |
| Taiwan | \$ 2,762,786 | 1,861,292 |
| China | 14,620,808 | 13,504,724 |
| Others | 1,060,682 | 1,158,476 |
| | \$ 18,444,276 | 16,524,492 |
| Major products/services lines | | |
| Chipset/memory components | \$ 9,119,692 | 7,389,728 |
| Mixed and other components | 9,324,072 | 9,134,609 |
| Others | 512 | 155 |
| | \$ 18,444,276 | 16,524,492 |

(ii) Contract balance

| | March 31, 2024 | December 31, 2023 | March 31, 2023 |
|---|---------------------------|------------------------------|---------------------------|
| Notes and accounts receivable (included related parties) | \$ 14,968,097 | 13,730,929 | 12,255,991 |
| Less: loss allowance | (140,355) | (143,963) | (104,068) |
| | \$ 14,827,742 | 13,586,966 | 12,151,923 |
| Contract liabilities | \$ 1,137,733 | 1,053,924 | 1,123,126 |

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

The amounts of revenue recognized for the three months ended March 31, 2024 and 2023 that were included in the contract liability balance at the beginning of the periods were \$209,191 and \$313,139, respectively.

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

(Continued)

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

(q) 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 ended March 31, 2024 and 2023, the accrued remuneration of the Company's employees were \$18,892 and \$18,919, as well as directors were \$4,723 and \$4,730, 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 \$91,731 and \$189,923, as well as remuneration of directors was \$22,933 and \$47,481 for the years ended December 31, 2023 and 2022, 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.

(r) 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)(s) of the consolidated financial statements for the year ended December 31, 2023.

(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.

(Continued)

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

(ii) Liquidity risk

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

| | <u>Carrying Amount</u> | <u>Contractual cash flows</u> | <u>Within a year</u> | <u>Over 1 year</u> |
|--|----------------------------|-----------------------------------|--------------------------|--------------------|
| March 31, 2024 | | | | |
| Non-derivative financial liabilities | | | | |
| Unsecured loans | \$ 15,148,603 | (15,349,490) | (15,349,490) | - |
| Short-term bills payable | 1,027,825 | (1,030,000) | (1,030,000) | - |
| Lease liabilities | 276,764 | (284,877) | (139,100) | (145,777) |
| Accounts payable | 8,583,815 | (8,583,815) | (8,583,815) | - |
| Other payables | 727,990 | (727,990) | (727,990) | - |
| Bonds payable | 1,774,735 | (1,861,000) | - | (1,861,000) |
| Derivative financial liabilities | | | | |
| Convertible bonds payable – embedded derivatives | 8,561 | - | - | - |
| | <u>\$ 27,548,293</u> | <u>(27,837,172)</u> | <u>(25,830,395)</u> | <u>(2,006,777)</u> |
| December 31, 2023 | | | | |
| Non-derivative financial liabilities | | | | |
| Unsecured loans | \$ 13,673,644 | (13,855,890) | (13,855,890) | - |
| Short-term bills payable | 1,028,429 | (1,030,000) | (1,030,000) | - |
| Lease liabilities | 297,171 | (303,814) | (144,805) | (159,009) |
| Accounts payable | 9,592,848 | (9,592,848) | (9,592,848) | - |
| Other payables | 846,652 | (846,652) | (846,652) | - |
| Bonds payable | 1,768,116 | (1,861,000) | - | (1,861,000) |
| Derivative financial liabilities | | | | |
| Convertible bonds payable – embedded derivatives | 14,144 | - | - | - |
| | <u>\$ 27,221,004</u> | <u>(27,490,204)</u> | <u>(25,470,195)</u> | <u>(2,020,009)</u> |
| March 31, 2023 | | | | |
| Non-derivative financial liabilities | | | | |
| Unsecured loans | \$ 12,018,464 | (12,170,566) | (12,170,566) | - |
| Short-term bills payable | 598,674 | (600,000) | (600,000) | - |
| Lease liabilities | 355,309 | (369,623) | (144,938) | (224,685) |
| Accounts payable | 3,424,482 | (3,424,482) | (3,424,482) | - |
| Other payables | 740,615 | (740,615) | (740,615) | - |
| Bonds payable | 1,877,311 | (1,998,300) | - | (1,998,300) |
| Derivative financial liabilities | | | | |
| Convertible bonds payable – embedded derivatives | 21,182 | - | - | - |
| | <u>\$ 19,036,037</u> | <u>(19,303,586)</u> | <u>(17,080,601)</u> | <u>(2,222,985)</u> |

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

(Continued)

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

(iii) Market risk

1) Currency risk

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

| | March 31, 2024 | | | December 31, 2023 | | | March 31, 2023 | | |
|-----------------------|---------------------|-------------------|-----------|---------------------|-------------------|-----------|---------------------|-------------------|-----------|
| | Foreign currency | Exchange rate | TWD | Foreign currency | Exchange rate | TWD | Foreign currency | Exchange rate | TWD |
| Financial assets | | | | | | | | | |
| Monetary items | | | | | | | | | |
| USD | \$ 305,602 | USD/TWD 32.000 | 9,779,264 | 283,479 | USD/TWD 30.705 | 8,704,223 | 248,157 | USD/TWD 30.455 | 7,557,621 |
| Financial liabilities | | | | | | | | | |
| Monetary items | | | | | | | | | |
| USD | 269,529 | USD/TWD 32.000 | 8,624,928 | 234,303 | USD/TWD 30.705 | 7,194,274 | 132,731 | USD/TWD 30.455 | 4,042,323 |

2) Currency risk sensitivity analysis

The Group's monetary items exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, accounts receivable, other receivables, loans and borrowings, accounts payable and other payables that are denominated in foreign currency. A change of 5% in the exchange rate of TWD against foreign currency for the three months ended March 31, 2024 and 2023 would have increased (decreased) the net profit before tax as follows. The analysis is performed on the same basis for both periods.

| | For the three months ended March 31, | |
|-----------------------|---|-------------|
| | 2024 | 2023 |
| USD (against the TWD) | | |
| Appreciating 5% | \$ 57,717 | 175,765 |
| Depreciating 5% | (57,717) | (175,765) |

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 ended March 31, 2024 and 2023, the foreign exchange gain (loss), including both realized and unrealized, amounted to a loss \$24,915 and a gain \$16,891, respectively.

(Continued)

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

4) Interest rate analysis

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

| | Carrying amount | |
|----------------------------|---------------------------|---------------------------|
| | March 31, 2024 | March 31, 2023 |
| Variable rate instruments: | | |
| Financial assets | \$ 1,802,911 | 1,616,449 |
| Financial liabilities | (15,148,603) | (12,018,464) |

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 \$8,341 and \$6,501 for the three months ended March 31, 2024 and 2023, 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:

(Continued)

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

| | March 31, 2024 | | | | |
|---|-----------------------------|------------|-----------|---------|-----------|
| | 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 | \$ 774 | 774 | - | - | 774 |
| Financial assets at fair value through other comprehensive income | | | | | |
| Notes and accounts receivable, net | 2,763,828 | - | - | - | - |
| Emerging market stocks | 214 | 214 | - | - | 214 |
| Domestic and overseas unlisted stocks | 67,992 | - | - | 67,992 | 67,992 |
| Overseas unlisted convertible promissory note | 9,056 | - | - | 9,056 | 9,056 |
| Subtotal | <u>2,841,090</u> | | | | |
| Financial assets measured at amortized cost | | | | | |
| Cash and cash equivalents | 2,404,601 | - | - | - | - |
| Notes and accounts receivable, net | 12,063,914 | - | - | - | - |
| Other receivables | 271,299 | - | - | - | - |
| Guarantee deposits | 238,203 | - | - | - | - |
| Subtotal | <u>14,978,017</u> | | | | |
| | <u>\$ 17,819,881</u> | | | | |
| Financial liabilities at fair value through profit or loss | | | | | |
| Convertible bonds – embedded derivatives | \$ 8,561 | - | 8,561 | - | 8,561 |
| Financial liabilities measured at amortized cost | | | | | |
| Short term borrowings | 16,176,428 | - | - | - | - |
| Lease liabilities | 276,764 | - | - | - | - |
| Accounts payable | 8,583,815 | - | - | - | - |
| Other payables | 727,990 | - | - | - | - |
| Bonds payable | 1,774,735 | - | 1,766,089 | - | 1,766,089 |
| Subtotal | <u>27,539,732</u> | | | | |
| | <u>\$ 27,548,293</u> | | | | |

(Continued)

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

| | December 31, 2023 | | | | |
|---|-----------------------------|------------|-----------|---------|-----------|
| | 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 | \$ 850 | 850 | - | - | 850 |
| Financial assets at fair value through other comprehensive income | | | | | |
| Notes and accounts receivable, net | 2,485,651 | - | - | - | - |
| Emerging market stocks | 237 | 237 | - | - | 237 |
| Domestic and overseas unlisted stocks | 67,992 | - | - | 67,992 | 67,992 |
| Overseas unlisted convertible promissory note | 9,056 | - | - | 9,056 | 9,056 |
| Subtotal | <u>2,562,936</u> | | | | |
| Financial assets measured at amortized cost | | | | | |
| Cash and cash equivalents | 2,410,732 | - | - | - | - |
| Notes and accounts receivable, net | 11,101,315 | - | - | - | - |
| Other receivables | 352,853 | - | - | - | - |
| Guarantee deposits | 118,767 | - | - | - | - |
| Subtotal | <u>13,983,667</u> | | | | |
| | <u>\$ 16,547,453</u> | | | | |
| Financial liabilities at fair value through profit or loss | | | | | |
| Convertible bonds – embedded derivatives | \$ 14,144 | - | 14,144 | - | 14,144 |
| Financial liabilities measured at amortized cost | | | | | |
| Short term borrowings | 14,702,073 | - | - | - | - |
| Lease liabilities | 297,171 | - | - | - | - |
| Accounts payable | 9,592,848 | - | - | - | - |
| Other payables | 846,652 | - | - | - | - |
| Bonds payable | 1,768,116 | - | 1,764,228 | - | 1,764,228 |
| Subtotal | <u>27,206,860</u> | | | | |
| | <u>\$ 27,221,004</u> | | | | |

(Continued)

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

| | March 31, 2023 | | | | |
|---|----------------------|------------|-----------|---------|-----------|
| | 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 | \$ 785 | 785 | - | - | 785 |
| Financial assets at fair value through other comprehensive income | | | | | |
| Notes and accounts receivable, net | 1,339,780 | - | - | - | - |
| Emerging market stocks | 371 | 371 | - | - | 371 |
| Domestic and overseas unlisted stocks | 80,742 | - | - | 80,742 | 80,742 |
| Overseas unlisted convertible promissory note | 9,056 | - | - | 9,056 | 9,056 |
| Subtotal | <u>1,429,949</u> | | | | |
| Financial assets measured at amortized cost | | | | | |
| Cash and cash equivalents | 2,226,723 | - | - | - | - |
| Notes and accounts receivable, net | 10,812,143 | - | - | - | - |
| Other receivables | 325,592 | - | - | - | - |
| Guarantee deposits | 230,535 | - | - | - | - |
| Subtotal | <u>13,594,993</u> | | | | |
| | <u>\$ 15,025,727</u> | | | | |
| Financial liabilities at fair value through profit or loss | | | | | |
| Convertible bonds – embedded derivatives | \$ 21,182 | - | 21,182 | - | 21,182 |
| Financial liabilities measured at amortized cost | | | | | |
| Short-term borrowings | 12,617,138 | - | - | - | - |
| Lease liabilities | 355,309 | - | - | - | - |
| Accounts payable | 3,424,482 | - | - | - | - |
| Other payables | 740,615 | - | - | - | - |
| Bonds payable | 1,877,311 | - | 1,872,607 | - | 1,872,607 |
| Subtotal | <u>19,014,855</u> | | | | |
| | <u>\$ 19,036,037</u> | | | | |

There were no transfers of financial instruments between any levels for the three months ended March 31, 2024 and 2023.

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:

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

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 and debt instruments that do not have an active market. The fair value of unquoted equity instruments and debt instruments is estimated using the guideline company method. The main assumptions of the method are based on the guideline company's price to sales ratio, price to net worth ratio, and the discount for lack of market liquidity. The estimation has been adjusted by the effect resulting from the discount of the lack of market liquidity of the equity securities and debt investments.

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) Reconciliations of Level 3 fair values

| | Fair value through other comprehensive income | | Total |
|--|--|--|---------------|
| | Unquoted equity instruments | Unquoted debt investments | |
| Ending balance, March 31, 2024 (the same as the ending balance at January 1, 2024) | \$ <u>67,992</u> | <u>9,056</u> | <u>77,048</u> |
| Opening balance, January 1, 2023 | \$ 65,592 | 15,150 | 80,742 |
| Purchased | <u>-</u> | <u>9,056</u> | <u>9,056</u> |
| Ending balance, March 31, 2023 | \$ <u>65,592</u> | <u>24,206</u> | <u>89,798</u> |

(Continued)

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

- 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 are classified as financial assets at fair value through other comprehensive income (including investments in equity securities and debt instruments).

Quantified information of significant unobservable inputs was as follows:

| <u>Item</u> | <u>Valuation technique</u> | <u>Significant unobservable inputs</u> | <u>Inter-relationships between significant unobservable inputs and fair value measurement</u> |
|---|----------------------------|---|---|
| Financial assets at fair value through other comprehensive income | Guideline Company method | <ul style="list-style-type: none"> · Price-book ratio as of March 31, 2024, December 31 and March 31, 2023 were 1.07~2.92, 0.95~2.57 and 0.82~2.83, respectively. · Market liquidity discount rate as of March 31, 2024, December 31 and March 31, 2023 were 15.70%, 15.70% and 15.80%, respectively. | <ul style="list-style-type: none"> · The higher the price-book ratio, and the enterprise value to sale ratio, the higher the fair value · The higher the market liquidity discount rate, the lower the fair value |
| Financial assets at fair value through other comprehensive income | Net Asset Value Method | <ul style="list-style-type: none"> · Net asset value | <ul style="list-style-type: none"> · Not applicable |

- (s) Financial risk management

There was no significant changes in the Group's financial risk management and policies as disclosed in the note (6)(t) of the consolidated financial statements for the year ended December 31, 2023.

- (t) 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, 2023. 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, 2023. Please refer to note (6)(u) of the consolidated financial statements for the year ended December 31, 2023 for further details.

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

(u) 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 three months ended March 31, 2024 and 2023, were as follows:

- (i) For the acquisition of right-of-use assets from leases, please refer to note (6)(g).
(ii) The reconciliations of liabilities arising from financing activities were as follows:

| | January 1, 2024 | Cash flows | Non-cash changes | | | March 31, 2024 |
|---|----------------------|------------------|------------------|-----------------|---------------------------|-------------------|
| | | | Acquisition | Reduction | Foreign exchange movement | |
| Short-term borrowings | \$ 14,702,073 | 1,474,355 | - | - | - | 16,176,428 |
| Lease liabilities | 297,171 | (40,002) | 22,422 | (10,364) | 7,537 | 276,764 |
| Bonds payable | 1,768,116 | - | 6,619 | - | - | 1,774,735 |
| Total liabilities from financing activities | <u>\$ 16,767,360</u> | <u>1,434,353</u> | <u>29,041</u> | <u>(10,364)</u> | <u>7,537</u> | <u>18,227,927</u> |

| | January 1, 2023 | Cash flows | Non-cash changes | | | March 31, 2023 |
|---|----------------------|--------------------|------------------|-----------|---------------------------|-------------------|
| | | | Acquisition | Reduction | Foreign exchange movement | |
| Short-term borrowings | \$ 14,647,898 | (2,030,760) | - | - | - | 12,617,138 |
| Lease liabilities | 293,421 | (39,338) | 99,357 | - | 1,869 | 355,309 |
| Bonds payable | 1,870,309 | - | 7,002 | - | - | 1,877,311 |
| Total liabilities from financing activities | <u>\$ 16,811,628</u> | <u>(2,070,098)</u> | <u>106,359</u> | <u>-</u> | <u>1,869</u> | <u>14,849,758</u> |

(7) Related-party transactions

- (a) Name of related parties and their relationships with related parties

The following are related parties that have had transactions with the Group during the periods covered in the consolidated financial statements:

| Related-party | Relationship |
|-----------------------------|---------------------------|
| Weiji Investment Co., Ltd. | The same chairman |
| Genlog Industrial Co., Ltd. | Substantial related-party |

(Continued)

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

(b) Significant transactions with related parties

(i) 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 | |
|-----------------------|-----------------------------------|--------------|
| | March 31, | |
| | <u>2024</u> | <u>2023</u> |
| Other related parties | \$ <u>50</u> | <u>1,014</u> |

(ii) Lease

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

| | For the three months ended | |
|-----------------------|-----------------------------------|-------------|
| | March 31, | |
| | <u>2024</u> | <u>2023</u> |
| Other related parties | \$ <u>46</u> | <u>229</u> |

(iii) Payable to related parties

| <u>Account</u> | <u>Related party categories</u> | <u>March 31, 2024</u> | <u>December 31, 2023</u> | <u>March 31, 2023</u> |
|----------------|---------------------------------|-----------------------|--------------------------|-----------------------|
| Other payables | Other related parties | \$ - | - | <u>240</u> |

(c) Key management personnel compensation

Key management personnel compensation comprised:

| | For the three months ended | |
|------------------------------|-----------------------------------|---------------|
| | March 31, | |
| | <u>2024</u> | <u>2023</u> |
| Short-term employee benefits | \$ 38,026 | 49,053 |
| Post-employment benefits | 172 | 212 |
| | <u>\$ 38,198</u> | <u>49,265</u> |

(8) Assets Pledged as security: None.

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

(9) Significant commitments and contingencies:

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

| March 31, 2024 | December 31, 2023 | March 31, 2023 |
|-------------------|----------------------|-------------------|
| \$ 397,000 | 367,755 | 365,005 |

(10) Losses due to major disasters: None.

(11) Subsequent events: None.

(12) Other:

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

| By item | By function | For the three months ended March 31, | |
|----------------------------|-------------|--------------------------------------|--------------------|
| | | 2024 | 2023 |
| | | Operating expenses | Operating expenses |
| Employee benefits | | | |
| Salary | | 312,378 | 347,578 |
| Labor and health insurance | | 30,106 | 31,973 |
| Pension | | 26,274 | 27,659 |
| Remuneration of directors | | 4,723 | 5,005 |
| Others | | 17,707 | 18,831 |
| Depreciation | | 43,002 | 42,309 |
| Amortization | | 1,965 | 3,173 |

(b) Seasonality of operations:

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

(13) Other disclosures:

(a) Information on significant transaction:

The following were the information on significant transactions required by the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" for the Group for the three months ended March 31, 2024:

(i) Lending to other parties: None.

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WEIKENG INDUSTRIAL CO., LTD. AND SUBSIDIARIES
Notes to the 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 | 13,779,132 | 9,548,122 | 9,191,600 | 7,954,414 | - | 100.06 % | 27,558,264 | Y | N | N |
| " | " | WTP | 100% owned subsidiary | 13,779,132 | 1,215,445 | 1,072,000 | 546,060 | - | 11.67 % | 27,558,264 | Y | N | N |
| " | " | WKS | 100% owned subsidiary | 13,779,132 | 1,840,008 | 1,718,176 | 1,064,197 | - | 18.70 % | 27,558,264 | 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, were filled in "Y".

(iii) Securities held as of March 31, 2024 (excluding investment in subsidiaries, associates and joint ventures):

(Shares/units (thousands))

| Name of holder | Category and name of security | Relationship with company | Account title | Ending balance | | | | Note |
|----------------|--|---------------------------|--|--------------------------|-----------------|-----------------------------|------------|------|
| | | | | Shares/Units (thousands) | Carrying amount | Percentage of ownership (%) | Fair value | |
| The Company | EBM Technologies Inc. | - | Current financial assets mandatorily measured at fair value through profit or loss | 34 | 774 | - % | 774 | |
| " | Clientron Corp. | - | Non-current financial assets at fair value through other comprehensive income | 15 | 214 | 0.02 % | 214 | |
| " | 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 I, L.P. (InnoBridge) | - | " | - | - | 9.90 % | - | |
| " | Shin Kong Global Venture Capital Corp. (SKGVC) | - | " | 720 | 7,200 | 12.00 % | 7,200 | |
| " | Vision Wide Technology Co., Ltd. (VTEC) | - | " | 800 | 9,033 | 1.61 % | 9,033 | |
| " | Winsheng Material Technology Co., Ltd. (Winsheng Material) | - | " | 1,400 | 42,000 | 4.31 % | 42,000 | |
| " | SiTune Corporation Convertible Promissory Note (SiTune) | - | " | - | 9,056 | - % | 9,056 | |

(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 the 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 | Percentage of total notes/accounts receivable (payable) | |
| The Company | WKI | 100% owned subsidiary | (Sales) | (109,398) (USD3,485) | (1.23)% | OA30 | No significant difference with other customers | No significant difference with other customers | 214,387 (USD6,700) | 2.68 % | |
| WKI | The Company | Parent Company | Purchases | 109,398 (USD3,485) | 1.63 % | " | No significant difference with other suppliers | No significant difference with other suppliers | (214,387) (USD6,700) | (7.11) % | |
| " | WKS | Subsidiary | (Sales) | (1,085,431) (USD34,544) | (13.05)% | OA60 | No significant difference with other customers | No significant difference with other customers | 657,613 (USD20,550) | 11.92 % | |
| WKS | WKI | Parent company | Purchases | 1,085,431 (USD34,544) | 60.87 % | " | No significant difference with other suppliers | No significant difference with other suppliers | (657,613) (USD20,550) | (63.21) % | |

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 | Account receivable 214,387 (USD6,700) | 2.33 | - | - | USD3,208 | - | The amounts of the transaction and the ending balance had been offset in the consolidated financial statements. |
| " | " | 100% owned subsidiary | Other receivable 203,930 (USD6,373) | - | - | - | USD2,065 | - | The amounts of the transaction and the ending balance had been offset in the consolidated financial statements. (Note 2) |
| WKI | WKS | Subsidiary | Account receivable 657,613 (USD20,550) | 10.64 | - | - | USD19,247 | - | The amounts of the transaction and the ending balance had been offset in the consolidated financial statements. |

Note1: Information as of April 29, 2024.

Note 2: Other receivables arising from credit and service management revenue received from subsidiaries.

(ix) Trading in derivative instruments:None.

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

(x) Business relationships and significant intercompany transactions:

(In Thousands)

| 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 | 109,398 | The price is marked up based on operating cost, and the receivables depend on OA30 after offsetting the accounts payable. | 0.59% |
| " | " | " | " | Accounts Receivable | 214,387 | " | 0.54% |
| " | " | " | " | Other Receivables | 203,930 | The price is set by percentage of the contract and the receivable is received quarterly. | 0.52% |
| 1 | WKI | WKS | 3 | Sales Revenue | 1,085,431 | The price is marked up based on operating cost, and the receivables depend on OA 60 after offsetting the accounts payable. | 5.88% |
| " | " | " | " | Accounts Receivable | 657,613 | The price is marked up based on operating cost, and the receivables depend on OA 60 after offsetting the accounts payable. | 1.66% |

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 investments:

The following are the information on investees for the three months ended March 31, 2024 (excluding information on investments 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 |
|---------------------|---------------------|-----------|--|----------------------------|-------------------|--------------------------|-------------------------------|--------------------|---------------------------------------|--|------------|
| | | | | March 31, 2024 | December 31, 2023 | 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 | 1,620,445 | 552,450 | 100% | \$ 7,039,724 | (64,490) | \$ (64,490) | Subsidiary |
| " | WKZ | Taiwan | Electronic components and technical support | 12,983 | 12,983 | 1,589 | 100% | 26,597 | (191) | (191) | " |
| " | WTP | Singapore | " | 293,327 | 293,327 | 12,413 | 100% | 514,828 | (6,347) | (6,347) | " |
| | Total | | | \$ 1,926,755 | 1,926,755 | | | \$ 7,581,149 | | \$ (71,028) | |
| WKI | Weitech | Hong Kong | Import and export trade of electronic components | 0.41 (HKD0.1) | 0.41 (HKD0.1) | - | 100% | 3,004 (USD94) | 71 (USD2) | 71 (USD2) | " |

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WEIKENG INDUSTRIAL CO., LTD. AND SUBSIDIARIES
Notes to the 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, 2024 | Investment flows | | Accumulated outflow of investment from Taiwan as of March 31, 2024 | 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) | (43,131) (USD(1,373)) | 100% | (43,131) (USD(1,373)) | 616,200 (USD19,256) | - |
| SiU (Note 1) | Electronic technology development and technical advisory | 5,067 (CNY1,000) | Note 1, 5 | - | - | - | - | (966) (USD(31)) | 100% | (966) (USD(31)) | 6,229 (USD195) | - |

Note 1: Weikeng Electronic Technology (Shanghai) Co., Ltd. was renamed to SiUltra Electronic Technology (Shanghai) Co., Ltd. on July 27, 2023.

(ii) Upper limit on investment in Mainland China:

| Accumulated Investment in Mainland China as of March 31, 2024 | Investment Amounts Authorized by Investment Commission, MOEA (note 3) | Upper Limit on Investment |
|---|---|---------------------------|
| 304,594 (USD9,800) | 800,000 (USD25,000) | 5,511,653 |

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 of USD 1 to TWD 32 at the end of reporting period.

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 SiUltra 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 for the three months ended March 31, 2024.

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

(d) Major shareholders:

| Shareholder's Name | Shareholding | Shares | Percentage |
|----------------------------|--------------|------------|------------|
| Weiji Investment Co., Ltd. | | 30,426,876 | 7.11 % |

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.