

## Chapter 1. Letter to shareholders

Dear Shareholders:

The Group's net consolidated operating revenue in 2020 was NT\$353,152,195,000, a 5.36% growth compared with NT\$335,187,151,000 in 2019. The net profit after tax in 2020 was NT\$3,794,576,000, up NT\$1,263,329,000 compared to the NT\$2,531,247,000 in 2019, which is a marginal decline of 49.91%. With the coronavirus accelerating digitization and boosting the stay-at-home economy, the growth momentum in 2020 was mainly driven by computer products such as data centers and laptop computers. Furthermore, increased 5G smartphone penetration is leading to increased semiconductor content, which in turn fuels continuing growth in telecommunications. In addition to the development of high growth product applications and increasing customer penetration in the future, we will continue to go digital and improve operational efficiency, optimize operational management systems, enhance our financial management system, and strengthen human resource management, in order to enhance the Company's capability to provide added value to the semiconductor industry supply chain, and thus lay the foundation for corporate sustainability.

The Group's 2020 business overview and 2021 business plan summary report are as follows:

### I. 2020 Business Report

#### 1. Business plan implementation results:

Unit: NT\$1,000

Item	2019	2020	Increase (Decrease)	Rate of change %
Operating	335,187,151	353,152,195	17,965,044	5.36
Operating	5,253,230	5,315,969	62,739	1.19
Net profit after	2,531,247	3,794,576	1,263,329	49.91

#### 2. Financial revenue and expenditure and profitability analysis:

Item		2019	2020
Financial structure	Debt to asset ratio (%)	76.84	64.80
	Long-term funds to fixed assets	2,542.03	4,824.28
Liquidity	Current ratio (%)	127.06	134.47
	Quick ratio (%)	66.00	79.84
Profitability	Return on assets (%)	3.42	3.64
	Return on equity (%)	11.18	10.90
	Net profit margin (%)	0.76	1.07
	Earnings per share (NTD) (Note)	4.32	5.22

Note: Based on weighted average shares outstanding in each year.

#### 3. Research and development status:

The continued evolution of semiconductor manufacture process, This keep driving new demand on high performance computer with new generation processor ,AI had significant

enhancement on computing speed and capability, Wide Band Gap semiconductor components had been deployed to the market, 5G mobile communication with mobile phone and base station with mass deployment on each country; ORAN, edge computing, and WiFi 6E will be the next growth market. After these business environment changed, it create more new applications and new end user demands: high performance digital power supply, AI cameras, smart speakers, 800G switches and 800G optics modules, SiC and GaN applications in electric cars and base stations, time-of-flight laser components, Bluetooth 5.2 products and ultra-wide broadband, low power and high speed personal wireless LAN and new telecommunications technologies. All of them have become highlights of the next generation semiconductor industry. The WT Group is a distributor for key electronic components, such as: high performance x86 processors, neural embedded system image processor, high radio frequency components, Time of Flight infrared laser sensing component, multiple point far infrared sensing component, MEMS components, high performance microcontroller, cutting edge performance power components, high bandwidth ethernet switch fabric, and high precision analog components. To provide sufficient technology to support system design and product development in these new platforms, the WT Group will continue to invest and accumulate system integrated knowledge and technology to enhance the technical quality of team members. Furthermore, the WT Group will continue to cooperate with world-class chip design manufacturers to provide customers with high-quality technical services and total solutions. Research and development expenditures over the last three years are shown below:

Unit: NT\$1,000

Item	2018	2019	2020
Net operating revenue	273,416,485	335,187,151	353,152,195
R&D expenses	367,592	407,103	385,971
R&D expenses as a percentage of revenue	0.13%	0.12%	0.11%

## II. 2021 Business Plan Summary

### 1. Operating strategy:

- (1) "Professional integrity and sustainable management" is the Group's business philosophy.
- (2) The Group's consistent service tenet is to "provide services to support downstream clients by reducing their R&D pipeline and increasing their competitiveness and to assist upstream suppliers through product promotion and marketing."
- (3) Focus on performance and efficiency in order to build a solid business team.
- (4) Monitor market trends and provide customers with technology-based services.

### 2. Expected sales volume and its basis:

The Group's main sales products consist of various electronic components. Due to the wide variety of products and large variation in unit price, adopting sales volume as a basis for measurement is not suitable. For the Group's overall sales expectations, based on the analysis of the market and macroeconomic development, the Group's core business is expected to show steady growth in the coming year.

### 3. Important production and sales policies:

- (1) Introducing new product lines and entering new application markets - According to the Company's long-term development strategies and plan, introduce new product lines that meet market demand and expand the product portfolio. Strengthen product and market planning capabilities and improve the overall market positioning by expanding the penetration into the relevant automotive electronics, cloud data centers, smart Internet of Things, 5G related applications, industrial control, green energy, and medical instruments markets, among others. Strengthen the proportions of shipments of these products to continuously improve the product mix and growth rate.
- (2) Exploring new customers - For the existing customer base, optimize management capabilities, improve service quality, and continuously increase the penetration rate of the Group's products. At the same time, actively expand new production lines for high-quality new customers and existing customers, as well as new application opportunities for existing products, especially in the Group's strategic development areas of automotive electronics, cloud data centers, industrial control, smart Internet of Things, and 5G applications. By providing high-quality technical support and total solutions, accelerate customers' timeliness in promoting products to the market, and develop close and long-term cooperation with leaders in various fields.
- (3) Improving value-added services - Continue to go digital, and improve operating efficiency and reduce costs through AI enabled operations management systems and optimized internal processes. Create demand for vendors through solid customer relationships and rapid market response, and increase products' added value and the Group's profitability while providing solid technical support to help customers develop new products.
- (4) Effectively responding to changes in the macroeconomic environment - Changes in the global economic climate, exchange rate fluctuations, changes in government-led economic and financial policies, and unexpected global public health events such as the coronavirus and climate change all affect the Group's financial and business operations and management. Therefore, in order to stabilize the Group's competitiveness in the market, the management and control capabilities with regard to inventory, the customer account collection period, accounts receivable, exchange rate hedging, and cash flow must also be improved. The organization and business activities must be adjusted as needed to respond to various changes.

### **III. The Group's Future Development Strategy**

In order to cope with the global industrial division of labor, improve overall competitiveness, and continue to increase the return on working capital and the return on equity, the Group's positioning strategies in Asia Pacific and emerging markets include the following: first, focusing on the Group's long-term development, introducing new product lines, entering

new application areas in a timely manner, and adapting to industry demands and technology trends; second, strengthening the mix of customers, product lines, and market applications to reduce the risk of being affected by changes in a single factor; third, increase the value added to upstream vendors and downstream customers; and fourth, integrate resources of different parties through mergers and acquisitions to generate synergistic effects that will reduce operating costs and gain economies of scale. The Group aims to become an international professional semiconductor components distributor, as well as to build a comprehensive service network in the pan-Asia Pacific region and emerging regions through a comprehensive business marketing system. While actively increasing market share and expanding revenue scale in accordance with the principles of "professional integrity and sustainable management," we will continue to pursue the best interests of shareholders, employees, and customers with the support of all employees and shareholders.

For the support of all shareholders, I would like to express my most sincere gratitude to the shareholders on behalf of the Board of Directors and all the Group's employees. We will uphold our consistent business philosophy, seize opportunities for industrial development, and present superior business results to share with you.

Sincerely yours,

Chairperson: Cheng, Wen-Tsung