Stock Code: 3624

Viking Tech Corporation

2018 Annual Report

Taiwan Stock Exchange Market Observation Post System:

http://mops.twse.com.tw

Company Website: http://www.viking.com.tw

Printed on March 13, 2019

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   (1) Spokesperson
   Name: Li, Shun-He
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   E-mail: steveli@viking.com.tw
   (2) Acting Spokesperson
   Name: Cheng, Chia-Lien
   Title: Finance Manager
   Tel: (03)597-2931
   E-mail: chialiencheng@viking.com.tw
2. Address and Telephone Number of the Headquarters, Branch Offices, and Factories

Unit	Address	Tel
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Branch Office	No. 248-3, Xinsheng Road, Qianzhen District, Kaohsiung City	(07)976-6226
Factory	No. 70, Guangfu North Road, Hukou Township, Hsinchu County (Hsinchu Industrial Park)	(03)597-2931
	No. 23, Industry 5th Road, Hukou Township, Hsinchu County (Hsinchu Industrial Park)	(03)597-3431
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3. Name, Address, E-mail Address, and Telephone Number of Stock Affairs Agent
   Name: Horizon Securities Corporation
   Address: 3F, No. 236, Section 4, Xinyi Road, Daan District, Taipei City
   Website: www.honsec.com.tw
   Tel: (02)7719-8899
4. Name of Certified Public Accountants and Name, Address and Telephone Number of Accounting Firm
   CPA: Lin, Yu-Kuan and Cheng, Ya-Hui
   Accounting Firm: PwC Taiwan
   Address: 5F, No. 2, Industry East 3rd Road, East District, Hsinchu City (Hsinchu Industrial Park)
   Website: www.pwcglobal.com.tw
   Tel: (03)578-0205
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   None.
6. Company Website: http://www.viking.com.tw

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I. Report to the Shareholders

1. 2018 Business Report

(1) Accomplishments in 2018

Looking back at 2018, after the business plan was implemented on schedule, revenue for 2018 was 121% higher than expected, an increase of 44% from the previous year. In the second half of 2018, there was a serious shortage of passive components worldwide. After the Company expanded production, revenue continued to hit a record high, indicating that the business policy was in line with market demand.

According to the 2018 business plan, target revenue and income before tax were NT$2,200,000 thousand and NT$275,000 thousand. After the 2018 business plan was implemented, revenue and income before tax reached NT$2,653,960 thousand and NT$342,849 thousand, respectively.

(2) Budget implementation

Unit: NT$1,000

Item	Budget	Balanced Budget	Achievement Rate (%)
Operating revenue	2,200,000	2,653,960	121%
Operating costs	(1,615,279)	(1,808,824)	112%
Gross profit	584,721	845,136	145%
Operating expenses	(312,812)	(344,695)	110%
Operating income	271,909	500,441	184%
Non-operating income	3,091	(157,592)	(5098%)
Income before tax	275,000	342,849	125%

(3) Analysis of receipts, expenditures, and profitability

Financial structure	Debt to asset ratio (%)	24.57
	Long-term capital to property, plant and equipment (%)	236.17
Solvency	Current ratio (%)	313.52
	Quick ratio (%)	222.21
	Interest coverage ratio	95.16
Profitability	Return on assets (%)	8.79
	Return on equity (%)	11.48
	Ratio of income before tax to paid-in capital (%)	29.22
	Profit margin (%)	10.48
	Earnings per share (NT$)	2.36

(4) Research and development work

1. Successfully developed the jumper resistor - LRJ 0603 1/4W.
2. Successfully developed the jumper resistor - LRJ 0805 1/2W.
3. Successfully developed the current sensing high power resistor - CSM 1206 69mΩ~100mΩ 1W.
4. Successfully developed the 4-terminal current sensing chip resistor - 4T 1206 10mΩ~20mΩ 1/2W.
5. Successfully developed the 4-terminal current sensing chip resistor - 4T 2010 10mΩ~20mΩ 3/4W.
6. Successfully developed the current sensing high power resistor - CS 1206 101~1000mR 1W.
7. Successfully developed the pulse withstanding, surge withstanding high power thick film resistor - PWR/SWR 0402 1/5W.
8. Successfully developed the pulse withstanding, surge withstanding high power thick film resistor - PWR/SWR 0805 1/2W.
9. Successfully developed the pulse withstanding, surge withstanding high power thick film resistor - PWR/SWR 1206 3/4W.
10. Successfully developed the micro lead-free thick film resistor - CRG 0201.
11. Successfully developed the high current low resistance thick film jumper resistor - PWR 0R (0603<8mR, 0805/1206<5mR).
12. Successfully developed the high power alloy resistor - LRP12 120-200mR 3W.

2. Summary of 2019 Business Plan

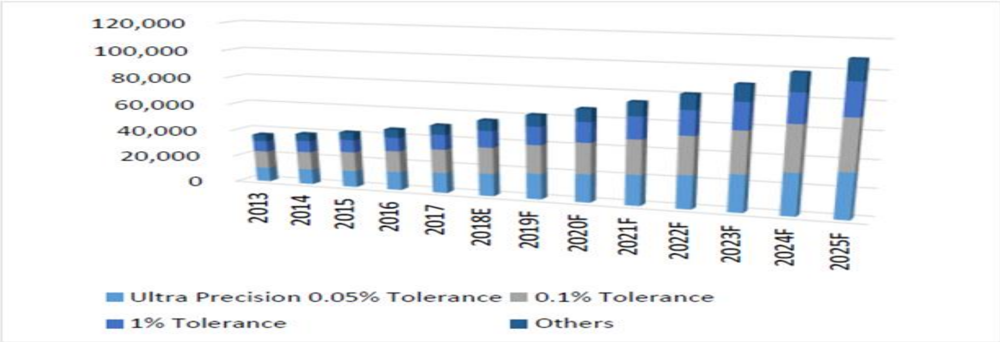
(1) Business policy

In 2018, a shortage of passive components continued to expand, especially capacitors and resistors. Japanese manufacturers withdrew from the low-end market and entered the high-end market; in addition, automotive grade components were in short supply. It took the Japanese manufacturers 3 to 5 years to give up the low-end market which they had developed for 20 years. In the future, Japanese manufacturers will not look back and stay in the high-end market. Taiwanese and Chinese manufacturers will receive more new customers.

The Company has been improving production skills in high-end and special-function passive components, including thin film precision resistors, current sensing resistors, high voltage resistors, surge withstanding resistors, anti-sulfur resistors, and MELF cylindrical precision resistors; RF inductors are applied to medium-end and high-end electronics. The Company’s automotive grade and special-function thick film resistors and MELF resistors will be benefited by increasing demand for high-end products.

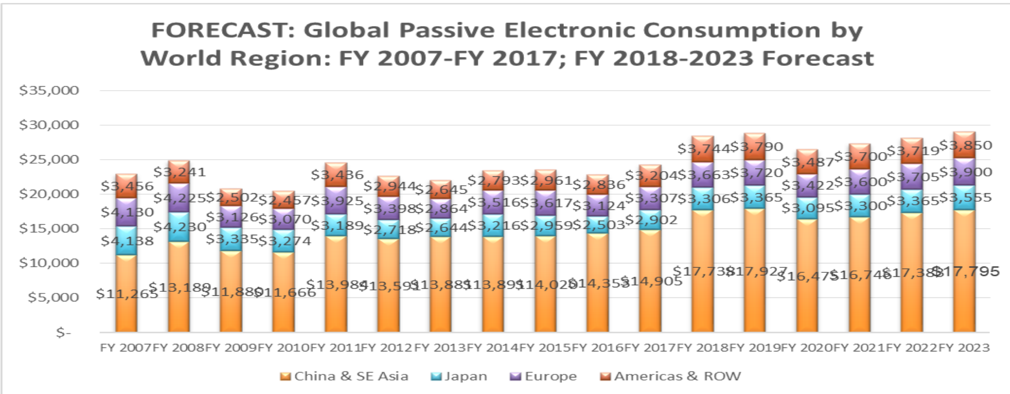
As one of the Company’s main products, thin film resistors are mainly applied to precision instruments, medical equipment, automotive electronics, and high-end communication equipment. The growth of precision thin film resistors remains to be sizable. In the future, the Company will focus on the development of thin film resistors and continue to increase the economy of scale and international competitiveness.

Sales Volume and Growth Rate of Global Thin Film Resistors (2013-2025)



Source: Expert interviews and QYR electronics research center, October 2018

Passive components include resistors, capacitors, and inductors. Capacitors accounts for 79% of the RCL. In response to integrate the supply of resistors, capacitors and inductors, the Company has continuously expanded the strategic cooperation with capacitor and inductor manufacturers to provide a customized RCL solution. In 2017 and 2018, there was panic buying for passive components due to the concern for the expanded shortage, leading to soar in the prices of MLCC/resistors and raw materials. After the fourth quarter of 2018, demand slowed down due to the shortage of PC chips and the China-US trade war. Over the past years, overall demand for passive components escalated. Electronic development is irreversible, and the information industry has always been the main engine of global economic growth. The passive component market, which is the foundation of the information industry, will continue to grow in the long run.



(In Millions of USD)

Source: Paumanok Publications, Inc.

Looking ahead into 2019, passive components are expected to oscillate in quarterly demand, but the overall growth of demand will not diminish. Emerging applications, such as IoT, wearables, cloud computing, big data, new energy, medical electronics, and security electronics, all have strong demand. By region, Europe and the U.S. occupy the high-end electronics market in the world. Especially in the context of strong economic growth in the U.S., demand for electronic information manufacturing is large that cannot be ignored. China is the world’s factory. But based on the China-US trade war, local demand in the U.S. may be partially transferred to Taiwan; however, the foundries of major American brand are still in China and Southeast Asia. The growth of future demand in China will remain stable. The Company will enhance profitability and stay ahead in technology and competition through the following strategies: (1) develop the high-end customer base in Europe and the U.S., improve the use ratio, and introduce downstream key component module design; (2) increase R&D investments, develop customized and high-margin product portfolios for existing high-end customers, and develop and promote micro products and high-end applications; (3) optimize the global operations management, increase brand and marketing channels, cooperate with well-established agents in market expansion, and develop and promote emerging markets and new customers through exhibitions and online marketing; (4) upgrade production equipment, improve automation and information level, and enhance control over product quality; and (5) strengthen human resource development, promote management innovation and technological innovation, and enhance core competitiveness. In addition to self-developed products, the Company will include the products of strategic partners in its portfolio. The Company expects revenue to grow and a profit to be made in 2019.

(2) Research and development plans

A. Microwave thin film resistor
B. TaN thin film resistor
C. Long-side 4-terminal current sensing resistor (0306)
D. Short-side 4-terminal current sensing resistors (1206 & 2010)
E. High power low resistance alloy chip resistors - CSM 02 & CSM 03
F. Jumper resistors - LRJ03 &LRJ 05
G. Ultra-high power aluminum nitride thin film resistor
H. High power aluminum nitride thick film resistors (1206/2512)
I. MELF low temperature coefficient (5ppm) resistors (0204/0207)
J. High power metal alloy resistor - LRP series (0805)
K. High power metal alloy resistor - LRP series (2010)

(3) Sales volume forecast

Category	Sales Volume
Precision resistor (in thousands)	5,058,000
High frequency inductor (in thousands)	509,000
General resistor (in thousands)	31,356,000
Others	783,000
Total	37,706,000

(4) Important production and sales policies

A. Provide a full range of passive components and customer services.
B. Promote non-3C products to manifest core technologies and market segmentation.
C. Increase the proportion of high-end products and automotive grade deliveries to improve profitability.
D. Keep abreast of 5G development trends and products.

3. Future Development Strategy and the Effect of External Competition, Legal Environment, and Overall Business Environment

(1) Future development strategies

A. Develop core technologies and improve process capabilities to provide customized services.
B. Develop and market applications of automotive electronics.
C. Develop and market high-end electronic components to tap into smart applications.
D. Improve customer satisfaction and supplier relationships.

(2) Effect of external competition and overall business environment

Regardless of the economic slowdown in China and Europe and the China-US trade war, demand for high-end and automotive grade electronic components shows a significant increase. The development of 5G, smart home appliances, and smart phones, along with the stable supply from Southeast Asia, is conducive to electronic components. Most importantly, major international manufacturers, such as Murata and Vishay, prioritize the shipments of high-end components due to high demand for high-end products, causing other manufacturers to take over demand for general products. As the Company offers not only low-end, medium-end, also high-end products, the prospect of market is quite optimistic.

The passive component industry is regarded as a mature industry; however, in recent years, application to smart phones, 4G, netcom, automotive electronics and NFC successful drive demand for passive components due to industrial shocks, business transformation, and uniqueness. At present, major passive component manufacturers are mainly from Japan, Taiwan, South Korea and China. Manufacturers from Japan have high global presence, while manufacturers from other countries base their production centers on the local market or China due to large demand in China. Due to business opportunities driven by the increasing influence of Chinese smart phone and notebook brands in the global market, demand for passive components from Chinese electronics brands is expected to be substantial.

In addition to smart phones and tablets, smart watches and smart glasses are also popular. Therefore, the Company will continuously develop RF, high voltage, high capacitance, and micro passive components.

The Company’s core technology is the semiconductor thin film process. When drawing circuit patterns or planning fine wiring, the Company adopts the accurate circuit design of semiconductor technology to achieve the nanometer size of electronic circuit design, which conforms to the development trend of electronic components and is suitable for high power and small-size passive components.

(3) Effect of legal environment

The Company reviews amendments to laws and regulators’ requirements on a regular basis, collects related information as planned to be prepared, and declare and disclose related information based on the time limit stipulated by the law. The company website and a stock affairs e-mail are in place for investors to access and give feedback. The Company also implements the corporate governance system in line with the government policies and will keep abreast of and comply with the future formulation and amendments of laws.

Chairman: Tsai, Kao-Ming

II. Company Profile

1. Date of Incorporation
   October 1, 1997
2. Brief History of the Company

Date	Milestones
October 1997	Founded in Hsinchu Industrial Park.
May 2000	1. Hukou Branch Office founded in Hsinchu Industrial Park in Hukou Township. 2. Obtained the American patent on “Thin Film Wafer Level Package” (Patent No. 6083766).
October 2000	ISO-9001 system certified by Entela.
November 2000	Obtained the Taiwanese patent on “RC Semiconductor Integrated Circuits with MIS Surge Protection Devices”.
April 2001	Obtained the Taiwanese patent on “Thin Film Wafer Level Package” (Invention No. 130673).
October 2001	Obtained the Taiwanese patent on “Method for Making RC” (Invention No. 144606) and the American patent No. 62682251B1.
March 2002	Chairman Han, Tzu-Hua and President Chen, Chun-He resigned, and Lin, Ming-Te and Wei, Shih-Lung reelected as Chairman and President, respectively.
April 2002	1. Reduced capital by NT$319 million and increased capital by NT$200 million in cash. 2. Obtained the American patent on “Thin Film Resistor”.
February 2003	QS-9000 system certified by SGS.
June 2003	Han, Tzu-Hua reelected as Chairman.
August 2003	Changed the product strategy to mass production of thin film, RF components and disposed of original silicon electronics production equipment.
November 2003	Obtained the Taiwanese patent on “Insulation Mask for Forming Inductor” (Utility Model No. 215629).
April 2004	Reduced capital by NT$295 million and increased capital by NT$99 million in cash, and introduced domestic institutional investors.
August 2004	Obtained the Taiwanese patent on “Packaging Method for Improving LED Brightness” (Invention No. 220282).
June 2005	1. Headquarters relocated to the Hsinchu Industrial Park in Hukou Township. 2. Obtained the Chinese patent “Structural Improvement in High Power LED Cooling Module” (Utility Model No. ZL200520109324.5).
August 2005	Hit the break-even point and made a profit every month.
October 2005	Obtained the Taiwanese patent on “Structural Improvement in High Power LED Cooling Module (Utility Model No. M278067).
August 2006	Increased capital by NT$100 million in cash, with the premium per share at NT$18, and introduced foreign institutional investors.
August 2007	1. Precision resistor arrays put into mass production. 2. Improved precision resistor specifications.
December 2007	Successfully developed the new material of thin film inductors and reduced the production cost significantly.
March 2008	Public offering approved by the Financial Supervisory Commission (FSC).
May 2008	Listed on TPEx.

Date	Milestones
December 2008	Merged Tmtec Co., Ltd.
March 2009	1. TS16949 certified. 2. Researched and developed fingerprint readers - sensors. 3. Researched and developed highly dependent automotive grade thin film resistors - automotive electronics.
June 2009	1. Improved the range of TCR (5,10ppm) for instruments and medical equipment. 2. Successfully developed PWR for instruments and automotive electronics and put into mass production. 3. AS series development completed and put into mass production - automotive electronics.
September 2009	TR35 series development completed and put into mass production - automotive electronics.
December 2009	1. NMR series development completed and put into mass production - medical equipment. 2. CSR series development completed and put into mass production - automotive electronics. 3. CN41 series development completed and tested - touch panels. 4. TFAN (0603) series development completed and put into mass production - smart phones and NBs. 5. Fingerprint readers put into trial production.
October 2010	Researched and developed common mode filters.
March 2011	Stocks traded on TPEx.
April 2011	1. LED cooling substrates put into trial production. 2. Successfully developed the VLH322515-High Power series and produced on large scale. 3. Highly dependent LED metallized ceramic substrate put into mass production.
October 2011	Successfully developed the Thin Film Common Mode Filter series and produced on large scale.
March 2012	Obtained the Taiwanese patent on “Anti-static LED Substrate Structure” (Utility Model No. M424606).
May 2012	Successfully developed the MELF 0204 High Power series and produced on large scale.
June 2012	Successfully developed the Metal Strip chip resistor - LRM series.
September 2012	Successfully developed the automotive grade CSRV series and produced on large scale.
December 2012	1. AL 0402 inductor changed to large substrate production to improve productivity. 2. Successfully developed thin film automotive grade resistors and produced on large scale.
January 2013	Successfully developed 01005 thick film resistors and produced on large scale.
April 2013	1. Developed AL0402 High Q and put into mass production. 2. Successfully developed 8-inch high power aluminum nitride LED cooling substrates and produced on large scale. 3. Successfully developed 5.5”x 7.5”DPC/DBC concentrated solar cooling substrates and produced on large scale. 4. Successfully developed high reflectivity silver electroplated cooling

Date	Milestones
	substrates and produced on large scale.
June 2013	Successfully developed the 0603 laminated ultra-low resistance resistor series and produced on large scale.
August 2013	Successfully developed the MELF 0102 series and produced on large scale.
January 2014	Successfully developed WL0402 wire wound inductors and put into trial production.
February 2014	Increased capital by NT$300 million in cash and paid-in capital reached NT$1,173,408,420.
April 2014	1. Successfully developed the STR35 high power resistor series and produced on large scale. 2. Successfully developed the WL0402 wire wound inductor - High Q series and produced on large scale. 3. Successfully developed the LRP12 high power alloy resistor prototype. 4. Successfully developed MELF resistor laser cutting.
October 2014	1. Successfully developed the lead-free thick film resistor prototype. 2. Successfully increased the production range of TFAN43 tablet resistor arrays to 100Kohm. 3.Successfully developed Al2O3 high reflectivity substrates and produced on small scale.
November 2014	Successfully developed Al2O3 cavity substrates and produced on large scale.
December 2014	1.Successfully developed the AL0201 thin film inductor -High Q series and produced on large scale. 2.Successfully developed the CS0612 high power resistor prototype and produced on large scale. 3.Successfully developed 5.5”x 7.5”DPC substrates and produced on large scale.
February 2015	1.Obtained the Taiwanese patent on “Method for Making Alloy Resistors” (Invention No. I473121). 2.Successfully developed small-diameter DPC electroplated through-hole filling.
April 2015	1.Successfully developed CS0612 high power resistors and produced on large scale. 2.Successfully developed LRP12 high power alloy resistors and put into trial production produced on small scale.
April 2015	Successfully developed low-cost thin film precision resistors.
May 2015	Obtained the Chinese patent on “Method for Making Metallized Ceramic Substrates” (ZL201110305687.6).
June 2015	Reelected the Board of Directors and established the Audit Committee.
October 2015	Obtained the Taiwanese patent on “Method for Making Metallized Ceramic Substrates” (Invention No. I502709).
November 2015	Obtained the patent on “Electronic Package Structure and Its Ceramic Substrates” (Publication No. 201541569).
November 2015	Obtained the patent on “Carrier and Its Package Structure” (Publication No. 201541583).
December 2015	Obtained the patent on “Method for Electroplating of Metals” (Patent No. US9,204,555)
January 2016	1. Successfully developed LRP06 8-12mR high power alloy resistors. 2. Successfully developed ultra-low resistance jumpers. 3. Successfully developed LRJ high current alloy jumpers.

Date	Milestones
March 2016	1. Successfully developed CSRV0102 thin film precision resistors. 2. Successfully developed the high reflectivity ceramic substrate module.
April 2016	1. Successfully developed the CRG lead-free thick film resistor prototype and produced on large scale. 2. Successfully developed electric meter resistors and put into production on small scale. 3. Obtained the Chinese patent on “Method for Making Substrates with Conductive Through Holes” (ZL201110379088.9).
June 2016	Obtained the patent on “Resistor Components” (Patent No. US9,373,430 B2).
July 2016	1. Successfully developed the CN series - sulfur-resistant resistors. 2. Successfully developed CRG lead-free thick film resistors. 3. Obtained the patent on “Carrier and Its Package Structure” (Invention No. I543315). 4. Obtained the patent on “Electronic Package Structure and Its Ceramic Substrates” (Invention No. I543308). 5. Guangdong Fenghua Advanced Technology Holding Co., Ltd. publicly acquired 40% of the Company’s shares and became the largest shareholder.
August 2016	1. Convene the extraordinary shareholders’ meeting to reelect the 8th Board of Directors.
September 2016	1. Successfully developed AR..A pulse withstanding resistors. 2. Obtained the “Ceramic Substrates, Package Substrates, and Wafer Package and Methods for Making” (US9,437,549 B2).
October 2016	1. Successfully developed AS high power resistors. 2. Obtained the patent on “Electronic Package Structure and Its Ceramic Substrates” (Invention No. I553793).
December 2016	1. Successfully developed CSRP high voltage thin film precision MELF resistors. 2. Successfully developed SWR series - surge withstanding high power resistors. 3. Successfully developed 0201*4 and 0201*2 anti-sulfur resistor arrays. 4. Successfully developed PWR05/PWR06 high power resistors. 5. Successfully developed MELF 1R~10R 25ppm resistors. 6. Successfully increased LR12 (0.5mR~2.5mR) power to 3W. 7. Successfully developed ultra-low resistance jumpers. 8. Successfully developed Heating_Source resistors.
February 2017	1. Successfully developed wire wound thin film resistors. 2. Successfully developed WB0404. 3. Successfully developed high heat transfer coefficient gold-tin alloy electroplating. 4. Successfully developed current sensing high power resistors - CS06 10~100mR 1W.
March 2017	1. Successfully developed the TaN resistor. 2. Successfully developed the PCNM resistor. 3. Successfully developed thin film precision resistor - AR Low TCR 1-4ppm.
April 2017	1. Successfully increased CS 1210 power to 1W. 2. Successfully increased CSRV0102 power to 0.3. 3. Successfully developed AS 0402 1/8W high power resistor. 4. Successfully developed AS 0201 1/12W high power resistor.
June 2017	1. Successfully developed the high power thin film precision resistor - AR

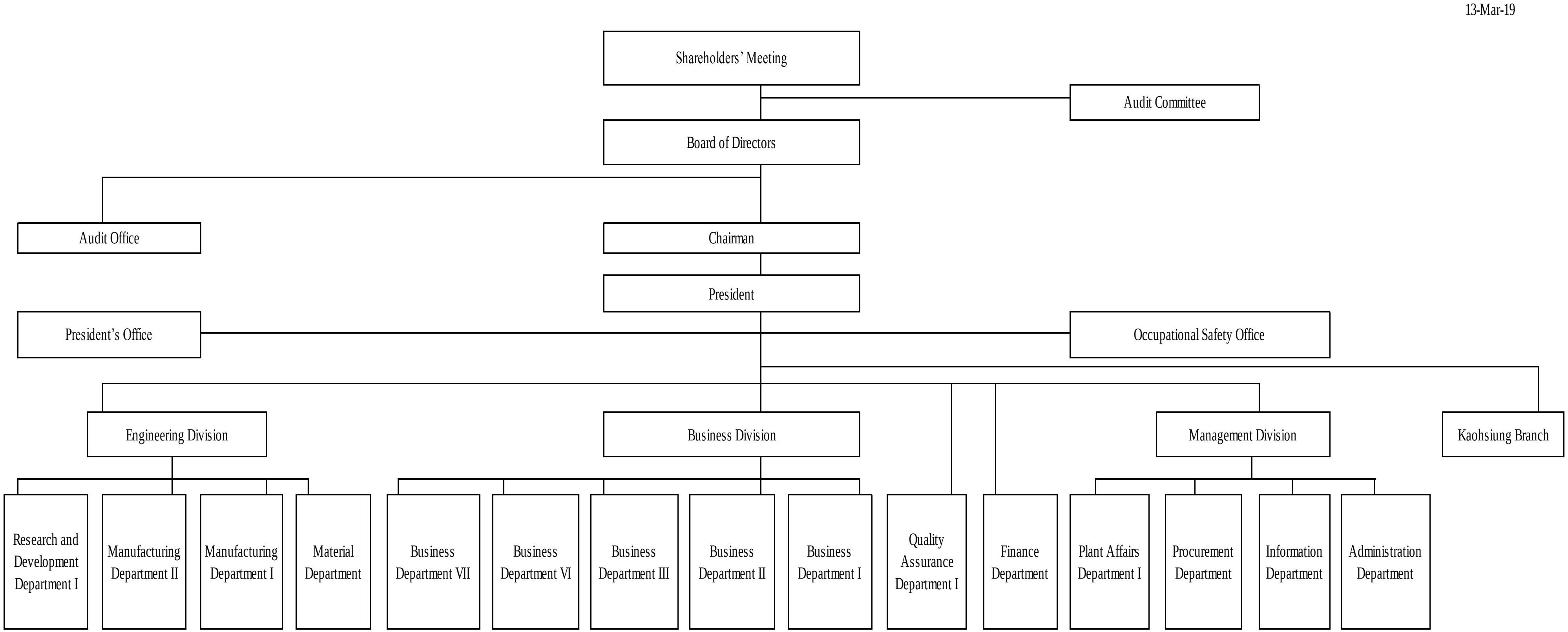
Date	Milestones
	0402 1/10W. 2. Successfully developed the high power alloy resistor - LRP06 3-7mR.
August 2017	1. Successfully developed the high power cylindrical precision resistor - CSRV 0102 0.3W.
September 2017	1. Obtained the American patent on “Carrier and Its Package Structure” (Patent No. US9,768,092B2).
October 2017	1. Successfully developed the surge withstanding high power resistor - PWR 0603 1/4W. 2. Successfully developed the surge withstanding high power resistor - PWR 1210 3/4W. 3. Obtained the Taiwanese patent on “Micro Resistor Structure with High bending Strength and Method for Making” (Patent No. I600354).
December 2017	1. Successfully developed the thin film precision resistor - AR01 with 0.1% tolerance. 2. Passed the ISO system transition (ISO 14001:2015). 3. Obtained the American patent on “Electronic Package Structure and Its Ceramic Substrates” (Patent No. US9,837,592B22).
January 2018	1. Successfully developed the PCNM resistor.
March 2018	1. Passed the ISO system transition (IATF16949:2016). 2. Passed the ISO system transition (ISO 9001:2015). 3. Successfully developed 4-terminal current sensing chip resistors. 4. Successfully developed the current sensing high power resistor - CS 1206 1W 100~1000mR.
April 2018	1. Successfully developed the surge withstanding high power resistor - SWR 0402 1/5W.
July 2018	1. Successfully developed the current sensing high power resistor - CS 1206 101~1000mR 1W. 2. Successfully developed the pulse withstanding, surge withstanding high power thick film resistor - PWR/SWR 0402 1/5W. 3. Successfully developed the pulse withstanding, surge withstanding high power thick film resistor - PWR/SWR 0805 1/2W. 4. Successfully developed the pulse withstanding, surge withstanding high power thick film resistor - PWR/SWR 1206 3/4W.
August 2018	1. Successfully developed the high current low resistance thick film jumper resistor - PWR 0R (0603<8mR, 0805/1206<5mR).
September 2018	1. Successfully developed the current sensing high power resistor - CSM 1206 69mΩ~100mΩ 1W. 2. Successfully developed the 4-terminal current sensing chip resistor - 4T 1206 10mΩ~20mΩ 1/2W. 3. Successfully developed the 4-terminal current sensing chip resistor - 4T 2010 10mΩ~20mΩ 3/4W.
October 2018	1. Obtained the Chinese patent on “Electronic Package Structure and Its Ceramic Substrates” (Patent No. 3108204). 2. Successfully developed the jumper resistor - LRJ 0603 1/4W. 3. Successfully developed the jumper resistor - LRJ 0805 1/2W.
December 2018	1. Successfully developed the micro lead-free thick film resistor - CRG 0201. 2. Successfully developed the high power alloy resistor - LRP12 120-200mR 3W.
March 2019	1. Successfully developed the metal film MELF resistor - CSRV0102 1R~4R.

III. Corporate Governance Report

1. Organizational System

(1) The Company's structure

Viking Tech Corporation



(2) Tasks of principal departments

Department	Tasks
President's Office	Make long-term business development plans,; adjust and compile annual business plans; analyze business environments and develop business strategies; collect and provide information on business management; develop overall business objectives (e.g. EICC/quality/environment policies and annual objectives); manage and implement business objectives; furnish business analysis reports; study the development of new products, price policies and selling prices; make overall construction plans for new plants; compile proposals for the Board of Directors and report their implementation; and handle other related business plans, project research plans and tasks.
Audit Office	Audit annual business plans and budgets; audit business operations of departments; audit sales, procurement, production, payroll, financing, fixed assets, investment, computers, and research and development works; provide recommendations for improvement in internal controls; and handle other internal audits and tasks.
Occupational Safety Office	Develop environment/health/safety regulations and training plans; prevent damage to equipment, raw materials and materials; develop countermeasures for environmental monitoring results; make health management plans; and handle environment/health/safety tasks instructed by the senior management.
Management Division	Oversee administration, procurement, information and plant affairs; plan for logistics management; plan for invested business management; make and implement annual budgets; and handle other business management tasks.
Administration Department	Manage documents, seals, books, vehicles, donations, and entertainment and public relations; handle non-litigation cases and civil and criminal cases; register, apply for, and maintain trademarks and patents; handle contracts and legal affairs; recruit, manage, and train employees; manage payroll, attendance, performance evaluation, and fixed assets; report rewards and disciplinary actions; and handle employee benefits.
Information Department	Maintain computers, systems, computer hardware, and information security; maintain and manage communication systems, and provide related training.
Procurement Department	Handle import and export; purchase primary and secondary materials; control costs of procurement; handle abnormal primary and secondary materials and develop sources of raw materials; and purchase equipment and parts.
Plant Affairs Department	Maintain plants and facilities (buildings, utilities, air conditioning, gas, pure water, compression, air, vacuum, lighting; maintain production environments (clean rooms), firefighting equipment, waste gas, wastewater facilities, pressure vessels, and lifts; execute or supervise the construction, reconstruction and demolition of plants and other buildings and facilities; plan for and maintain other pollution prevention facilities; store and remove hazardous industrial waste; and handle other tasks relating to plant affairs and environmental protection.
Finance Department	Compile, execute, and control budgets; raise and deploy funds; control credit and budgets; prepare financial statements; prepare, analyze, and interpret financial structures, income change, and accounting reports; handle annual closing and earnings distribution; manage cash and bank deposits; calculate and declare taxes and other charges; store and record securities, credit vouchers, and important deeds; treat fixed asset accounts; issue, transfer, and renew stocks and create and cancel pledges; distribute dividends and bonuses; manage shareholders' equity; conduct inventory checks; and handle other financial, accounting, treasury, and stock affairs.

Department	Tasks
Quality Assurance Division	Oversee quality assurance, quality management and documents; and plan for the quality requirements for passive components and other products.
Quality Assurance Department	Plan for, implement, analyze, and audit the quality inspections, incoming material inspections, product inspections, and process inspections; evaluate FQC process; plan for and implement instrument and gauge management; implement or cooperate to implement quality assurance experiment plans or reliability tests; handle customer services and quality information; organize training on quality assurance and quality inspection; compile and implement annual budgets; and handle other tasks relating to quality assurance and quality inspection.
Engineering Division	Oversee the business operations of the Manufacturing Department, the Research and Development Department, the Material Department, and the Plant Affairs Department; plan for the research and development of passive components and other products, mass production technology, and quality improvement; and handle other tasks relating to production and technology.
Manufacturing Department	Manufacture and manage products; provide assistance for engineering experiments or sample making; implementing production plans; manage production; store, maintain, and operate production equipment, instruments and gauges; train and manage employees; cooperate to implement and oversee quality improvement activities; improve productivity; manage and furnish production information and reports; help verify reasons for returns; and handle production-related tasks.
Research and Development Department	Develop and test new products; make product research and development plans; collect market information; acknowledge raw materials and alternative materials; create BOM and analyze costs; test and manufacture products; analyze process capability; formulate product specifications and work instructions; issue specification standards; organize product launches; provide technical support before and after sales; make and implement project plans; improve products and materials; develop and experiment on new materials; analyze product characteristics; hold process change meetings; and help handle customer complaints.
Material Department	Reply to delivery; control assignment and progress; follow up and control production progress; coordinate production and sales; close work orders; handle abnormal work orders; control annual material preparations; cooperate with production of new products; provide samples; handle import and export; manage warehouses and handling, storage, packaging, and shipments; and conduct inventory checks.
Business Division	Oversee the business operations of the Business Department; plan for market surveys, sales and after-sales services, customers’ new requirements; and handle tasks relating to sales and markets.
Business Department	Make and implement business plans, market expansion plans, and sales forecasts; set unit prices, product specifications, and payment terms and communicate with customers; manage credit investigation; manage customer orders and liaison; coordinate production and sales with related departments; manage overdue receivables; handle after-sales services, customer complaints, and returns or replacements; collect samples; survey and analyze market information and provide recommendations; compile catalogues, sales, and information; purchase products for trade; inquire, negotiate and compare prices for domestic and foreign trade; sign contracts; help establish product specifications; source qualified suppliers; and handle tasks relating to sales and market surveys.

2. Information on Directors, Supervisors, President, Vice President, Assistant Vice President, and Heads of Divisions and Branch Offices

(1) Directors and supervisors

Title	Nationality or Place of Registration	Name	Gender	Date Elected (Appointed)	Term of Service	Commencement Date Elected for First Term	Shareholding upon Election		Current Shareholding		Current Shareholding by Spouse and Children of Minor Age		Shareholding Held in Name of Another Person		Principal Work Experience and Education	Position Held Concurrently in the Company and Any Other Companies	Any Other Managerial Officer, Director, or Supervisor Having Spousal or Second-degree Kinship		
							Number of Shares	Percentage	Number of Shares	Percentage	Number of Shares	Percentage	Number of Shares	Percentage			Title	Name	Relationship
Chairman	Republic of China	Winlines Investments Limited	Male	2016.08.23	3 years	2016.08.23	30,000	0.03	30,000	0.03	0	0.00	0	0.00	Bachelor of Accounting and Statistics, National Cheng Kung University President of China Bills Finance Corporation	(Note 2)	None	None	None
		Representative: Tsai, Kao-Ming					0	0.00	0	0.00	0	0.00	0	0.00					
Director	People's Republic of China	Guangdong Fenghua Advanced Technology (Holding) Co., Ltd.	Male	2016.08.23	3 years	2016.08.23	46,936,337	40.00	46,936,337	40.00	0	0.00	0	0.00	Master of Management, South China University of Technology Director & Assistant Manager of Technology, Duanhua Electronics Co., Ltd.	Vice President of Guangdong Fenghua Advanced Technology Holding Co., Ltd.	None	None	None
		Representative: Chang, Yuan-Sheng					0	0.00	0	0.00	0	0.00	0	0.00					
Director	People's Republic of China	Guangdong Fenghua Advanced Technology (Holding) Co., Ltd.	Male	2016.08.23	3 years	2016.08.23	46,936,337	40.00	46,936,337	40.00	0	0.00	0	0.00	Bachelor of Management, Xiamen University Deputy Director & Director & Deputy Director General of Strategic Development, Guangdong Fenghua Advanced Technology Holding Co., Ltd.	President of the Company Director of Viking Electronics (Wuxi) Co., Ltd. Supervisor of Changchun Guanghua Micro-Electronics Equipment Engineering Center Co., Ltd.	None	None	None
		Representative: Hu, Chuan-Ping					0	0.00	0	0.00	0	0.00	0	0.00					
Director	People's Republic of China	Guangdong Fenghua Advanced Technology (Holding) Co., Ltd.	Male	2016.08.23	3 years	2016.08.23	46,936,337	40.00	46,936,337	40.00	0	0.00	0	0.00	Bachelor, Wuhan University of Technology Deputy Director & Director & Director General of Finanial Management, Guangdong Fenghua Advanced Technology Holding Co., Ltd.	Department of Financial Management, Guangdong Fenghua Advanced Technology Holding Co., Ltd. Director of FengHua Advanced Technology (HK) Limited	None	None	None
		Representative: Hsia, Li-Feng (Note 1)					0	0.00	0	0.00	0	0.00	0	0.00					

Title	Nationality or Place of Registration	Name	Gender	Date Elected (Appointed)	Term of Service	Commencement Date Elected for First Term	Shareholding upon Election		Current Shareholding		Current Shareholding by Spouse and Children of Minor Age		Shareholding Held in Name of Another Person		Principal Work Experience and Education	Position Held Concurrently in the Company and Any Other Companies	Any Other Managerial Officer, Director, or Supervisor Having Spousal or Second-degree Kinship		
							Number of Shares	Percentage	Number of Shares	Percentage	Number of Shares	Percentage	Number of Shares	Percentage			Title	Name	Relationship
Director	People's Republic of China	Guangdong Fenghua Advanced Technology (Holding) Co., Ltd.	Male	2016.08.23	3 years	2016.08.23	46,936,337	40.00	46,936,337	40.00	0	0.00	0	0.00	Bachelor of Economics, Tianjin University of Commerce Executive of Audit, Guangdong Fenghua Advanced Technology Holding Co., Ltd. Finance Manager of Sun Power Electric Wire Co., Ltd.	Vice President of the Company Supervisor of Viking Electronics (Wuxi) Co., Ltd.	None	None	None
		Representative: Liang, Yao-Ming (Note 1)					0	0.00	0	0.00	0	0.00	0	0.00					
Director	Republic of China	Thye Ming Industrial Co., Ltd.	Male	2016.08.23	3 years	2016.08.23	10,158,010	8.66	9,319,010	7.94	0	0.00	0	0.00	Junior High Chairman of Thye Ming Industrial Co., Ltd.	Chairman of Thye Ming Industrial Co., Ltd. Chairman of Tailin Investment Co., Ltd. Director of Thai Wey Industrial Co., Ltd. Chairman of Taiying Investment Co., Ltd.	None	None	None
		Representative: Chen, Feng-Ming					0	0.00	0	0.00	0	0.00	0	0.00					
Director	Republic of China	Thye Ming Industrial Co., Ltd.	Male	2016.08.23	3 years	2007.06.19	10,158,010	8.66	9,319,010	7.94	0	0.00	0	0.00	Bachelor of Business Administration, Fortune Institute of Technology President of Thye Ming Industrial Co., Ltd.	(Note 3)	None	None	None
		Representative: Li, Mao-Sheng					0	0.00	0	0.00	0	0.00	0	0.00					
Independent Director	Republic of China	Li, Yi-Wen	Male	2016.08.23	3 years	2016.08.23	0	0.00	0	0.00	0	0.00	0	0.00	Bachelor of Law, National Chengchi University Chief Legal Officer of Eastern Home Shopping & Leisure Co., Ltd. Lawyer of Chengtai Law Firm Judge Assistant of Supreme Administrative Court	Attorney-in Charge of Yuanjing Law Firm	None	None	None

Title	Nationality or Place of Registration	Name	Gender	Date Elected (Appointed)	Term of Service	Commencement Date Elected for First Term	Shareholding upon Election		Current Shareholding		Current Shareholding by Spouse and Children of Minor Age		Shareholding Held in Name of Another Person		Principal Work Experience and Education	Position Held Concurrently in the Company and Any Other Companies	Any Other Managerial Officer, Director, or Supervisor Having Spousal or Second-degree Kinship		
							Number of Shares	Percentage	Number of Shares	Percentage	Number of Shares	Percentage	Number of Shares	Percentage			Title	Name	Relationship
Independent Director	Republic of China	Shen, Po-Ting	Male	2016.08.23	3 years	2016.08.23	0	0.00	0	0.00	0	0.00	0	0.00	Bachelor of Industrial Engineering and Management, National Chiao Tung University Master of Finance, National Chung Cheng University Assistant Manager of Capital Market, Barits Securities (Mega Securities) Assistant Manager of Cathay Venture Partner & President of Jianda CPA Firm	CPA of Chunyin CPA Firm President of C&E Consulting Independent Director of Love Renaissance Co., Ltd. Supervisor of Johnpro Biotech Inc. Supervisor of Provadis Bio Inc. Supervisor of Lead U Education	None	None	None
Independent Director	Republic of China	Huang, Shih-Pin	Male	2016.08.23	3 years	2016.08.23	0	0.00	0	0.00	0	0.00	0	0.00	Master of Engineering Management, California State University Assistant Vice President, Delta Electronics, Inc. Public Relations Director of President's Office, AmTRAN Technology Business Director General of Flex PCB Division, Zhen Ding Technology Co., Ltd.	None	None	None	None

The number of shares currently held refers to the number of shares held as of February 28, 2019.

Note:

(1) Director Hsia, Li-Feng, representative of Guangdong Fenghua Advanced Technology (Holding) Co., Ltd., was replaced by Liang, Yao-Ming.

(2) Chairman of Eastern Realty Co., Ltd., Chairman of Eastern Enterprise Development Co., Ltd., Chairman of Eastern International Lease-Finance Co., Ltd., Chairman of Tungkai Lease Co., Ltd., Director of Eastern Media International Corporation, Independent Director of United Radiant Technology Corporation, and Independent Director of Opto Tech Corporation.

(3) Director & President of Thye Ming Industrial Co., Ltd., Chairman of Maosheng Investment Co., Ltd., Chairman of Thai Wey Industrial Co., Ltd., Chairman of Jet Rate Trading Co., Ltd., and Director of Taiwan International Ports Logistics Corporation.

A. Major shareholders of institutional shareholders

Institutional Shareholder	Major Shareholder	Shareholding Percentage (%)
Winlines Investments Limited	Chou, Hsiao-Hsuan	100.00
Guangdong Fenghua Advanced Technology Holding Co., Ltd. (as of December 31, 2018)	Guangdong Rising Assets Management Co., Ltd.	20.03
	Chuan, Pi-Shou	2.09
	Zhuhai Lvshui Qingshan Investment Co., Ltd.	1.94
	Central Clearing And Settlement System	1.23
	Central Huijin Asset Management Ltd.	1.14
	Agricultural Bank of China - 500ETF	0.85
	Shenzhen Jiadexin Investment Limited Company	0.81
	Huaxin Trust Co., Ltd. - Huaxin Trust - Gongxin 18 Collective Fund Trust Plan	0.65
	Hu, Yu-Shui	0.64
	Zhuhai Zhongruan Investment Advisor Co., Ltd.	0.61
Thye Ming Industrial Co., Ltd. (as of April 23, 2018)	Tailin Investment Co., Ltd.	14.06
	Maosheng Investment Co., Ltd.	8.32
	Investment account of SinoPac (Asia) Nominees Ltd. (SinoPac Securities (Asia) Limited's customer) under trusteeship of Bank SinoPac	5.63
	Jinjun Investment Co., Ltd.	5.35
	Shin Kong Life Insurance Co., Ltd.	4.67
	Taiying Investment Co., Ltd.	3.39
	Taiyung Investment Co., Ltd.	2.93
	Investment account of Capital Securities Nominee Ltd., Capital Securities / Futures (HK) Ltd.'s customer, under trusteeship of Capital Securities Corporation	2.15
	DFA's emerging market core securities portfolio investment account under trusteeship of Citibank Taiwan	0.65
	Chen, Mei-Tan	0.63

B. Ultimate owners of major shareholders of institutional shareholders

Major Shareholder	Ultimate Owner	Shareholding Percentage (%)
Guangdong Rising Assets Management Co., Ltd.	Guangdong State-owned Assets Supervision and Administration Commission	100.00
Zhuhai Lvshui Qingshan Investment Co., Ltd.	Liu, Hui-Ming, Liu, Hui-Hung	100.00
Central Clearing And Settlement System	Hong Kong Exchanges and Clearing	100.00
Central Huijin Asset Management Ltd.	Central Huijin Investment Co., Ltd.	100.00
Shenzhen Jiadexin Investment Limited Company	Ouyafei, Shenzhen Huaxinlian Investment Limited	100.00
Zhuhai Zhongruan Investment Advisor Co., Ltd.	Chung, Han-Hsieh, Liang, Sheng-Chou, Chang, Chi-Ching, Peng, Yung-Chiang, Chang, Chen-Chung, Tsai, Hua-Nan, Pang Hua, Lo, Te-Wan, Chia, Wei-Li, Chang, Lai-Huan, Tu Yang, Hsieh, Yu-Song, Hsieh, Hai-Ming	100.00
Tailin Investment Co., Ltd.	Taiying Investment Co., Ltd.	71.35
	Chen, Chang-Hao	6.25
Maosheng Investment Co., Ltd.	Li, Mao-Sheng	100.00
Jinjun Investment Co., Ltd.	Li, Chun-Hsien	25.00
	Li, Chin-Teng	25.00
	Li, Hui-Chu	25.00
	Li, Su-Hua	20.00
Taiying Investment Co., Ltd.	Luyeyuan Foundation	90.56
Shin Kong Life Insurance Co., Ltd. (as of April 9, 2018)	Shin Kong Financial Holding Co., Ltd.	100.00
Taiyung Investment Co., Ltd.	Chen, Chang-Hao	56.88
	Chen, Mei-Tan	20.49

C. Whether one of the following professional qualifications is met, together with at least 5 years of work experience in commerce, law, finance, or any other business field

Qualifications / Name	Whether One of the Following Professional Qualifications Is Met, Together with at Least 5 Years of Work Experience			Compliance with Independence Criteria (Note)										Number of Independent Directorships at Other Public Companies
	Instructor or Higher in a Department of Commerce, Law, Finance, Accounting, or Any Other Business-related Academic Department in a Public or Private College or University	Judge, Public Prosecutor, Attorney, Certified Public Accountant, or Any Other Professional or Technical Specialist Having Passed a National Examination and Been Awarded a Certificate in a Profession Necessary for the Business Operations of the Company	Work Experience in the Area of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business Operations of the Company	1	2	3	4	5	6	7	8	9	10	
Winlines Investments Limited Representative: Tsai, Kao-Ming			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		2
Guangdong Fenghua Advanced Technology (Holding) Co., Ltd. Representative: Chang, Yuan-Sheng			✓	✓	✓	✓	✓		✓	✓	✓	✓		0
Guangdong Fenghua Advanced Technology (Holding) Co., Ltd. Representative: Hu, Chuan-Ping			✓	✓	✓	✓	✓		✓	✓	✓	✓		0
Guangdong Fenghua Advanced Technology (Holding) Co., Ltd. Representative: Liang, Yao-Ming			✓	✓	✓	✓	✓		✓	✓	✓	✓		0
Thye Ming Industrial Co., Ltd. Representative: Chen, Feng-Ming			✓	✓		✓	✓		✓	✓	✓	✓		0
Thye Ming Industrial Co., Ltd. Representative: Li, Mao-Sheng			✓	✓		✓	✓		✓	✓	✓	✓		0
Li, Yi-Wen		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Shen, Po-Ting		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Huang, Shih-Pin			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0

Note: During two years prior to the election and the term of office, a mark "✓" is indicated for each item below where applicable to the director or supervisor concerned.

1. Has not been an employee of the Company or any of its affiliated companies.
2. Has not been a director or supervisor of the Company or any of its affiliated companies. However, this is not applicable in cases where the person is an independent director of the Company, its parent company, or any subsidiary, as appointed in accordance with the Act or laws of the country where the parent or subsidiary is located.
3. Has not been a natural-person shareholder who (together with those held by the person's spouse, children of minor age, or in the name of another person (nominees) holds an aggregate amount of 1% or more in the total number of issued shares of the Company, or ranks in top 10 in shareholding.
4. Has not been a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the persons in the preceding three subparagraphs.
5. Has not been a director, supervisor, or employee of an institutional shareholder that directly holds 5% or more in the total number of issued shares of the Company or ranks in the top 5 in shareholding.
6. Has not been a director, supervisor, managerial officer, or shareholder holding 5% or more of the shares, of a specified company or institution that has a financial or business relationship with the Company.
7. Has not been a professional individual or an owner, partner, director, supervisor, managerial officer, or a spouse thereof, of a sole proprietorship, partnership, company, or institution that provides commercial, legal, financial, or accounting services or consultation to the Company or any of its affiliated companies. However, this restriction does not apply to remuneration committee members performing their official powers under Article 7 of the Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Stock Exchange or Traded Over the Counter.
8. Has not been a spouse or relative within the second degree of kinship of another director or supervisor.
9. Has not been subjected to any of the circumstances in the subparagraphs of Article 30 of the Company Act.
10. Has not been elected in the capacity of the government, a juridical person, or a representative thereof, as provided in Article 27 of the Company Act.

(2) President, vice president, assistant vice president, and heads of divisions and branch offices

Title	Nationality	Name	Gender	Date Elected (Appointed)	Shareholding		Shareholding by Spouse and Children of Minor Age		Shareholding Held in Name of Another Person		Principal Work Experience and Education	Position Held Concurrently in the Company and Any Other Companies	Any Managerial Officer Having Spousal or Second-degree Kinship		
					Number of Shares	Percentage (%)	Number of Shares	Percentage (%)	Number of Shares	Percentage (%)			Title	Name	Relationship
President (Note 1)	People's Republic of China	Chang, Yuan-Sheng	Male	2016.08.05	0	0.00	0	0.00	0	0.00	Master of Management, South China University of Technology Director of Technology & Assistant Manager & President of Duanhua Electronics Co., Ltd.	Vice President of Guangdong Fenghua Advanced Technology Holding Co., Ltd.	None	None	None
President (Note 2)	People's Republic of China	Hu, Chuan-Ping	Male	2016.08.05	0	0.00	0	0.00	0	0.00	Bachelor of Management, Xiamen University Deputy Director & Director & Deputy Director General of Strategic Development, Guangdong Fenghua Advanced Technology Holding Co., Ltd.	Supervisor of Changchun Guanghua Micro-Electronics Equipment Engineering Center Co., Ltd.	None	None	None
Vice President (Finance & Accounting Manager)	Republic of China	Li, Shun-He	Male	2004.01.09	620	0.00	240	0.00	0	0.00	Master of Management Sciences, Tamkang University Mater of Technology Management, National Tsinghua University Vice President of Cheng Feng Precision Ind., Co., Ltd. Executive Assistant of Chilisin Electronics Corporation	None	None	None	None
Vice President	Republic of China	Lu, Chi-You	Male	2008.12.30	70,584	0.10	0	0.00	0	0.00	Master of Electrical Engineering, National Sun Yat-sen University Assistant Manager of Walsin Technology Corporation Plant Director of Thye Ming Technology Co., Ltd.	None	None	None	None
Vice President (Note 2)	People's Republic of China	Liang, Yao-Ming	Male	2016.08.05	0	0.00	0	0.00	0	0.00	Bachelor of Economics, Tianjin University of Commerce Guangdong Fenghua Advanced Technology Holding Co., Ltd. Finance Manager of Sun Power Electric Wire Co., Ltd. Senior Audit Officer, Guangdong Fenghua Advanced Technology Holding Co., Ltd.	None	None	None	None

The number of shares currently held refers to the number of shares held as of February 28, 2019.
Note 1: President Chang, Yuan-Sheng resigned on March 13, 2019.
Note 2: On March 13, 2019, the Board of Directors appointed Hu, Chuan-Ping to be President and promoted Liang, Yao-Ming to be Vice President.

(3) Remuneration paid to directors, supervisors, presidents and vice presidents in the most recent year

A. Remuneration paid to directors

Remuneration of Directors (including Independent Directors)

December 31, 2018;
Unit: NT$1,000

Title	Name	Remuneration of Directors								Ratio of Total Remuneration (A, B, C, and D) to Income after Tax		Remuneration Paid to Concurrent Employees								Ratio of Total Remuneration (A, B, C, D, E, F, and G) to Income after Tax		Whether or Not the Person Receives Remuneration from Other Non-subsidiary Companies the Company Has Invested in
		Compensation (A)		Retirement Pension (B)		Director Remuneration (C)		Allowances (D)				Salary, Bonus, and Special Expenses (E)		Retirement Pension (F)		Employee Remuneration (G)						
																The Company		All Companies in Financial Statements				
		The Company	All Companies in Financial Statements	The Company	All Companies in Financial Statements	The Company	All Companies in Financial Statements	The Company	All Companies in Financial Statements	The Company	All Companies in Financial Statements	The Company	All Companies in Financial Statements	The Company	All Companies in Financial Statements	Amount of Cash	Amount of Stock	Amount of Cash	Amount of Stock	The Company	All Companies in Financial Statements	
Chairman	Winlines Investments Limited Representative: Tsai, Kao-Ming	5,534	7,132	0	0	19,039	19,039	235	235	8.98	9.55	0	0	0		0	0	0	0	8.98	9.55	None
Director Director Director	Guangdong Fenghua Advanced Technology (Holding) Co., Ltd. Representative: Chang, Yuan-Sheng Representative: Hu, Chuan-Ping Representative: Hsia, Li-Feng																					
Director Director	Thye Ming Industrial Co., Ltd. Representative: Chen, Feng-Ming Representative: Li, Mao-Sheng																					
Independent Director	Li, Yi-Wen																					
Independent Director	Shen, Po-Ting																					
Independent Director	Huang, Shih-Pin																					

*In addition to the above, remuneration paid to directors for provision of service for all companies in the financial statements (e.g. consultants other than employees) for the most recent year:NT$2,041 thousand.

Note: Director remuneration (C), retirement pension (F), and employee remuneration (G) refer to the amounts appropriated, not paid.

Range of Remuneration Paid to Directors

Unit: NT$

Range of Remuneration Paid to Each Director	Name of Director			
	(A+B+C+D)		(A+B+C+D+E+F+G)	
	The Company	All Companies in Financial Statements (I)	The Company	All Companies in Financial Statements (J)
Less than NT$2 million	Tsai, Kao-Ming, Chang, Yuan-Sheng, Chen, Feng-Ming, Hu, Chuan-Ping, Li, Mao-Sheng, Hsia, Li-Feng, Li, Yi-Wen, Shen, Po-Ting, Huang, Shih-Pin, Guangdong Fenghua Advanced Technology (Holding) Co., Ltd., Thye Ming Industrial Co., Ltd.	Tsai, Kao-Ming, Chang, Yuan-Sheng, Chen, Feng-Ming, Hu, Chuan-Ping, Li, Mao-Sheng, Hsia, Li-Feng, Li, Yi-Wen, Shen, Po-Ting, Huang, Shih-Pin, Guangdong Fenghua Advanced Technology (Holding) Co., Ltd., Thye Ming Industrial Co., Ltd.	Tsai, Kao-Ming, Chang, Yuan-Sheng, Chen, Feng-Ming, Hu, Chuan-Ping, Li, Mao-Sheng, Hsia, Li-Feng, Li, Yi-Wen, Shen, Po-Ting, Huang, Shih-Pin, Guangdong Fenghua Advanced Technology (Holding) Co., Ltd., Thye Ming Industrial Co., Ltd.	Tsai, Kao-Ming, Chang, Yuan-Sheng, Chen, Feng-Ming, Hu, Chuan-Ping, Li, Mao-Sheng, Hsia, Li-Feng, Li, Yi-Wen, Shen, Po-Ting, Huang, Shih-Pin, Guangdong Fenghua Advanced Technology (Holding) Co., Ltd., Thye Ming Industrial Co., Ltd.
NT$2 million (inclusive)~NT$5 million (exclusive)				
NT$5 million (inclusive)~NT$10 million (exclusive)	Winlines Investments Limited	Winlines Investments Limited	Winlines Investments Limited	Winlines Investments Limited
NT$10 million (inclusive)~NT$15 million (exclusive)				
NT$15 million (inclusive)~NT$30 million (exclusive)				
NT$30 million (inclusive)~NT$50 million (exclusive)				
NT$50 million (inclusive)~NT$100 million (exclusive)				
More than NT$100 million				
Total	12	12	12	12

B. Remuneration paid to supervisors: None.

C. Remuneration paid to presidents and vice presidents

December 31, 2018; Unit: 1,000 shares; NT$1,000

<table>
<tr><th rowspan="3">Title</th><th rowspan="3">Name</th><th colspan="2">Salary (A)</th><th colspan="2">Retirement Pension (B) (Note 2)</th><th colspan="2">Bonus and Special Expenses (C)</th><th colspan="4">Employee Remuneration (D) (Note 1)</th><th colspan="2">Ratio of Total Remuneration (A, B, C, and D) to Income after Tax (%)</th><th colspan="2">Number of Employee Share Subscription Warrants</th><th colspan="2">Number of Restricted Employee Shares</th><th rowspan="3">Whether or Not the Person Receives Remuneration from Other Non-subsidiary Companies the Company Has Invested in</th></tr>
<tr><th rowspan="2">The Company</th><th rowspan="2">All Companies in Financial Statements</th><th rowspan="2">The Company</th><th rowspan="2">All Companies in Financial Statements</th><th rowspan="2">The Company</th><th rowspan="2">All Companies in Financial Statements</th><th colspan="2">The Company</th><th colspan="2">All Companies in Financial Statement</th><th rowspan="2">The Company</th><th rowspan="2">All Companies in Financial Statements</th><th rowspan="2">The Company</th><th rowspan="2">All Companies in Financial Statements</th><th rowspan="2">The Company</th><th rowspan="2">All Companies in Financial Statements</th></tr>
<tr><th>Cash Dividends</th><th>Stock Dividends</th><th>Cash Dividends</th><th>Stock Dividends</th></tr>
<tr><td>President (Note 3)</td><td>Chang, Yuan-Sheng (Note 5)</td><td rowspan="5">4,434</td><td rowspan="5">4,434</td><td rowspan="5">108</td><td rowspan="5">108</td><td rowspan="5">6,019</td><td rowspan="5">6,019</td><td rowspan="5">6,093</td><td rowspan="5">0</td><td rowspan="5">6,093</td><td rowspan="5">0</td><td rowspan="5">6.03</td><td rowspan="5">6.03</td><td rowspan="5">0</td><td rowspan="5">0</td><td rowspan="5">0</td><td rowspan="5">0</td><td rowspan="5">無</td></tr>
<tr><td>President (Note 4)</td><td>Hu, Chuan-Ping (Note 5)</td></tr>
<tr><td>Vice President</td><td>Li, Shun-He</td></tr>
<tr><td>Vice President</td><td>Lu, Chi-You</td></tr>
<tr><td>VicePresident (Note 4)</td><td>Liang, Yao-Ming (Note 5)</td></tr>
</table>

Note 1: The 2018 earnings distribution is yet to be adopted in the 2019 annual shareholders' meeting.

Note 2: The retirement pension (B) refers to the amount appropriated, not paid.

Note 3: President Chang, Yuan-Sheng resigned on March 13, 2019.

Note 4: On March 13, 2019, the Board of Directors appointed Hu, Chuan-Ping to be President and promoted Liang, Yao-Ming to be Vice President.

Note 5: An employee of Guangdong Fenghua Advanced Technology Holding Co., Ltd. who came to Taiwan for investment management and received no remuneration from the Company.

Range of Remuneration Paid to Presidents and Vice Presidents

Unit: NT$

Range of Remuneration Paid to Presidents and Vice Presidents	Name of President and Vice President	
	The Company	All Companies in Consolidated Financial Statements (E)
Less than NT$2 million	Chang, Yuan-Sheng, Hu, Chuan-Ping, Liang, Yao-Ming	Chang, Yuan-Sheng, Hu, Chuan-Ping, Liang, Yao-Ming
NT$2 million (inclusive)~NT$5 million (exclusive)		
NT$5 million (inclusive)~NT$10 million (exclusive)	Li, Shun-He, Lu, Chi-You	Li, Shun-He, Lu, Chi-You
NT$10 million (inclusive)~NT$15 million (exclusive)		
NT$15 million (inclusive)~NT$30 million (exclusive)		
NT$30 million (inclusive)~NT$50 million (exclusive)		
NT$50 million (inclusive)~NT$100 million (exclusive)		
More than NT$100 million		
Total	5	5

D. Employee remuneration paid to managerial officers

Unit: NT$1,000

	Title	Name	Stock Dividends	Cash Dividends (Note 1)	Total	Ratio of Total Amount to Income after Tax (%)
Managerial officers	President (Note 2)	Chang, Yuan-Sheng (Note 4)	0	6,093	6,093	2.20
	President (Note 3)	Hu, Chuan-Ping (Note 4)				
	Vice President & Finance and Accounting Manager	Li, Shun-He				
	Vice President	Lu, Chi-You				
	Vice President (Note 3)	Liang, Yao-Ming (Note 4)				

Note 1: The 2018 earnings distribution is yet to be adopted in the shareholders' meeting. The amount shown in the table is an estimate.

Note 2: President Chang, Yuan-Sheng resigned on March 13, 2019.

Note 3: On March 13, 2019, the Board of Directors appointed Hu, Chuan-Ping to be President and promoted Liang, Yao-Ming to be Vice President.

Note 4: An employee of Guangdong Fenghua Advanced Technology Holding Co., Ltd. who came to Taiwan for investment management and received no remuneration from the Company.

E. Analysis of remuneration paid to directors, supervisors, presidents, and vice presidents in the most recent two years

December 31, 2018; Unit: NT$1,000

Item / Title	Ratio of Total Amount to Income after Tax (%)				Variation (%)	
	2018		2017			
	The Company	All Companies in Consolidated Financial Statements	The Company	All Companies in Consolidated Financial Statements	The Company	All Companies in Consolidated Financial Statements
Directors	8.98	9.55	13.07	14.86	(31.34)	(35.70)
Supervisors	0	0	0	0	0	0
Presidents and Vice Presidents	6.03	6.03	11.97	11.97	(49.65)	(49.65)

Note: 1. Remuneration policies:
(1) Industry standards.
(2) Individual workload and performance.
2. Remuneration standards and packages:
(1) Remuneration paid to directors and supervisors shall be 5% of the profit for a year (profit before tax before distribution of employee remuneration and director remuneration).
(2) Remuneration paid to managerial officers: a. Monthly salary; b. Year-end bonus (2 months); c. Employee remuneration (10% of the profit appropriated as total employee remuneration).
3. Procedures for determining remuneration and correlation with business performance:
(1) The Remuneration Committee shall perform its tasks according to Article 5 of the Remuneration Committee Charters.
(2) The performance evaluation and remuneration paid to directors, supervisors, and managerial officers shall be based on the industry standards, individual contribution, performance, and performance in other positions concurrently held, remuneration paid to the equivalent positions in recent years, the Company's achievement of short-term and long-term business goals, and the Company's financial position; the correlation between the individual and the Company's performance and future risk exposure shall be evaluated.

3. State of Implementation of Corporate Governance

(1) State of operations of the Board of Directors

A. total of seven meetings of the Board of Directors were held in the most recent year (six in 2018 and one in 2019). The attendance of directors is as follows:

Title	Name	Times of Attendance in Person	Times of Attendance by Proxy	Attendance Rate (%)	Remark
Chairman	Winlines Investments Limited Representative: Tsai, Kao-Ming	7	0	100	
Director	Thye Ming Industrial Co., Ltd. Representative: Chen, Feng-Ming	7	0	100	
Director	Thye Ming Industrial Co., Ltd. Representative: Li, Mao-Sheng	6	1	100	
Director	Guangdong Fenghua Advanced Technology (Holding) Co., Ltd. Representative: Chang, Yuan-Sheng	2	5	100	
Director	Guangdong Fenghua Advanced Technology (Holding) Co., Ltd. Representative: Hu, Chuan-Ping	7	0	100	
Director	Guangdong Fenghua Advanced Technology (Holding) Co., Ltd. Representative: Hsia, Li-Feng	4	2	100	Left office (representative reappointed on March 1, 2019)
Director	Guangdong Fenghua Advanced Technology (Holding) Co., Ltd. Representative: Liang, Yao-Ming	1	0	100	Assumed office (representative reappointed on March 1, 2019)
Independent Director	Li, Yi-Wen	7	0	100	
Independent Director	Shen, Po-Ting	7	0	100	
Independent Director	Huang, Shih-Pin	7	0	100	

Other items to be recorded:

1. If any of the following applies to the operations of the Board of Directors, the date and session of the Board meeting, the content of the proposal, opinions of all independent directors and the Company's actions in response to the opinions of independent directors shall be stated:

   (1) Items listed in Article 14-3 of the Securities and Exchange Act: Refer to Pages 44~45 for the

major resolutions of the Board of Directors.

(2) In addition to the aforementioned items, other resolutions of the Board of Directors that have been objected or reserved by the independent directors and are documented or stated in writing: None.

2. With regard to the recusal of directors from voting due to conflict of interests, the name of the directors, the content of the proposal, reasons for abstention, and the results of voting counts shall be stated:

   1. Date of Board meeting: June 26, 2018
      Proposal: The distribution of 2017 remuneration to directors and supervisors of Viking Electronics (Wuxi) Co., Ltd.
      Recusal: Director Hu, Chuan-Ping.
      Reasons for abstention and the results of voting counts: According to Paragraph 2, Article 206 of the Company Act, attending directors other than Director Hu, Chuan-Ping, who recused himself from the discussion and voting due to a conflict of interest, consented to pass the proposal.
   2. Date of Board meeting: March 13, 2019
      Proposal: Change in the managerial officers of the Company.
      Recusal: Director Hu, Chuan-Ping and Director Liang, Yao-Ming.
      Reasons for abstention and the results of voting counts: According to Paragraph 2, Article 206 of the Company Act, attending directors other than Director Hu, Chuan-Ping and Director Liang, Yao-Ming, who recused themselves from the discussion and voting due to a conflict of interest, consented to pass the proposal.

3. Targets for strengthening the functions of the Board of Directors in the current year and the most recent year (e.g., establishing an Audit Committee and enhancing information transparency) and evaluation thereof:

Established in June 2015, the Audit Committee consists of three independent directors in place of supervisors. The Audit Committee meets at least once every quarter to supervise the following matters: (1) fair presentation of the financial statements; (2) engagement (and dismissal), independence, and performance of CPAs; (3) effective implementation of the internal control system; (4) compliance with related laws and regulations; and (5) management of the existing or potential risks.

Since the establishment in August 2016, the 2nd Audit Committee has held 14 meetings and operated well.

The Remuneration Committee was established in December 2011. In August 2016, the Board of Directors resolved to pass the establishment of the 4th Remuneration Committee to be in charge of formulating and regularly reviewing the performance evaluation of directors and managerial officers and the remuneration policy, system, standards, and structure for directors, supervisors and managerial officers and regularly evaluating and formulating remuneration for directors and managerial officers. Since the reelection of the Remuneration Committee, people concerned attended the meetings to answer questions and participate in discussions without a right to vote. The Remuneration Committee has held 10 meetings and operated well.

The Company has been strengthening its corporate governance. In 2013, the Company entrusted Taiwan Corporate Governance Association to evaluate its corporate governance practices. The corporate governance practices have been certified by Taiwan Corporate Governance Association. To improve the disclosure of information, the Company has made the minutes of the Board meetings and internal policies public on the company website. For internal policies pertaining to corporate governance, refer to the Company’s website at http://www.viking.com.tw.

To strengthen the knowledge of business operations and related laws and regulations, the Company arranges on-site training on securities laws and regulations for directors and managerial officers from time to time.

To improve the transparency of information, the internal auditors submit an audit report to independent directors on a regular basis. The independent directors also communicate with the Finance Manager and internal auditors from time to time to understand the operations of the Company.

(2) State of operations of supervisors or the Audit Committee

State of operations of the Audit Committee:

In the shareholders' meeting on June 25, 2015, the Company established the Audit Committee in place of supervisors. The 2nd Audit Committee was established on August 23, 2016 and composed of three independent directors; Independent Director Shen, Po-Ting was elected as the convener of the Audit Committee. The Audit Committee shall meet at least once every quarter to supervise the following matters: (1) fair presentation of the financial statements; (2) engagement (and dismissal), independence, and performance of CPAs; (3) effective implementation of the internal control system; (4) compliance with related laws and regulations; and (5) management of the existing or potential risks. The powers of the Audit Committee are as follows:

A. Adoption of or amendments to the internal control system pursuant to Article 14-1 of the Securities and Exchange Act.

B. Assessment of the effectiveness of the internal control system.

C. Adoption of or amendment to the procedures for handling financial or business activities of a material nature, such as acquisition or disposal of assets, derivatives transactions, lending of funds to others, and endorsements or guarantees for others, pursuant to Article 36-1 of the Securities and Exchange Act.

D. Matters in which a director is an interested party.

E. Asset transactions or derivatives transactions of a material nature.

F. Lending of funds or provision of endorsements or guarantees of a material nature.

G. Offering, issuance, or private placement of equity-type securities.

H. Engagement or dismissal of CPAs or their compensation.

I. Appointment or dismissal of financial, accounting or internal audit officers.

J. Annual and semi-annual financial statements.

K. Other material matters as may be required by the Company or authorities in charge.

A total of six meetings of the Audit Committee were held in the most recent year (five in 2018 and one in 2019). The attendance of independent directors is as follows:

Title	Name	Times of Attendance in Person	Attendance Rate (%)	Remark
Independent Director	Li, Yi-Wen	6	100	
Independent Director	Shen, Po-Ting	6	100	
Independent Director	Huang, Shih-Pin	6	100	

Other items to be recorded:

1. If any of the following applies to the operations of the Audit Committee, the date and session of the Board meeting, contents of the proposal, and resolution of the Audit Committee as well as the Company's actions in response to the opinions of the Audit Committee shall be stated:
   (1) Items listed in Article 14-5 of the Securities and Exchange Act: Refer to Pages 44~45 for the major resolutions of the Board of Directors.
   (2) In addition to the aforementioned items, other resolutions passed by two-thirds of all directors but yet to be approved by the Audit Committee: None.
2. With regard to the recusal of independent directors from voting due to conflict of interests, the name of the independent directors, the content of the proposal, reasons for abstention, and the results of voting counts shall be stated: None.
3. Communication between independent directors and internal audit manager, and CPAs (including material issues, methods, and results of communication regarding the Company's finance and business):
   Independent directors communicate well with the internal audit manager and CPAs through direct channels of communication. The internal audit manager submits a monthly audit report to the Audit Committee and an annual audit plan to independent directors. When reviewing financial statements, independent directors will ask CPAs to attend without a right to vote and discuss issues regarding the Company's finance and business with CPAs. Important opinions will also be recorded in the minutes of meetings.

(3) State of implementation of corporate governance, any departure from the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies, and the reason for such departure

Item for Evaluation	State of Implementation (Note 1)			Departure from the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and Reason
	Yes	No	Summary	
1. Does the Company follow the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies to establish and disclose its corporate governance best practice principles?	✓		The Company has established the Corporate Governance Guidelines in accordance with the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies. The Corporate Governance Guidelines have been implemented upon adoption of the Board of Directors by resolution on December 25, 2012 and disclosed on the company website at http://www.viking.com.tw.	None
2. Shareholding structure & shareholders' rights				
(1) Does the Company have internal operating procedures for handling shareholders' suggestions, concerns, disputes and litigation matters? Are such matters handled according to the internal operating procedures?	✓		(1) The Company has established the Regulations Governing the Handling of Stock Affairs and appointed the spokesperson and acting spokesperson to handle shareholders' suggestions, concerns, disputes and litigation matters in accordance with the aforesaid regulations.	None
(2) Does the Company maintain a register of major shareholders with controlling power and a register of persons exercising ultimate control over those major shareholders?	✓		(2) The Company has maintained a close relationship with major shareholders with a register of major shareholders with controlling power and a register of persons exercising ultimate control over those major shareholders.	None
(3) Does the Company establish and enforce risk control and firewall systems with its affiliated companies?	✓		(3) The Company has established the Regulations Governing the Transactions with Specific Companies and Related Parties and the Regulations Governing the Supervision and Management of Subsidiaries to build appropriate risk control and firewall systems.	None
(4) Does the Company establish internal rules to prohibit insiders from trading in securities using information not disclosed to the market?	✓		(4) The Company has established the Regulations Governing the Handling of Material Inside Information, which specify the procedures for disclosing material information, to build a sound mechanism for handling material inside information and avoid improper leaks of inside information.	None
3. Composition and responsibility of the Board of Directors				
(1) Does the Board of Directors establish and implement the diversification policy for its composition?	✓		(1) The Company has established the Regulations Governing the Election of Directors and Supervisors, which specify the qualifications for directors and supervisors and requirements for different specialties and work experiences, such as lawyers and CPAs.	None
(2) Does the Company set up other functional committees voluntarily in addition to the Remuneration Committee and the Audit Committee that had been established as required by the law?	✓		(2) The Company has established the Remuneration Committee and the Audit Committee. In addition to the above committees, no other functional committees have been set up.	None
(3) Does the Company establish the	✓		(3) The Company has not established the Regulations Governing the Evaluation of the Board Performance; instead, the Company has established the Rules of Procedure for Board of Directors Meetings and	None

Item for Evaluation	State of Implementation (Note 1)			Departure from the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and Reason
	Yes	No	Summary	
regulations and methods for evaluating the performance of the Board of Directors and evaluate the performance of the Board of Directors every year on a regular basis? (4) Does the Company evaluate the independence of CPAs on a regular basis?	✓		held the meetings of the Board of Directors accordingly. The operations of the Board of Directors have been in compliance with related laws and regulations. (4) The Company engages CPAs of a domestic large accounting firm to independently audit the Company's financial position in accordance with related laws and regulations. The Company has established the Regulations Governing the Evaluation of Certified Public Accountants, which specify that the Finance Department shall evaluate the independence of CPAs engaged by the Company at the end of every year and report to the Board of Directors. For the evaluation form for the independence of CPAs, refer to Page 34.	None
4. Does the Company have an adequate number of exclusively (concurrently) designated corporate governance units or personnel to be in charge of corporate governance affairs (including but not limited to furnishing information required for business execution by directors and supervisors, handling matters relating to the Board meetings and shareholders' meetings according to laws, handling business registration and change registration, and producing minutes of the Board meetings and shareholders' meetings)?	✓		The Company has appointed the employees of accounting and audit departments to handle corporate governance affairs as needed.	None
5. Does the Company establish a means of communication with its stakeholders and create a stakeholder section on the company website to respond to stakeholders' questions about its corporate social responsibility?	✓		The Company has disclosed the spokesperson's contact information, including telephone number and E-mail, and a stakeholder section on the company website.	None
6. Does the Company entrust a professional stock transfer agent to manage shareholders' meetings and other relevant affairs?	✓		The Company has entrusted Horizon Securities Co. Ltd. to handle affairs relating to shareholders' meetings.	None
7. Information disclosure (1) Does the Company establish a company website to disclose information on its finances, business, and corporate governance?	✓ ✓		(1) The Company has established its company website at http://www.viking.com.tw to disclose and update information on its finances, business, and corporate governance. (2) The Company has appointed responsible employees to collect and disclose	None None

Item for Evaluation	State of Implementation (Note 1)			Departure from the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and Reason
	Yes	No	Summary	
(2) Does the Company use other channels of information disclosure (e.g. maintaining an English website, designating persons to handling information collection and disclosure, appointing a spokesperson, and webcasting investor conferences)?			information and established a spokesperson according to related laws and regulations.	
8. Does the Company have other important information that can facilitate the understanding of the implementation of corporate governance (including but not limited to employee rights and interests, employee care, investor relations, supplier relationships, stakeholder rights, continuing education of directors and supervisors, implementation of risk management policies and risk measurement standards, implementation of customer policies, and purchase of liability insurance for directors and supervisors)?	✓		Upholding the business philosophy of sustainable development, the Company takes a responsible attitude toward employees, customers, and society and adopts the following strategies for human rights, employee rights, and environmental protection; (1) Employee rights and interests and employee care: The Company has established the Employee Welfare Committee elected through employees to be in charge of providing employee benefits and appropriating and contributing pensions according to the Labor Standards Act and the Labor Pension Act. The Company has taken measures for labor relations in accordance with related laws and regulations pertaining and maintained a good relationship with employees. Any establishment or amendment to the measures for labor relations has been finalized upon full communication between the Company and employees. (2) Investor relations: The Company holds a shareholders' meeting every year according to the Company Act and related laws and regulations and provides shareholders an opportunity to ask questions and propose. The Company has a spokesperson to handle shareholders' suggestions, concerns, disputes and litigation matters; in addition, the Company timely discloses and declares information that may affect investors' decisions in accordance with the regulations of authorities in charge. (3) Supplier relationships: The Company has maintained a close and reliable relationship with suppliers. The Company communicates with suppliers by phone, meeting or E-mail about its product and quality policies to achieve the sustainable development and green operations together with suppliers. (4) Stakeholder rights: The Company has maintained smooth communication with banks, employees, customers, and suppliers and protected their legal rights. To provide investors and stakeholders transparent information on the Company's finance and business, the Company has a spokesperson to answer investors' questions. (5) Continuing education of directors and supervisors: Refer to the table below. (6) Implementation of risk management policies and risk measurement standards: The Company has established the Regulations Governing the Acquisition or Disposal of Assets, the Regulations Governing the Making of Endorsements/Guarantees, and the Regulations Governing the Lending of	None

<table>
<tr><th rowspan="2">Item for Evaluation</th><th colspan="3">State of Implementation (Note 1)</th><th rowspan="2">Departure from the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and Reason</th></tr>
<tr><th>Yes</th><th>No</th><th>Summary</th></tr>
<tr><td></td><td></td><td></td><td>Funds to Others for the responsible departments and Audit Office to follow in the process of risk management and risk measurement.
(7) Implementation of customer policies: The quality policy of the Company focuses on customer satisfaction. To provide a full range of customer service and protection, the Company fully communicates with customers and responds to their complaints immediately in order to meet their needs and improve interaction; in addition, the Company reviews customer complaints in internal meetings on a regular basis and proposes specific improvement plans and corrective and preventive measures.
(8) The Company has purchase liability insurance for directors and managerial officers.
(9) Other significant information that provides better understanding of the state of implementation of corporate governance:
A. The Company has established the Guidelines for Ethical Corporate Management for directors, managerial officers, and all employees to follow. For related information, refer to the company website at www.viking.com.tw (investor relations/company profile and corporate governance/internal policies/Guidelines for Ethical Corporate Management).
B. The Company has established the Regulations Governing the Handling of Material Inside Information, which specify the mechanism for handling and disclosing material information of the Company. For related information, refer to the company website at www.viking.com.tw (investor relations/company profile and corporate governance/internal policies/Regulations Governing the Handling of Material Inside Information).</td><td></td></tr>
<tr><td colspan="5">9. State of improvements based on the result of the latest Corporate Governance Evaluation announced by Taiwan Stock Exchange Corporation and priorities for improvement (exempt if the Company is not included in the evaluation):
(1) According to the results of the 4th Corporate Governance Evaluation, the Company was ranked top 51%~65%. The results of the 5th Corporate Governance Evaluation are yet to be announced.
(2) In 2018, all directors completed training hours regulated in the Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and TPEx Listed Companies.
(3) Meetings of the Board of Directors are arranged in advance. If directors are unable to attend, they may review proposals in advance and express their opinions by proxy. If a meeting of the Board of Directors is rescheduled at the last moment, the Company will manage to arrange the meeting at directors' convenience to increase the attendance rate of directors.
(4) The Company has been strengthening the transparency of information on the company website.</td></tr>
</table>

Evaluation criteria for the independence of CPAs:

Item for Evaluation	Result of Evaluation	Compliance with Independence Criteria
1. Having a direct or material indirect financial interest in the Company	No	Yes
2. Having a loan or guarantee of loan with the Company or its director or supervisor	No	Yes
3. Being concerned about the possibility of losing the Company	No	Yes
4. Having a significant close business relationship with the Company	No	Yes
5. A member of the assurance team being, or having been a director, or supervisor of the Company, or employed by the Company in a position to exert significant influence over the subject matter of the engagement within the past two years	No	Yes
6. Entering into a potential employment negotiation with the Company	No	Yes
7. Entering into a contingent fee arrangement relating to an audit engagement with the Company	No	Yes
8. Having been engaged by the Company for consecutive seven years	No	Yes

Continuing education of directors and supervisors:

Title	Name	Date of Training	Training Institution	Course Name	Training Hour
Chairman	Tsai, Kao-Ming	2018.09.11	Taipei Bar Association	Legal Responsibility of Directors and Supervisors and Claim Cases	6H
		2018.11.09	Taiwan Corporate Governance Association	Important issues about Tax and Amendments to the Company Act	3H
		2018.11.09	Taiwan Corporate Governance Association	Second Report of Enterprises - Corporate Social Responsibility Report	3H
Director	Chen, Feng-Ming	2018.11.09	Taiwan Corporate Governance Association	Important issues about Tax and Amendments to the Company Act	3H
		2018.11.09	Taiwan Corporate Governance Association	Second Report of Enterprises - Corporate Social Responsibility Report	3H
Director	Chang, Yuan-Sheng	2018.11.09	Taiwan Corporate Governance Association	Important issues about Tax and Amendments to the Company Act	3H
		2018.11.09	Taiwan Corporate Governance Association	Second Report of Enterprises - Corporate Social Responsibility Report	3H
Director	Li, Mao-Sheng	2018.11.09	Taiwan Corporate Governance Association	Important issues about Tax and Amendments to the Company Act	3H
		2018.11.09	Taiwan Corporate Governance Association	Second Report of Enterprises - Corporate Social Responsibility Report	3H
Director	Hu, Chuan-Ping	2018.11.09	Taiwan Corporate Governance Association	Important issues about Tax and Amendments to the Company Act	3H
		2018.11.09	Taiwan Corporate Governance Association	Second Report of Enterprises - Corporate Social Responsibility Report	3H
Director	Hsia, Li-Feng	2018.11.09	Taiwan Corporate Governance Association	Important issues about Tax and Amendments to the Company Act	3H

		2018.11.09	Taiwan Corporate Governance Association	Second Report of Enterprises - Corporate Social Responsibility Report	3H
Independent Director	Li, Yi-Wen	2018.11.09	Taiwan Corporate Governance Association	Important issues about Tax and Amendments to the Company Act	3H
		2018.11.09	Taiwan Corporate Governance Association	Second Report of Enterprises - Corporate Social Responsibility Report	3H
Independent Director	Shen, Po-Ting	2018.11.09	Taiwan Corporate Governance Association	Important issues about Tax and Amendments to the Company Act	3H
		2018.11.09	Taiwan Corporate Governance Association	Second Report of Enterprises - Corporate Social Responsibility Report	3H
Independent Director	Huang, Shih-Pin	2018.11.09	Taiwan Corporate Governance Association	Important issues about Tax and Amendments to the Company Act	3H
		2018.11.09	Taiwan Corporate Governance Association	Second Report of Enterprises - Corporate Social Responsibility Report	3H

(4) Composition, duties, and state of operations of the Remuneration Committee

The Board of Directors has passed the Remuneration Committee Charters and established the Remuneration Committee according to the laws and regulations.

The main function of the Remuneration Committee is to assist the Board of Directors in implementing and evaluating the remuneration policy, system, standards, and structure for directors, supervisors and managerial officers and to submit its recommendations for remuneration for directors, supervisors and managerial officers for deliberation by the Board of Directors according to the Remuneration Committee Charters.

A. Information on members of the Remuneration Committee

Title	Qualifications / Name	Whether One of the Following Professional Qualifications Is Met, Together with at Least 5 Years of Work Experience			Compliance with Independence Criteria (Note 1)								Number of Other Public Companies where the Individual Concurrently Serves as a Member of the Remuneration Committee	Remark
		Instructor or Higher in a Department of Commerce, Law, Finance, Accounting, or Any Other Business-related Academic Department in a Public or Private College or University	Judge, Public Prosecutor, Attorney, Certified Public Accountant, or Any Other Professional or Technical Specialist Having Passed a National Examination and Been Awarded a Certificate in a Profession Necessary for the Business Operations of the Company	Work Experience in the Area of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business Operations of the Company	1	2	3	4	5	6	7	8		
Independent Director	Li, Yi-Wen		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	
Independent Director	Shen, Po-Ting		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	
Independent Director	Huang, Shih-Pin			✓	✓	✓	✓	✓	✓	✓	✓	✓	0	

Note 1: During two years prior to the election and the term of office, a mark "✓" is indicated for each item below where applicable to the member concerned.
(1)Has not been an employee of the Company or any of its affiliated companies.
(2)Has not been a director or supervisor of the Company or any of its affiliated companies. However, this is not applicable in cases where the person is an independent director of the Company, its parent company, or any subsidiary.
(3)Has not been a natural-person shareholder who (together with those held by the person's spouse, children of minor age, or in the name of another person (nominees) holds an aggregate amount of 1% or more in the total number of issued shares of the Company, or ranks in top 10 in shareholding.
(4)Has not been a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the persons in the preceding three subparagraphs.
(5)Has not been a director, supervisor, or employee of an institutional shareholder that directly holds 5% or more in the total number of issued shares of the Company or ranks in the top 5 in shareholding.
(6)Has not been a director, supervisor, managerial officer, or shareholder holding 5% or more of the shares, of a specified company or institution that has a financial or business relationship with the Company.
(7)Has not been a professional individual or an owner, partner, director, supervisor, managerial officer, or a spouse thereof, of a sole proprietorship, partnership, company, or institution that provides commercial, legal, financial, or accounting services or consultation to the Company or any of its affiliated companies.
(8)Has not been subjected to any of the circumstances in the subparagraphs of Article 30 of the Company Act.

B. State of operations of the Remuneration Committee

a. The Remuneration Committee consists of three independent directors.

b. Term of the incumbent members: August 23, 2016~August 22, 2019. A total of five meetings of the Remuneration Committee were held in the most recent year (four in 2018 and one in 2019). The qualifications for the members of the Remuneration Committee and their attendance are as follows

Title	Name	Times of Attendance in Person	Times of Attendance by Proxy	Attendance Rate (%) (Note)	Remark
Convener	Huang, Shih-Pin	5	0	100	
Member	Li, Yi-Wen	5	0	100	
Member	Shen, Po-Ting	5	0	100	

Other items to be recorded:
1. If the Board of Directors rejects or amends the suggestions of the Remuneration Committee, the date and session of the Board meeting, contents of the proposal, and resolution of the Board of Directors as well as the Company's actions in response to the opinions of the Remuneration Committee (if remuneration approved by the Board is better than that proposed by the Remuneration Committee, for example) shall be stated: None.
2. Regarding resolutions of the meeting of the Remuneration Committee, if there is any written record or statement pertaining to members' objections or reservations, the date and session of the Remuneration Committee meeting, contents of the proposal, the opinion of the said member, and the actions in response to the said opinion shall be stated: None.

(5) State of performance of corporate social responsibilities

Item for Evaluation	State of Operations (Note 1)			Any Departure from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEx-Listed Companies and the Reason for Such Departure
	Yes	No	Summary (Note 2)	
1. Exercising corporate governance (1) Does the Company formulate CSR policies or systems and review the effectiveness of their implementation?	✓		(1) The Company has established a CSR policy in accordance with the Electronic Industry Citizenship Coalition (EICC) and the spirit of the Corporate Social Responsibility Best Practice Principles for TWSE/TPEx-Listed Companies in 2016. The Company has implemented its corporate social responsibilities, including corporate governance, compliance, good work environment and reasonable remuneration and benefits, and environmental protection.	None
(2) Does the Company organize training on corporate social responsibility on a regular basis?	✓		(2) The Company conveys the Work Rules in writing or in meetings or internal training courses and also encourages employees to participate in social welfare activities and energy conservation and carbon reduction initiatives.	None
(3) Does the Company establish an exclusively (concurrently) dedicated unit to implement CSR (operated by the senior management upon authorization by the Board of Directors) and report to the Board of Directors?	✓		(3) The Management Division is responsible to implement corporate social responsibilities, including regulation of corporate governance, planning of personnel systems, participation in social welfare activities, and establishment of energy conservation and carbon reduction initiatives, as well as implementation of government-led energy conservation and carbon reduction plans.	None
(4) Does the Company formulate a reasonable remuneration policy, which combines the employee performance evaluation system with the CSR policy, and establish a clear and effective reward and disciplinary system?	✓		(4) The Company has established a reasonable remuneration policy based on the corporate governance and business objectives, included the Code of Ethical Conduct in the performance evaluation, and established the Rules for Rewards and Disciplinary Actions, which specify a clear and effective reward and disciplinary system.	None
2. Fostering a sustainable environment (1) Is the Company dedicated to improving the utilization efficiency of various resources and using recycled materials with minimal adverse impact on the environment?	✓		(1) The Company has entrusted qualified vendors to recycle waste. To save energy, employees are required to use electronic files in place of hard copy and energy-saving lighting as many as possible; in addition, the Company uses eco-friendly raw materials in hopes of achieve profits and environmental sustainability at the same time.	None
(2) Does the Company establish a suitable environmental management system based on its industrial characteristics?	✓			

Item for Evaluation	State of Operations (Note 1)			Any Departure from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEx-Listed Companies and the Reason for Such Departure
	Yes	No	Summary (Note 2)	
(3) Does the Company pay attention to the impact of climate change on its operations and therefore implement greenhouse gas control and formulate strategies for energy conservation and carbon reduction and greenhouse gas reduction?	✓		(2) The Company has obtained the ISO14001 environmental management system certification, which proves that stationary pollution sources, wastewater or sewage, and industrial waste generated from production of the Company have been managed and disposed of in accordance with the environmental laws and regulations. (3) The Management Division and Occupational Safety Office are responsible for environmental management. The Company has conducted the greenhouse gas inventory, taken energy conservation measures, and controlled the consumption of electricity on a regular basis to ensure the effective implementation of related policies.	None None
3. Preserving public welfare (1) Does the Company formulate relevant management policies and procedures in accordance with related laws and regulations and international human rights conventions? (2) Does the Company establish an employee complaint mechanism and platform to properly handle employee complaints? (3) Does the Company provide a safe and healthy work environment for employees and regularly organize health and safety training for employees? (4) Does the Company establish a regular communication mechanism and notify employees of any operational changes that may have a material impact on employees in a reasonable manner? (5) Does the Company establish an effective career development training program for employees? (6) Does the Company formulate related customer protection policies and grievance procedures for research and development, procurement, production, operating and service workflows? (7) Does the Company comply with related regulations and	✓ ✓ ✓ ✓ ✓ ✓ ✓		(1) The Company has established the Human Resources Management Policy and Work Rules in accordance with the Labor Standards Act and related laws and regulations and provided labor insurance, national health insurance, and pension for employees according to related laws and regulations. The Company has also established the Regulations Governing the Appeal and Punishment of Sexual Harassment Offenses in accordance with the Sexual Harassment Prevention Act and the Act of Gender Equality in Employment to provide employees a work environment free of sexual harassment. (2) The Company has established the Communication Management Procedures to specify the channels of communications. Contact information, including E-mail, has been made public on the company website. (3) The Company has supervised and managed occupational safety and health in accordance with laws and regulations pertaining to occupational safety and health. The Company has also established the Safety and Health Management Responsibility, Emergency Response Procedures, and Labor Safety and Health Training for employees to follow; in addition, health examinations are organized on a regular basis to ensure a safe	None None None

Item for Evaluation	State of Operations (Note 1)			Any Departure from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEx-Listed Companies and the Reason for Such Departure
	Yes	No	Summary (Note 2)	
international standards for the marketing and labeling of products and services? (8) Does the Company evaluate the suppliers' past records of environmental and social impacts before contacting them? (9) Does the contracts between the Company and its major suppliers include the terms of termination or rescission for suppliers' violation of CSR policies that causes a material impact on the environment and society?	✓ ✓		work environment. (4) The Company organizes labor-management meetings on a regular basis to convey policies and learn employees' opinions through open, two-way communication in hopes of maintaining harmonious labor relations. (5) The Company has established the Employee Training Regulations to improve the quality and competitiveness of employees and further achieve sustainable development. Supervisors and employees may participate in training and courses organized by external training institutions as needed to improve the expertise and core competitiveness of employees and strengthen the sound training system of the Company. (6) The Company has established the Procedures for Handling Customer Complaints and the Procedures for Controlling Non-conforming Quality, which specify the procedures for handling exceptions or customer complaints. (7) The Company has established the regulations for product labelling in the internal control system to comply with related regulations and international standards. (8) The Company has established the Supplier Management Procedures, which specify that the quality and environment, health, and safety of suppliers shall be evaluated by responsible departments. Only those passing the qualifications can be listed as qualified suppliers. (9) The Company has established the Supplier Management Procedures and the Procedures for Environment-related Substances to control suppliers and environment-related substances.	None None None None None None
4. Enhancing disclosure of information (1) Does the Company disclose relevant and reliable information on CSR on its website and Market Observation Post System (MOPS)?	✓		The Company has disclosed the performance of corporate social responsibilities in the annual report and prospectus (available in the stakeholder section on the company website).	None
5. If the Company has formulated its corporate social responsibility best practice principles in accordance with the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies, any differences between the performance of corporate social responsibilities and the principles shall be disclosed: None.				

Item for Evaluation	State of Operations (Note 1)			Any Departure from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEx-Listed Companies and the Reason for Such Departure
	Yes	No	Summary (Note 2)	
6. Other important information that helps to understand the performance of corporate social responsibilities: (1) Environmental management system The Company has established ISO14001 Environmental Management System for many years. In 2017, the Company completed the transition of ISO14001:2015, whose policies are to define environmental impact, to implement environmental requirements, to prevent pollution, and to fulfill social responsibility. Setting the environmental goal to be 100% conformed to environmental compliance, the Company has always viewed environmental responsibility as part of its corporate social responsibility. (2) Compliance of hazardous substances To comply with international environmental laws and customers' requirements, the Company requires suppliers to provide a test report or statement of compliance regarding the restriction of hazardous substances when acknowledging materials and suppliers. By doing so, the Company ensures that raw materials used are in compliance with the international requirements for hazardous substances. (3) Energy conservation and carbon reduction Currently, the Company is not part of the industries designated by the Environmental Protection Administration to conduct the greenhouse gas inventory. To fulfill its corporate social responsibility, however, the Company takes the initiative to conduct the greenhouse gas inventory to control the contribution of its energy consumption to the environment and further evaluate the feasible energy conservation and carbon reduction initiatives. In addition, the Company expects to establish an energy management system to conduct the energy inventory and implement energy conservation initiatives systematically, so as to control energy consumption in an effective way. (4) Water resources The Company sources water from tap water and groundwater. In addition to installing water-saving facilities, the Company equips production lines with water flow meters to record water consumption and reduce waste; in addition, the Company follows the industrial park's water conservation policy by regularly reporting the water balance plan and water consumption record to the industrial park service center for review to control the use of water resources.				
7. If the Company's Corporate social responsibility report has been certified by any certification institution, it shall be disclosed: None.				

(6) State of performance of ethical corporate management and adoption of related measures

Item for Evaluation	State of Operations (Note 1)			Any Departure from the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and the Reason for Such Departure
	Yes	No	Summary	
1. Establishing ethical corporate management policies and measures (1) Does the Company express ethical corporate management policies in its internal regulations and external documents? Does the Board of Directors and management actively implement such policies?	✓		(1) Integrity has always been the most important core value of the Company. The Company has been committed to engaging in business activities with integrity. The Company has also established the Code of Ethical Conduct and the Rules for the Enforcement of the Code of Ethics, which strictly require every employee to fulfill ethical corporate management. The implementation of the ethical corporate management policy and the Board of Directors and management's commitment have been disclosed in the annual report.	None
(2) Does the Company formulate programs to prevent unethical conduct? Does the Company clearly specify and thoroughly implement the procedures, code of conduct, and disciplinary and appeal system for violations?	✓		(2) To promote ethical corporate management, the Company has published related regulations on the Intranet for employees to review; in addition, the Company organizes training on its core value and compliance system for employees. To prevent any unethical conduct, an E-mail has been set up for employees and people concerned to report any illegal practices. The Company also appoints the senior management to handle such reports in person; contact information of the Audit Committee, including E-mail, has also been made public on the company website for employees and	None
(3) Does the Company take preventive measures for business activities within its business scope which are at a higher risk of involving unethical conduct specified in Paragraph 2, Article 7 of the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies?	✓			

Item for Evaluation	State of Operations (Note 1)			Any Departure from the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and the Reason for Such Departure
	Yes	No	Summary	
			people concerned to report any illegal practices. Once such reports are verified to be unethical, the Company will take severe disciplinary action in response. (3) The Company has established the Rules for the Enforcement of the Code of Ethics, which specify restricted conduct; in addition, the Company has established management policies relating to different fields of compliance and an internal control system for all employees to follow in hopes of reducing business activities that are at a higher risk of involving unethical conduct.	None
2. Implementing ethical corporate management (1) Does the Company evaluate the ethical records of transaction partners, and stipulate the clauses of ethical conduct in the contracts signed with the transaction partners? (2) Does the Company establish an exclusively (concurrently) dedicated unit under the Board of Directors to implement ethical corporate management and report to the Board of Directors on a regular basis?	✓ ✓		(1) The Company requires suppliers which it has business dealings with to abide by its ethical standards and sign a commitment to avoid any unethical conduct. (2) The President's Office is responsible to formulate the policies and preventive programs for ethical corporate management and supervise the	None None

Item for Evaluation	State of Operations (Note 1)			Any Departure from the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and the Reason for Such Departure
	Yes	No	Summary	
(3) Does the Company adopt policies to prevent conflict of interest and provide a proper appeal system and implement them thoroughly?	✓		implementation of ethical corporate management. If finding any unethical conduct, the President's Office will report to the Board of Directors according to related laws and operating procedures.	
			(3) The Company has established an E-mail on the Intranet and an E-mail of the Audit Committee on the company website for employees and people concerned to report any illegal practices. The Company also appoints the senior management to handle such reports in person. Once such reports are verified to be unethical, the Company will take the most severe disciplinary action in response.	None
(4) Does the Company establish an effective accounting system and an internal control system to implement ethical corporate management? Does the Company regularly review these systems, either by its own internal audit unit or by CPAs?	✓		(4) The Company always attaches great importance to the correctness and completeness of its financial reporting procedures and controls. The Company has designed related internal control systems for operations that are at a higher risk of involving unethical conduct. Internal auditors also make and implement an annual audit plan based on the results of risk assessments and submits an audit report to the Board of Directors.	None
(5) Does the Company organize internal and external training on ethical corporate management on a regular basis?	✓		(5) The Company organizes internal and external training on ethical corporate management on a regular basis to strengthen all employees' commitment to ethical corporate management.	None

Item for Evaluation	State of Operations (Note 1)			Any Departure from the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and the Reason for Such Departure
	Yes	No	Summary	
3. Implementing the whistle-blowing system (1) Does the Company formulate a concrete whistle-blowing and reward system, build convenient grievance channels, and assign the appropriate personnel to investigate the reported parties? (2) Does the Company establish the standard operating procedures for investigation and related confidentiality mechanisms for reported misconduct? (3) Does the Company take measures to protect whistle-blowers from inappropriate disciplinary actions?	✓ ✓ ✓		(1) The Company has established the Rules for the Enforcement of the Code of Ethics, which specify the appeal and reward systems. The Company also appoints senior managers of the Administration Department to form an investigation team to be in charge of handling reported cases. (2) The standard operating procedures for the investigation and related confidentiality mechanisms for reported misconduct are specified in the Rules for the Enforcement of the Code of Ethics. (3) The Company keeps the information of whistle-blowers strictly confidential. If anyone leaks the information of whistle-blowers, which leads to the harassment or retaliation against the whistle-blowers, the Company will take severe disciplinary action against the leaker.	None None None
4. Enhancing disclosure of information (1) Does the Company disclose the content and performance of the Guidelines for Ethical Corporate Management on its website and MOPS?	✓		The Company has disclosed the regulations and information relating to ethical corporate management on the Intranet for employees' review. To disclose related information on ethical corporate management thoroughly, the regulations relating to ethical corporate management and the annual report have also been made	None

<table>
<tr><th rowspan="2">Item for Evaluation</th><th colspan="3">State of Operations (Note 1)</th><th rowspan="2">Any Departure from the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and the Reason for Such Departure</th></tr>
<tr><th>Yes</th><th>No</th><th>Summary</th></tr>
<tr><td></td><td></td><td></td><td>public on the company website at http://www.viking.com.tw (the annual report is also available on the MOPS).</td><td></td></tr>
<tr><td colspan="5">5. If the Company has formulated its ethical corporate management principles based on the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies, the differences between the implementation of ethical corporate management and the principles shall be disclosed: None.</td></tr>
<tr><td colspan="5">6. Other significant information that helps to understand the implementation of ethical corporate management (e.g. amendments to the ethical corporate management principles): None.</td></tr>
</table>

(7) If the Company has adopted corporate governance best-practice principles or related bylaws, disclose how these are to be searched:
The Company has established the Guidelines for Corporate Governance, the Guidelines for Ethical Corporate Management, and the Code of Ethical Conduct and disclosed these regulations on the MOPS at http://mops.twse.com.tw and the company website at http://www.viking.com.tw (investor relations/company profile and corporate governance) for investors’ reference; in addition, the Company has a spokesperson to disclose related company information.

(8) Other significant information that provides better understanding of the state of implementation of corporate governance

A. Continuing education of managerial officers (presidents, vice presidents, and accounting, finance, and internal audit managers)

Title	Name	Date of Training (yyyy/mm/dd)	Training Institution	Course Name	Training Hour
Vice President& Finance and Accounting Manager	Li, Shun-He	2018.11.09	Taiwan Corporate Governance Association	Important issues about Tax and Amendments to the Company Act	3H
		2018.11.09	Taiwan Corporate Governance Association	Second Report of Enterprises - Corporate Social Responsibility Report	3H
		2018.11.01~ 2018.11.02	Accounting Research and Development Foundation	Continuing Education for Principal Accounting Officers of Issuers, Securities Firms, and Securities Exchanges	12H
Vice President	Lu, Chi-You	2018.11.09	Taiwan Corporate Governance Association	Important issues about Tax and Amendments to the Company Act	3H
		2018.11.09	Taiwan Corporate Governance Association	Second Report of Enterprises - Corporate Social Responsibility Report	3H
Vice President	Liang, Yao-Ming	2018.11.09	Taiwan Corporate Governance Association	Important issues about Tax and Amendments to the Company Act	3H
		2018.11.09	Taiwan Corporate Governance Association	Second Report of Enterprises - Corporate Social Responsibility Report	3H
Audit Manager	Yang, Chan-Chen	2018.10.1	Institute of Internal Auditors-Chinese Taiwan	Auditor Training - Labor Laws and Regulations from Recruitment to Separation	6H
		2018.10.4	Institute of Internal Auditors-Chinese Taiwan	How Internal Auditors Interpret Business Performance and Risks in Financial Statements under IFRS	6H

B. Certificates obtained by persons in charge of financial information transparency according to the request of authorities in charge: None.

C. The Company has established the Regulations Governing the Handling of Material Inside Information; any amendments have been passed by the Board of Directors by resolution. The Company has disclosed the Regulations Governing the Handling of Material Inside Information on the company website at http://www.viking.com.tw (investor relations/company profile and corporate governance) for all employees to follow and to avoid any insider trading.

(9) **State of implementation of the internal control system**

A. Statement on Internal Control (refer to Page 53)

B. CPA's audit report on internal control system: None.

(10) **Any sanctions imposed upon the Company or its internal personnel according to laws, any sanctions imposed by the Company upon its internal personnel for violations of the internal control system in the current year up to the date of publication of the Annual Report, the principal deficiencies, and improvements:** None.

(11) **Major resolutions of the shareholders' meeting or board meetings in the most recent year up to the date of publication of the Annual Report**

A. Resolutions of the annual shareholders’ meeting on June 26, 2018 and state of implementation

Date	Major Resolutions and Implementation
Annual shareholder’s meeting on June 26, 2018	1. Proposal for the 2017 business report and financial statements. Implementation: Voted by ballot and passed. 2. Proposal for the 2017 earnings distribution. Implementation: Voted by ballot and passed. The 2017 earnings were distributed on August 3, 2018. 3. Amendment to the Articles of Incorporation. Implementation: Voted by ballot and passed. The Articles of Incorporation have been published internally and disclosed on the company website for investors’ reference. 4. Amendment to the Regulations Governing the Election of Directors and Supervisors. Implementation: Voted by ballot and passed. The Regulations Governing the Election of Directors and Supervisors have been published internally and disclosed on the company website for investors’ reference.

B. Resolutions of the Board of Directors in the most recent year up to the date of publication of the Annual Report

Term and Section and Date of Meeting	Major Resolutions	Items Listed in Article 14-3 or Article 14-5 or the Securities and Exchange Act	Action in Response to Opinions of Independent Directors	Resolution of the Board of Directors or Audit Committee
11th meeting of the 8th term March 14, 2018	1.The distribution of the 2017 employee remuneration and director remuneration.		None	Reviewed and passed by the Remuneration Committee; passed by all directors attending the Board meeting
	2.The 2017 financial statements and business report.	V	None	Reviewed and passed by the Audit Committee; passed by all directors attending the Board meeting
	3.The 2017 earnings distribution.	V	None	Reviewed and passed by the Audit Committee; passed by all directors attending the Board meeting
	4.The effectiveness evaluation and statement of the 2017 internal control system.	V	None	Reviewed and passed by the Audit Committee; passed by all directors attending the Board meeting
	5.The amendment to the Articles of Incorporation.		None	Passed by all directors attending the Board meeting
	6.The amendment to the Regulations Governing the Election of Directors and Supervisors.		None	Passed by all directors attending the Board meeting
	7.The date and related matters of the 2018 annual shareholders' meeting.		None	Passed by all directors attending the Board meeting
	8.The handling of shareholders' proposals in the annual shareholders' meeting.		None	Passed by all directors attending the Board meeting
	9.The application for the renewal of bank loans.		None	Passed by all directors attending the Board meeting
12th meeting of the 8th term May 9, 2018	1. The application for the renewal of bank loans.		None	Passed by all directors attending the Board meeting
13th meeting of the 8th term June 26, 2018	1. The setting of the record date for cash dividends distribution.		None	Passed by all directors attending the Board meeting
	2. The distribution of the 2017 employee remuneration paid to managerial officers.		None	Reviewed and passed by the Remuneration Committee; passed by all directors attending the Board meeting
	3. The distribution of the 2017 remuneration for directors and supervisors of Viking Electronics (Wuxi) Co., Ltd.		None	Reviewed and passed by the Remuneration Committee; passed by all directors attending the Board meeting other than Director Hu, Chuan-Ping, who recused himself due to a conflict of interest according to the Rules of Procedure for Board of Directors Meetings
14th meeting of the 8th term August 8, 2018	1. The recommendation for the 2018 salary adjustment for managerial officers.		None	Reviewed and passed by the Remuneration Committee; passed by all directors attending the Board meeting
15th meeting of the 8th term	1. The application for the renewal of bank loans.		None	Passed by all directors attending the Board meeting

Term and Section and Date of Meeting	Major Resolutions	Items Listed in Article 14-3 or Article 14-5 or the Securities and Exchange Act	Action in Response to Opinions of Independent Directors	Resolution of the Board of Directors or Audit Committee
November 9, 2018				
16th meeting of the 8th term December 21, 2018	1. The 2019 business plan and budget.	V	None	Reviewed and passed by the Audit Committee; passed by all directors attending the Board meeting
	2. The 2019 audit plan.	V	None	Reviewed and passed by the Audit Committee; passed by all directors attending the Board meeting
	3. The 2018 bonus distribution.		None	Reviewed and passed by the Remuneration Committee; passed by all directors attending the Board meeting
	4. The application for the renewal of bank loans.		None	Passed by all directors attending the Board meeting
17th meeting of the 8th term March 13, 2019	1. The distribution of the 2018 employee remuneration and director remuneration.		None	Reviewed and passed by the Remuneration Committee; passed by all directors attending the Board meeting
	2. The 2018 financial statements and business report.	V	None	Reviewed and passed by the Audit Committee; passed by all directors attending the Board meeting
	3. The 2018 earnings distribution.	V	None	Reviewed and passed by the Audit Committee; passed by all directors attending the Board meeting
	4. The effectiveness evaluation and statement of the 2018 internal control system.	V	None	Reviewed and passed by the Audit Committee; passed by all directors attending the Board meeting
	5. The amendment to the Regulations Governing the Acquisition or Disposal of Assets.	V	None	Reviewed and passed by the Audit Committee; passed by all directors attending the Board meeting
	6. The amendment to the Rules of Procedure for Board of Directors Meetings.	V	None	Reviewed and passed by the Audit Committee; passed by all directors attending the Board meeting
	7. The establishment of the Standard Operating Procedures for Responding to Requests from Directors.	V	None	Reviewed and passed by the Audit Committee; passed by all directors attending the Board meeting
	8. The date and related matters of the 2019 annual shareholders' meeting.		None	Passed by all directors attending the Board meeting
	9. The handling of shareholders' proposals in the annual shareholders' meeting.		None	Passed by all directors attending the Board meeting
	10. The election of the 9th directors.		None	Passed by all directors attending the Board meeting
	11. The release of the 9th directors from non-compete restrictions.		None	Passed by all directors attending the Board meeting
	12. The handling of candidates for directors (including independent directors) in the annual shareholders' meeting.		None	Passed by all directors attending the Board meeting
	13. The change in managerial officers.		None	Passed by all directors attending the Board meeting other than Directors Hu, Chuan-Ping and Liang, Yao-Ming, who recused themselves due to a

Term and Section and Date of Meeting	Major Resolutions	Items Listed in Article 14-3 or Article 14-5 or the Securities and Exchange Act	Action in Response to Opinions of Independent Directors	Resolution of the Board of Directors or Audit Committee
				conflict of interest according to the Rules of Procedure for Board of Directors Meetings
	14.The recommendation for the 2019 salary adjustment for managerial officers.		None	Reviewed and passed by the Remuneration Committee; passed by all directors attending the Board meeting

(12) **Principal contents of dissenting opinions, recorded or prepared in writing, on major resolutions passed by the Board of Directors expressed by directors or supervisors in the most recent year up to the date of publication of the Annual Report**

None.

(13) **Summary of resignations and dismissals, in the most recent year up to the date of publication of the Annual Report, of the Company's chairman, president, accounting manager, internal audit manager, and research and development manager**

Title	Name	Date of Office Assumption (yyyy/mm/dd)	Date of Dismissal (yyyy/mm/dd)	Reason for Resignation or Dismissal
President	Chang, Yuan-Sheng	2016.08.05	2019.3.13	Heavy workload

Viking Tech Corporation

Statement on Internal Control

Date: March 13, 2019

The 2018 internal control performance of the Company, based on the results of the self-assessment, is stated as follows:

1. The Company is fully aware that establishing, operating, and maintaining an internal control system are the responsibility of its Board of Directors and management. The Company has established such a system aimed at providing reasonable assurance in achieving the objectives of effectiveness and efficiency of operations (including profits, performance, and safeguard of asset security), delivery of timely and reliable financial reporting, and compliance with applicable laws and regulations.
2. Any internal control system has its inherent limitations. However perfectly designed, an effective internal control system can only provide reasonable assurance of accomplishing the three goals mentioned above. Furthermore, the effectiveness of an internal control system may be affected by changes in environment or circumstances. Nevertheless, a self-monitoring mechanism has been built within the Company's internal control system. Therefore, whenever a deficiency or defect is identified, the Company will immediately take initiatives and action to correct it.
3. Based on the criteria provided in the Regulations Governing Establishment of Internal Control Systems by Public Companies (the Regulations), the Company judges the design and operating effectiveness of its internal control system. The internal control system judgment criteria adopted by the Regulations divide internal control into five elements based on the process of management control: (1) control environment, (2) risk assessment, (3) control activities, (4) information and communication, and (5) monitoring of processes. Each element further contains several items. Please refer to the Regulations for details.
4. The Company has evaluated the design and operating effectiveness of its internal control system according to the aforementioned criteria.
5. Based on the findings of the evaluation mentioned in the preceding paragraph, the Company believes that as of December 31, 2018, its internal control system (including its supervision and management of its subsidiaries) is effectively designed and operated. The internal control system also reasonably assures the achievement of objectives, which include knowledge of the degree of achievement of operational effectiveness and efficiency objectives; reliability, timing, and transparency of financial reporting; as well as compliance with applicable laws and regulations.
6. This statement will become a major part of the Company's annual report and prospectus, and will be made public. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171, and 174 of the Securities and Exchange Act.
7. This statement has been passed by the meeting of the Board of Directors of the Company held on March 13, 2019 where none of the nine attending directors expressed dissenting opinions, and all attending directors affirmed the content of this statement.

Viking Tech Corporation

Chairman: Tsai, Kao-Ming

President: Chang, Yuan-Sheng

4. Information on CPA Professional Fees

If the Company has one of the following conditions, it shall disclose CPA professional fees.

Range of CPA Professional Fees

Accounting Firm	Name of CPA		Period of Audit (yyyy/mm/dd)	Remark
PwC Taiwan	Lin, Yu-Kuan	Cheng, Ya-Hui	2018.01.01~2018.12.31	

Unit: NT$1,000

Range \ Category of Fees		Audit Fees	Non-audit Fees	Total
1	Less than NT$2,000 thousand		ˇ	
2	NT$2,000 thousand (inclusive)~NT$4,000 thousand	ˇ		ˇ
3	NT$4,000 thousand (inclusive)~NT$6,000 thousand			
4	NT$6,000 thousand (inclusive)~NT$8,000 thousand			
5	NT$8,000 thousand (inclusive)~NT$10,000 thousand			
6	More than NT$10,000 thousand (inclusive)			

Unit: NT$1,000

Accounting Firm	Name of CPA		Audit Fees	Non-audit Fees					Whether the Full Fiscal Year Is Covered in the Period of Audit			Remark
				System Design	Business Registration	Human Resources	Others (Remark)	Subtotal	Yes	No	Period of Audit (yyyy/mm/dd)	
PwC Taiwan	Lin, Yu-Kuan	Cheng, Ya-Hui	3,600	-	-	-	-	-	V	-	2018.01.01 ~ 2018.12.31	
EY Taiwan	Chou, Chuan-Pei	-	—	-	-	-	220	-	V	-	2018.01.01 ~ 2018.12.31	Transfer pricing service fee

(1) Amount of audit fees and non-audit fees and contents of non-audit services (if non-audit fees paid to CPAs, accounting firm and its affiliated companies are one-quarter or more of audit fees paid thereto: None.

(2) Amount of Audit fees before and after the change (if the Company changes its accounting firm and audit fees paid for the year of change are lower than those for the previous year) and the reason: None.

(3) Amount of audit fees before and after the change (if audit fees paid for the current year are lower than those for the previous year by 15% or more) and the reason: In 2018, the audit fees were reduced by NT$1,600 thousand, a decrease of 44%, compared to those in 2017 due to the payment schedule.

5. Information on Replacement of CPA:

If the Company has replaced its CPAs within the most recent two years or any subsequent interim period, it shall disclose the following:

(1) Former CPAs

<table>
<tr><td>Date of replacement</td><td colspan="4">Passed by the Board of Directors on March 23, 2016</td></tr>
<tr><td>Reason for replacement</td><td colspan="4">Due to the internal restricting of PwC Taiwan, CPAs Lin, Yu-Kuan and Liu, Yin-Fei were replaced by CPAs Lin, Yu-Kuan and Cheng, Ya-Hui from the first quarter of 2016.</td></tr>
<tr><td rowspan="3">Engagement terminated or discontinued by CPA or the Company</td><td colspan="2">Party / Engagement</td><td>CPA</td><td>The Company</td></tr>
<tr><td colspan="2">Termination</td><td>N/A</td><td>N/A</td></tr>
<tr><td colspan="2">Discontinuity</td><td>N/A</td><td>N/A</td></tr>
<tr><td>Opinion in the audit report expressing other than an unqualified opinion in the most recent two years</td><td colspan="4">None</td></tr>
<tr><td rowspan="6">Disagreement between the Company and former CPAs</td><td rowspan="4">Yes</td><td></td><td colspan="2">Accounting principles or practices</td></tr>
<tr><td></td><td colspan="2">Disclosure of financial statements</td></tr>
<tr><td></td><td colspan="2">Audit scope or procedure</td></tr>
<tr><td></td><td colspan="2">Others</td></tr>
<tr><td>No</td><td colspan="3">v</td></tr>
<tr><td>Description</td><td colspan="3">-</td></tr>
<tr><td>Other items to be disclosed (under Items 1-4~1-7, Subparagraph 6, Article 10 of the Regulations Governing Information to be Published in Annual Reports of Public Companies)</td><td colspan="4">None</td></tr>
</table>

(2) Successor CPAs

Accounting Firm	PwC Taiwan
Name of CPAs	Lin, Yu-Kuan, Cheng, Ya-Hui
Date of engagement	March 23, 2016
Results of consultation about the accounting treatment or accounting principles for specified transactions or the type of audit opinions that might be rendered on the financial statements before engagement	N/A
Written opinions from the successor CPAs on the disagreement between the Company and former CPAs	N/A

(3) Any response mails from former CPAs regarding items specified in Items 1 and 2-3, Subparagraph 5, Article 10 of the Regulations Governing Information to be Published in Annual Reports of Public Companies:

N/A.

6. Chairman, President, or Managerial Officer in Charge of Finance or Accounting Matters Having Held a Position at the Accounting Firm of Its CPA or at an Affiliated Company of Such Accounting Firm in the Most Recent Year：

None.

7. Transfer of Equity Interests and/or Pledge of or Change in Equity Interests by a Director, Supervisor, Managerial Officer, or Shareholder with a Stake of More than 10%

(1) Transfer of equity interests by directors, supervisors, managerial officers or shareholders with a stake of more than 10%

Title	Name	2018		As of February 28, 2019	
		Increase/Decrease in Number of Shares Held	Increase/Decrease in Number of Shares Pledged	Increase/Decrease in Number of Shares Held	Increase/Decrease in Number of Shares Pledged
Director	Winlines Investments Limited	0	0	0	0
	Representative: Tsai, Kao-Ming	0	0	0	0
Director	Guangdong Fenghua Advanced Technology (Holding) Co., Ltd.	0	0	0	0
	Representative: Chang, Yuan-Sheng	0	0	0	0
	Representative: Hu, Chuan-Ping	0	0	0	0
	Representative: Hsia, Li-Feng (Note 1)	0	0	0	0
	Representative: Liang, Yao-Ming (Note 1)	0	0	0	0
Director	Thye Ming Industrial Co., Ltd.	(839,000)	0	0	0
	Representative: Chen, Feng-Ming	0	0	0	0
	Representative: Li, Mao-Sheng	0	0	0	0
Independent Director	Li, Yi-Wen	0	0	0	0
Independent Director	Shen, Po-Ting	0	0	0	0
Independent Director	Huang, Shih-Pin	0	0	0	0
President	Chang, Yuan-Sheng (Note 2)	0	0	0	0
President	Hu, Chuan-Ping (Note 3)	0	0	0	0
Vice President (Finance & Accounting Manager)	Li, Shun-He	(349,000)	0	0	0
Vice President	Lu, Chi-You	(93,000)	0	0	0
Vice President	Liang, Yao-Ming (Note 3)	0	0	0	0
Major shareholder	Guangdong Fenghua Advanced Technology (Holding) Co., Ltd.	0	0	0	0

Note 1: Director Hsia, Li-Feng, representative of Guangdong Fenghua Advanced Technology (Holding) Co., Ltd., was replaced by Liang, Yao-Ming.

Note 2: President Chang, Yuan-Sheng resigned on March 13, 2019.

Note 3: On March 13, 2019, the Board of Directors appointed Hu, Chuan-Ping to be President and promoted Liang, Yao-Ming to be Vice President.

(2) Transfer of equity interests

Information on relationship if a director, supervisor, managerial officer, or shareholder with a stake of more than 10% transfers equity interests to a person who is a related party: None.

(3) Pledge of equity interests

Information on relationship if a director, supervisor, managerial officer, or shareholder with a stake of more than 10% pledges equity interests to a person who is a related party: None.

8. Information on Relationship if among Top 10 Shareholders Any One Is a Related Party or a Relative within the Second Degree of Kinship of Another

Relationship between Top 10 Shareholders

Name	Number of Shares Held in Person		Number of Shares Held by Spouse and Children of Minor Age		Number of Shares Held in Name of Another Person		Information on Relationship if among Top 10 Shareholders Any One Is a Related Party or a Relative within the Second Degree of Kinship of Another		Remark
	Number of Shares	Shareholding Percentage	Number of Shares	Shareholding Percentage	Number of Shares	Shareholding Percentage	Name	Relationship	
Guangdong Fenghua Advanced Technology Holding Co., Ltd.	46,936,337	40.00%	0	0%	0	0%	None	None	None
Guangdong Fenghua Advanced Technology Holding Co., Ltd. Representative: Wang, Kuang-Chun	0	0.00%	0	0%	0	0%	None	None	None
Thye Ming Industrial Co., Ltd.	10,158,010	8.66%	0	0%	0	0%	Thai Wey Industrial Co., Ltd.	Parent and subsidiary	None
Thye Ming Industrial Co., Ltd. Representative: Chen, Feng-Ming	0	0.00%	0	0%	0	0%	None	None	None
Opto Tech Corporation	6,826,994	5.82%	0	0%	0	0%	None	None	None
Opto Tech Corporation Representative: Wang, Hung-Tung	1,378	0.00%	0	0%	0	0%	None	None	None
Chiu, Yi-Chih	2,180,000	1.86%	0	0%	0	0%	None	None	None
Thai Wey Industrial Co., Ltd.	970,000	0.83%	0	0%	0	0%	Thye Ming Industrial Co., Ltd.	Parent and subsidiary	None
Thai Wey Industrial Co., Ltd. Representative: Li, Mao-Sheng	0	0.00%	0	0%	0	0%	None	None	None
Luyeyuan Foundation	723,885	0.62%	0	0%	0	0%	None	None	None
Lin, Ching-Cheng	569,000	0.48%	0	0%	0	0%	None	None	None
Huang, Jung-Yuan	515,000	0.44%	0	0%	0	0%	None	None	None
Li, Hao-Jan	500,000	0.43%	0	0%	0	0%	None	None	None
Baozhen Construction Co., Ltd.	437,000	0.37%	0	0%	0	0%	None	None	None

Note: As of the date of publication of the Annual Report, transfer of stock remains available. Therefore, the number of shares held in this table is as of the latest book closure date (April 28, 2018).

9. Total Number of Shares Held by the Company, Its Directors, Supervisors, Managerial Officers, and Businesses either Directly or Indirectly Controlled by the Company as a Result of Investment, and the Ratio of Consolidated Shares Held

<u>Ratio of Consolidated Shares Held</u>

Unit: Share; %

Invested Company	Investment of the Company		Investment of Directors, Supervisors, Managerial Officers, and Directly or Indirectly Controlled Businesses		Total Ownership	
	Number of Shares	Shareholding Percentage	Number of Shares	Shareholding Percentage	Number of Shares	Shareholding Percentage
Lead Brand Co., Ltd. (Note 2)	1,000,000	100%	0	0%	1,000,000	100%
Viking Electronics (Wuxi) Co., Ltd. (Note 2)	0	100%	0	0%	0	100%
Viking Global Tech Co., Ltd. (Note 1)	7,000	100%	0	0%	7,000	100%
Viking Tech Electronics Limited (Note 2)	46,800,000	100%	0	0%	46,800,000	100%
Grand Barry International Limited	31,400	100%	0	0%	31,400	100%
Viking Tech America Corporation (Note 3)	750,000	76%	0	0%	750,000	76%

Note 1: On July 1, 2009, the Company invested in Viking Global Tech Co., Ltd. by holding of Viking Tech Group L.L.C. and Taitec Technology (Samoa) Co., Ltd. at US$91,196.

Note 2: On July 1, 2009, Viking Tech Electronics Limited acquired Viking Electronics (Wuxi) Co., Ltd. (formerly Wuxi Tmtec Co., Ltd., which was renamed on May 30, 2018), a subsidiary of Taitec Electronics (Samoa) Co., Ltd., using equity method. Approved by the Investment Commission, Ministry of Economic Affairs, the initial investment amounting to US$6,000 thousand is incorporated into the Company from now on.

Note 3: In July 2013, Grand Barry International Limited invested in Viking Tech America Corporation by issuing new shares for US$3,001; however, it did not subscribe for new shares in proportion to its shareholding, causing the shareholding percentage to fall to 76% this year, but it still had control over the subsidiary. The discrepancy between the carrying amount and the net worth totaling US$1,482 was adjusted under equity.

IV. Capital Raising Activities

1. Capital and Shares

March 13, 2019; Unit: Share; thousand shares; NT$1,000

Year/Month	Issue Price	Authorized Capital		Paid-in Capital		Remark		
		Number of Shares	Amount	Number of Shares	Amount	Capital and Shares	Contribution by Property Other than Cash	Others
1997/10	10	50,000	500,000	16,300	163,000	Incorporation	0	Note 1
1997/11	10	50,000	500,000	35,600	356,000	Issuance of 19,300 thousand shares for cash	0	Note 2
1998/10	10	50,000	500,000	50,000	500,000	Issuance of 14,400 thousand shares for cash	0	Note 3
2000/07	10	76,000	760,000	60,000	600,000	Issuance of 10,000 thousand shares for cash	0	Note 4
2000/12	10	76,000	760,000	67,400	674,000	Issuance of 7,400 thousand shares for cash	0	Note 5
2001/06	10	76,000	760,000	76,000	760,000	Issuance of 8,600 thousand shares for cash	0	Note 6
2002/04	10	76,000	760,000	64,080	640,800	Repurchase of 31,920 thousand shares (420 shares per 1000 shares) in cash Issuance of 20,000 thousand shares for cash	0	Note 7
2004/08	10	76,000	760,000	44,500	445,000	Repurchase of 29,477 thousand shares (420 shares per 1000 shares) in cash Issuance of 9,897 thousand shares for cash	0	Note 8
2006/08	18	76,000	760,000	54,500	545,000	Issuance of 10,000 thousand shares for cash	0	Note 9
2007/12	10	76,000	760,000	59,080	590,800	Employee share subscription to 4,580 thousand shares	0	Note 10
2007/05	11.2	150,000	1,500,000	61,205	612,050	Employee share subscription to 2,125 thousand shares	0	Note 11
2008/01	10	150,000	1,500,000	62,075	620,750	Employee share subscription to 870 thousand shares	0	Note 12
2009/03	10	150,000	1,500,000	72,847	728,468	Issuance of 10,772 thousand shares through merger	0	Note 13
2011/02	10	150,000	1,500,000	76,755	767,548	Employee share subscription to 3,908 thousand shares	0	Note 14
2011/03	10	150,000	1,500,000	86,989	869,888	Issuance of 10,234 thousand shares for cash	0	Note 15
2011/09	15.2	150,000	1,500,000	87,604	876,038	Employee share subscription to 615 thousand shares	0	Note 16
2012/01	10	150,000	1,500,000	86,692	866,918	Cancellation of 912 thousand treasury shares	0	Note 17
2013/11	10	150,000	1,500,000	87,341	873,408	Conversion of employee share subscription warrants	0	Note 18
2014/02	10	150,000	1,500,000	117,341	1,173,408	Issuance of 30,000 thousand shares for cash	0	Note 19

Note 1: (86) Yuan-Tou-Zi No. 019612 dated October 1, 1997.
Note 2: (86) Yuan-Shang-Zi No. 024621 dated November 27, 1997.
Note 3: (87) Yuan-Shang-Zi No. 026492 dated November 7, 1998.
Note 4: (89) Yuan-Shang-Zi No. 015502 dated July 15, 2000.
Note 5: (90) Yuan-Shang-Zi No. 001672 dated January 17, 2001.
Note 6: (90) Yuan-Shang-Zi No. 017333 dated July 10, 2001.
Note 7: (91) Yuan-Shang-Zi No. 012381 dated May 21, 2002.
Note 8: (93) Yuan-Shang-Zi No. 0930022891 dated August 20, 2004.
Note 9: (95) Jing-Shou-Shang-Zi No. 09501223200 dated October 4, 2006.
Note 10: (96) Jing-Shou-Shang-Zi No. 09601019730 dated January 24, 2007.
Note11: (96) Jing-Shou-Shang-Zi No. 09601116900 dated May 28, 2007.
Note 12: (97) Jing-Shou-Shang-Zi No. 09701034420 dated February 13, 2008.
Note 13: (98) Jing-Shou-Shang-Zi No. 09801047350 dated March 12, 2009.
Note 14: (100) Jing-Shou-Shang-Zi No. 10001023180 dated February 9, 2011.
Note 15: (100) Jing-Shou-Shang-Zi No. 10001060790 dated March 31, 2011.
Note 16: (100) Jing-Shou-Shang-Zi No. 10001221790 dated September 23, 2011.
Note 17: (101) Jing-Shou-Shang-Zi No. 10101000770 dated January 3, 2012.
Note 18: (102) Jing-Shou-Shang-Zi No. 10201239060 dated November 26, 2013.
Note 19: (103) Jing-Shou-Shang-Zi No. 10301043670 dated March 12, 2014.

Unit: Share

Type of Shares	Authorized Capital			Remark
	Outstanding Shares	Unissued Shares	Total	
Common shares	117,340,842	32,659,158	150,000,000	TPEx listed

Note: As of the date of publication of the Annual Report.

2. Shareholder Structure

Unit: Share

Shareholder Structure / Quantity	Government Agencies	Financial Institutions	Other Institutions	Individuals	Foreign Institutions and Individuals	Total
Number of people	0	9	35	17,979	21	18,044
Number of shares held	0	1,522,000	20,191,455	48,251,043	47,376,344	117,340,842
Shareholding percentage	0	1.30	17.21	41.12	40.37	100.00

Note: As of the date of publication of the Annual Report, transfer of stock remains available. Therefore, the number of shares held in this table is as of the latest book closure date (April 28, 2018).

3. Diffusion of Ownership

Unit: Share

Scale of Shareholding	Number of Shareholders	Number of Shares Held	Shareholding Percentage (%)
1 ~ 999	9,764	248,006	0.21
1,000 ~ 5,000	6,620	13,470,607	11.48
5,001 ~ 10,000	902	7,305,912	6.23
10,001 ~ 15,000	237	3,055,828	2.6
15,001 ~ 20,000	187	3,484,743	2.97
20,001 ~ 30,000	137	3,599,342	3.07
30,001 ~ 40,000	63	2,298,144	1.96
40,001 ~ 50,000	26	1,196,742	1.02
50,001 ~ 100,000	44	3,109,278	2.65
100,001 ~ 200,000	36	5,022,308	4.28
200,001 ~ 400,000	17	4,324,706	3.69
400,001 ~ 600,000	5	2,430,000	2.07
600,001 ~ 800,000	1	723,885	0.62
800,001 ~ 1,000,000	1	970,000	0.83
1,000,001 or more (depending on actual status)	4	66,101,341	56.32
Total	18,044	117,340,842	100.00

Note: As of the date of publication of the Annual Report, transfer of stock remains available. Therefore, the number of shares held in this table is as of the latest book closure date (April 28, 2018).

4. List of Major Shareholders

Shareholders with a Stake of 5% or More or Top 10 Shareholders

Unit: Share

Share / Major Shareholder	Number of Shares Held	Shareholding Percentage
Guangdong Fenghua Advanced Technology (Holding) Co., Ltd.	46,936,337	40.00%
Thye Ming Industrial Co., Ltd.	10,158,010	8.66%
Opto Tech Corporation	6,826,994	5.82%
Chiu, Yi-Chih	2,180,000	1.86%
Taiwei Enterprise Co., Ltd.	970,000	0.83%
Luyeyuan Foundation	723,885	0.62%
Lin, Ching-Cheng	569,000	0.48%
Huang, Jung-Yuan	515,000	0.44%
Li, Hao-Jan	500,000	0.43%
Baozhen Construction Co., Ltd.	437,000	0.37%

Note: As of the date of publication of the Annual Report, transfer of stock remains available. Therefore, the number of shares held in this table is as of the latest book closure date (April 28, 2018).

5. Market Price, Net Worth, Earnings, and Dividends per Share and Related Information for the Most Recent Two Years

Unit: NT$

Item / Year			2017	2018	As of March 13, 2019
Market price per share	Highest		27.80	81.90	33.55
	Lowest		17.30	24.10	28.25
	Average		22.45	43.19	31.11
Net worth per share	Before distribution		19.69	21.51	(Note 5)
	After distribution		19.19	(Note 1)	(Note 5)
Earnings per share	Weighted average number of shares (in thousand)		117,341	117,341	(Note 5)
	Earnings per share		0.74	2.36	(Note 5)
Dividend per share	Cash dividends		0.5	1.2 (Note 1)	None
	Stock dividends	Surplus earnings	None	None	None
		Capital reserve	None	None	None
	Unpaid dividends (Note 4)		None	None	None
Return on investment	Price-to-earnings ratio (Note 2)		30.34	18.30	None
	Price-to-dividend ratio (Note 3)		44.90	(Note 1)	None
	Dividend yield (Note 4)		0.022	(Note 1)	None

Note 1: The proposal for 2018 earnings distribution has been determined by the Board of Directors and yet to be approved in the shareholders' meeting.

Note 2: Price-to-earnings ratio＝Average closing price per share/Earnings per share.

Note 3: Price-to-dividend ratio＝Average closing price per share/Cash dividends per share.

Note 4: Dividend yield＝Cash dividends per share/Average closing price per share.

Note 5: As of the date of publication of the Annual Report, the financial statements for the first quarter of 2019 have not been prepared. It is not applicable at the moment.

6. Dividend Policy and Its Implementation

(1) The Company may distribute dividends to shareholders in the form of either cash or stock, provided that cash dividends distributed to shareholders shall not be less than 20% of total dividends distributed to shareholders.

(2) Distribution of dividends:

The Board of Directors have approved the distribution of cash dividends to shareholders totaling NT$140,809,010 at NT$1.2 per share.

7. Effect of Any Stock Dividends Distribution Proposed in the Shareholders' Meeting on Business Performance and Earnings per Share

On March 13, 2019, the Board of Directors resolved to distribute neither stock dividends to shareholders nor stock bonuses to employees for the year ended December 31, 2018.

8. Employee Bonuses and Remuneration Paid to Directors and Supervisors

(1) Percentage or range of remuneration paid to employees and directors and supervisors as set forth in the Company's Articles of Incorporation:

According to Article 28-2 of the Articles of Incorporation, the Company shall distribute 10% of the profit made in a year to employees and 5% to directors and supervisors as remuneration on the premise that accumulated losses shall be made up first.

After the above amounts are deducted, the remainder plus the undistributed surplus earnings shall be distributable surplus earnings. The Board of Directors shall propose distributing surplus earnings in the annual shareholders' meeting for a resolution.

(2) Basis for estimating the amount of remuneration paid to employees and directors and supervisors, for calculating the number of shares to be distributed as employee bonuses, and the accounting treatment of the discrepancy, if any, between the actual amount of distribution and the estimated figure:

Remuneration paid to employees and remuneration paid to directors and supervisors are recognized as expenses and liabilities when they are legal or constructive obligations and the amount can be reasonably estimated. If there is any discrepancy between the actual amount of distribution determined in the annual shareholders' meeting and the estimated figure, it shall be treated as a change in accounting estimates.

(3) Distribution of employee bonuses approved by the Board of Directors:

On March 13, 2019, the Board of Directors resolved to distribute earnings as follows:

A.Employee cash bonuses and stock bonuses and remuneration for directors:

	(Unit: NT$)
Directors' remuneration	$ 19,039,488
Employees' remuneration	$ 38,078,975
Total	$ 57,118,463

(A) Number of shares to be distributed as employee bonuses and its percentage of stock dividends appropriated from surplus earnings:

On March 13, 2019, the Board of Directors resolved not to distribute employee stock bonuses for the year ended December 31, 2018.

(B) Estimated earnings per share after distribution of employee bonuses and remuneration paid to directors and supervisors:

The earnings per share after the distribution of employee bonuses and remuneration paid to directors and supervisors according to the Board of Directors' resolution is estimated to be NT$2.36.

(4) Distribution of employee bonuses and remuneration paid to directors and supervisors from the previous year's surplus earnings:

Unit: NT$

	Amount of Distribution Determined in the Shareholders' Meeting	Amount of Distribution approved by the Board of Directors	Discrepancy
Shareholders' Bonuses	58,670,421	58,670,421	0
Directors' and Supervisors' Remuneration	5,849,398	5,849,398	0
Employee Bonuses	11,698,795	11,698,795	0

9. Repurchase of the Company's Shares:
None.

10. Issuance of Corporate Bonds:
None.

11. Preferred Shares:
None.

12. Global Depository Receipts:
None.

13. Employee Share Subscription Warrants:
None.

14. New Restricted Employee Shares:
None.

15. Issuance of New Shares in Connection with Mergers or Acquisitions or Acquisitions of Shares of Other Companies:
None.

16. Implementation of Capital Allocation Plans (Each Uncompleted Public Issue or Private Placement of Securities, and to Such Issues and Placements that Were Completed in the Most Recent Three Years but Have Not Yet Fully Yielded the Planned Benefits):
None.

V. Overview of Business Operations

1. Description of Business

(1) Scope of business

A. Major lines of business

The Company mainly engages in the research and development, manufacture, and sale of the following products:

a. Thin film precision devices

b. RF devices

c. Thin film integrated RF devices

d. Thick/thin film hybrid circuits

e. Thick film chip resistors and resistor arrays

f. Wire wound RF inductors and power inductors

g. Metal alloy current sensing resistors

h.TO220/247 20-100W high power resistors

i. MELF metal film precision cylindrical resistors

B. Weight of main products

Unit: NT$1,000

Main Product	Revenue	Percentage (%)
Precision Resistors	1,206,516	45.46
General Resistors	1,051,564	39.62
RF Resistors	237,979	8.97
Others	157,901	5.95
Total	2,653,960	100.00

C. Current products and services

a. Thin film precision resistors

b. Thin film precision RF inductors

c. Thin film precision ultra-low ohmic resistors

d. Thin film precision resistor arrays

e. Automotive grade precision resistors and functional resistors

f. Ultra-high and high power thin film precision resistors

g. Thick film chip resistors and resistor arrays

h. Thick film current sensing chip resistors

i. Thick film anti-sulfur chip resistors

j. Thick film chip high voltage, surge withstanding resistors

k. Metal alloy ultra-low ohmic chip resistors

l. Cylindrical high power precision resistors

m. High power thick film TO220/247/263 resistors

n. RF wire wound ceramic inductors

o. High power wire wound inductors

D. New products planned for development

The Company focuses on expanding transactions with the existing customer base and increasing market share with improved products and specifications; in addition, the Company aims to research and develop components with special niches based on the integrated needs of emerging design industries.

The new products planned for development in the short term are as follows:

a. High resistivity targets
b. TaN target resistors
c. CSM0612 long-side alloy resistors
d. Tablet TFAN resistors
e. Thin film electric meters
f. Small high power, low ohmic metal alloy resistors (LRP0805)
g. 2010 high power low ohmic metal alloy resistors (10~100mR)
h. Low temperature coefficient (5ppm) MELF cylindrical resistors
i. 2512 high power, high resistivity metal alloy resistors (200~400mR)
j. RF MELF cylindrical resistors
k. Long-side 1020 resistors
l. Long-side 1225 high power resistors
m. Automotive grade pulse withstanding, anti-sulfur resistors
n. Automotive grade surge withstanding, anti-sulfur resistors

(2) Overview of the industry

A. Current status and development of the industry

In 2018, a shortage of passive components continued to expand, especially capacitors and resistors. Japanese manufacturers withdrew from the low-end market and entered the high-end market; in addition, automotive grade components were in short supply. It took the Japanese manufacturers 3 to 5 years to give up the low-end market which they had developed for 20 years. In the future, Japanese manufacturers will not look back and stay in the high-end market. Taiwanese and Chinese manufacturers will receive more new customers.

The Company's automotive grade and functional thick film resistors and MELF resistors were benefited by increasing demand for high-end products. As Chinese suppliers received a large number of orders for general products, the Company was supported by the capacity of its major shareholder, Fenghua, and sold capacitors and general resistors to the overseas market. The increasing application of MLCC to 5G, AI, AR, and IoT created demand. For iPhones and next-generation computers and telecommunication products, the higher the precision of design, the higher the demand for MLCC and high-end resistors.

Compared with 600 to 700 MLCCs needed by a notebook computer, an electric vehicle needs about 10,000 MLCCs, showing large demand in the automotive industry; in addition, the profit of the automotive market is high, so many passive component manufacturers have switched their production capacity from consumer electronics to "high-capacitance, high-voltage" automotive and automotive grade resistors in recent years. Although demand for automotive grade resistors has increased significantly, the sales volume has not yet increased correspondingly, so there should be no immediate large demand. As the profit of MLCC/general resistors is too low, many manufacturers have withdrawn from the market, and materials used in high-tech product design increase year by year, which are the keys to the shortage.

The Company has been improving technology for the production of high-end, compact, and functional passive components, including thin film precision resistors, current sensing resistors, high voltage, surge withstanding, anti-sulfur, and MELF resistors, and RF inductors, and focusing on the electric meter market in China and industrial and automotive grade electronics, power supply, and telecommunication markets globally.

Based on the changes in demand for electronic components, emerging markets have become more and more important to the global electronics industry. In particular, the Asia-Pacific region is an important production center of the world-renowned major manufacturers, and its market size plays an important role in the world. In terms of market size by country, besides China, India, Malaysia, and Thailand have grown rapidly. Due to the China-US trade war, Viking Tech America Corporation has successfully tapped into the markets in South America and Mexico and won orders from major manufacturers.

The development of IoT has brought revolutionary changes to the automotive, medical, and manufacturing industries. With the trends of population aging and sports, people have begun to pay attention to their physical health, leading to the launch of various smart body monitoring products. Currently, smart watches and wearable devices dominate the market. For example, smart bracelets and positioning sports devices can be used to measure the calories, paces, heartbeat, and distances. Various applications evolving with the development of smart phones, such as IoT, smart homes, and smart vehicles, have greatly increased users' usage rate in smart phones. With the emergence of IoT and wearable applications that will use a large number of high-end passive components, that's why IoT and wearable devices have become the Company's target markets.

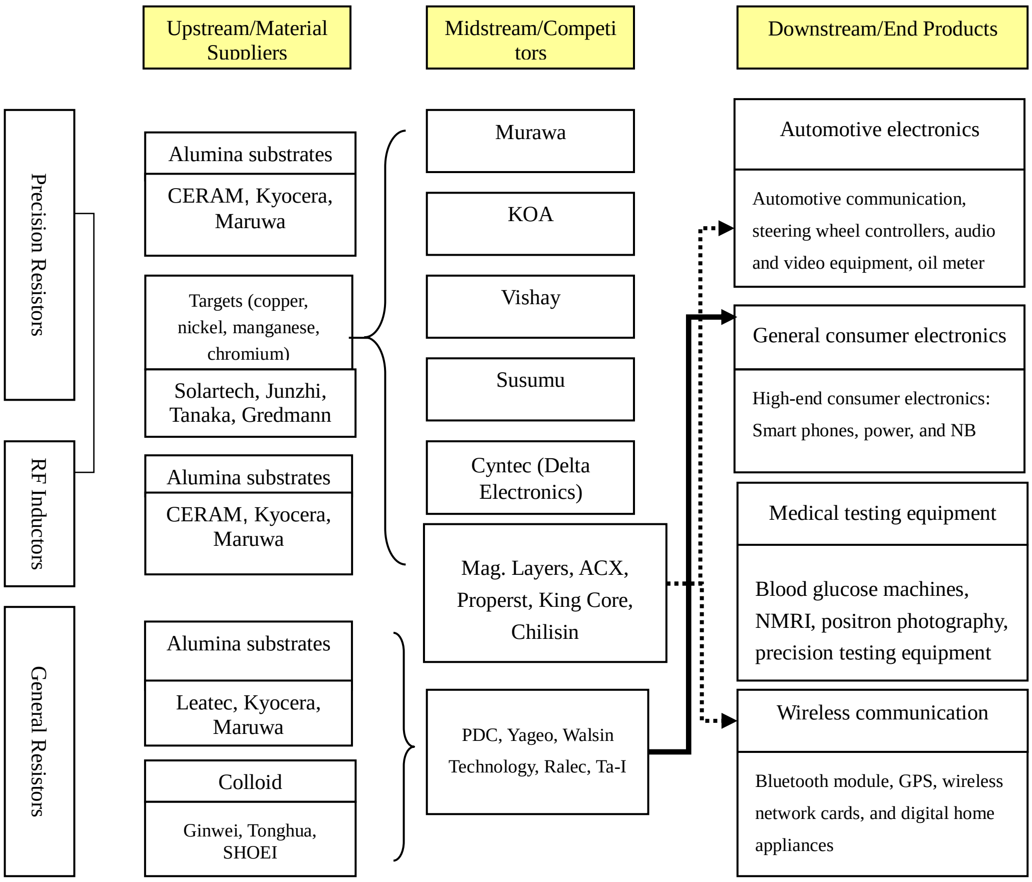
The development of electric vehicles has become an important trend for the carbon reduction policy in many countries. For example, Germany has announced that it expects to achieve zero carbon emission by 2030 by terminating the use of internal combustion engines; many countries have also promoted the use of electric vehicles in large cities. This shows that the era of electric vehicles and sharing economy is about to come, and it will also set off a great industrial revolution, coupled with huge business opportunities. A tablet with four-wheel unmanned electric vehicle will be equipped with image recognition, image radar, and GPS, as well as ICT systems, sensors, and electronic components. Therefore, a large number of semiconductors, IC designs, PCBs, and electronic components will be needed. The Company has tapped into the automotive electronics market to provide multimedia,satellite navigation and light components, the Company also offers electric vehicle power management and sensing modules with support from foreign automotive manufacturers and major automotive grade sensing module manufacturers.

The Company’s core technology is the semiconductor thin film process. Combined with material development, microcircuit design, and process integration, the Company currently engages in the production of thin film precision devices, thin film RF devices, and thin film devices, and expects to develop microelectromechanical systems (MEMS) in the future.

B. Links between the upstream, midstream, and downstream segments of the industry

The company provides thin film technology for the industry. The advantage of the thin film process is the precise circuit design of semiconductor technology. When drawing circuit patterns or planning fine wiring, the Company adopts the accurate circuit design of semiconductor technology to achieve the nanometer size of electronic circuit design. By breaking through the industry’s current bottleneck in the thick film process, the Company is able to develop more applications in terms of product precision and design integration. As thin film technology makes product specifications more flexible compared with thick film technology, its applications extend from general consumer electronics to wireless communications, automotive electronics, precision measuring instruments, precision medical equipment, and high-end electronic systems. The Company’s core technology is the semiconductor thin film process. Combined with material development, microcircuit design, and process integration, the Company currently engages in the production of thin film precision devices, thin film RF devices, and thin film devices. Currently, the upstream segment of the industry consists of material suppliers, including ceramic substrate, colloid, and target suppliers. These materials are widely applied to electronic components or other products as base materials. Therefore, there are also a large number of suppliers at home and abroad, so the shortage or oligopoly does not exist. In the downstream segment of the industry, precision resistors and RF inductors are widely applied to various electronic products. Given the habit of buying consumer electronics, consumers are susceptible to new preferences and trends, so the total value of products should be low. Materials that are easy to obtain, quality, and low-cost are the best choice.

The links between the upstream, midstream, and downstream segments of the industry are shown as follows:



C. Development trends of products

Precision components and RF components are key electronic components. Driven by the "4C" industries, demand for electronic components has increased gradually. Domestic manufacturers have developed a variety of electronic products, ranging over mobile phones, tablets, notebook computers, game consoles, camera lenses, LCD TVs, touch panels, digital set-top boxes, battery and power supplies, smart grids, and LED lights. The domestic electronic component industry is not only the strongest supplier, but the production center of passive components in Asia and even the world. With the growing capacity, the domestic electronic component industry has gradually secured its international status and visibility against the quality competition globally. With the rise of the high value-added, high-growth high-tech industry, domestic manufacturers have become more capable of manufacturing key components. From PC to optoelectronic communication, the competitiveness of the domestic electronics industry has gradually extended from assembly to capacity of key components. As mobile phones have embraced 4G, the Company boasts its RF thin film technology that is not easy to replace; it is also an important element of medium-end and high-end electronic products. When key components are integrated, the relative volume will be reduced and the accuracy will be improved. Therefore, effective electronic components are of great significance.

As various digital wearables, portable health management products, and digital electric meters emerge, there is constant demand for precision and micro components, which is in line with the Company's development strategy. In the automotive electronics market, due to the increasing awareness of safety, comfort, and environmental protection and consumers' pursuit of enjoyment and high-end functions, user-friendly control interfaces, multi-functional video and audio communication platform, more airbags, driver assistance systems, steering headlights, and cruise control will become more and more popular. As to medical electronics, demand for medical care and health care has increased with population aging, which is expected to drive the growth of medical electronics. With user-friendly control interfaces, medical electronics that are portable, wireless, and integrated with home appliances will be the trend of future design. In the future, the electronic component industry will focus on high-tech, high-precision, RF and broadband circuit components with multiple functions and wireless network. The Company's precision resistors and RF inductors that are manufactured with thin film technology can compete with those provided by international major manufacturers. The Company has been developing more diversified products with outstanding features. Considering profitability, domestic manufacturers will definitely aim at high-end products. Many manufacturers have found that thin film technology is one of the best solutions to the bottlenecks and that precision and RF components manufactured with thin film technology will become an important trend of future technology and industrial development.

D. Competition

Precision resistors: Yageo, Walsin Technology, and Ta-I mainly manufacture thick film resistors. In recent years, they have started to develop thin film technology, but they are weak in the production capacity and volume and technology. Price cut has become their way to enter the market. With leading technology, the Company has been expanding the functions and high-end specifications of products to meet the special needs of customers, such as ultra-high power, ultra-low TCR 1PPM, wet resistance, and sulfur resistance. The Company has put quality and customer satisfaction as the top priority. Precision resistors are high-end components and cannot be replaced easily. Customer adhesion is extremely high and is not susceptible to price cut. Based on its fairly large customer base, the Company has expanded the production of low-price thin film resistors on a large scale to secure its low-price thin film resistor market, ultimately becoming the leader of the market.

RF inductors: Murata remains the main supplier of thin film ceramic inductors. The Company has been improving technology to develop high Q products; in addition, minimal size 01005 is currently under mass production to seize the market opportunity. There are many suppliers of wire wound ceramic inductors in the market, including Coilcraft, Murata, Delta Electronics, and Chilisin, and competition is intense. The Company has focused on the high yield and low cost to meet the market needs.

MELF metal film precision cylindrical resistors: Vishay is the largest supplier of precision and professional resistors with a competitive price and delivery. As the market size expands significantly, the Company's capability of research and development and innovation has kept up with Vishay's various specifications and become the main competitor of Vishay by offering products with high quality, low cost, and fast delivery. The capacity has continuously increased, resulting in a large number of orders.

(3) Technologies and research and development works

A. Technologies

The Company's core technology is the semiconductor thin film process. With a focus on thin film technology, the Company manufacturers high-precision, low-temperature coefficient, and high-power precision resistors and high-precision, flat, and high-power RF inductors. The Company has strived to develop thin film and thick film technology and use silicon chips and high-density ceramic substrates to integrate thin film and thick film processes, so as to meet the requirements of high-end electronic components, including miniaturization, RF, high power density, high precision, and low temperature coefficient. Main technologies are described as follows:

a. Wire simulation: In the early stage of development, electrical simulation software is used as aid in the structure electrical simulation. With many years of experience in product development, the Company is able to shorten the time for development and narrow the difference.

b. Lithography

Circuits are formed on the substrate. For circuits with higher complexity, deeper integration, and more functional requirements, lithography is used in the manufacturing process; in addition, laser direct imaging technology is introduced to reduce the cost of masks and increase the flexibility, capacity, and quality of production.

c. Material research and development

As a professional resistor manufacturer, the Company is familiar with the materials used. The material analyzers and developers take advantage their expertise to source and constantly test materials and develop usable key components of resistors in collaboration with material suppliers.

As technology continues to evolve, electronics functions are rapidly upgrading. In recent years, various electronic products have been introduced, including digital TVs, smart phones, and tablets; the economy in emerging markets has also grown. Components developed in a single film or thick film process have no longer met the ever-changing needs of customers. As Taiwan's first passive component manufacturer to have thin film technology, thick film, technology and automated precision wire wound technology, the Company has integrated the mature thin film and thick film processes into the development of feature-oriented high-end products in order to keep up with international major manufacturers, including Vishay, KOA, and Murata and become one of the few suppliers that are capable of offering high-end products in Taiwan.

B. Research and development works

The research and development team of the Company fully controls the characteristics of metal thin film conductors and the cost advantage of thick film technology and prepares key materials and processes and substrate applications to develop products with different characteristics and diversified design services. With three core capacities, namely material engineering, thin film process, and thick film process, the Company has strived to develop products with special niches and become the leader in Taiwan’s high-end passive component market. Currently, the Research and Development Department engages in product development through division of labor.

Based on the advanced product quality planning (APQP) under IS/TS 16949, the Company has built the same communication platform to simplify the complexity and channels of communication in quality planning. Currently, the research and development cycle of new products is 6~8 months. To shorten the research and development cycle, the Company will acquire professional technologies and engage external consultants or participate in industry-academia programs.

C. Research and development expenditures in the most recent year up to the date of publication of the Annual Report

Unit: NT$1,000

Year	Research and Development Expenditure	Percentage of Revenue (%)
2018	50,754	1.91

Note: IFRS (consolidated) is adopted.

D. Technologies or products successfully developed in the most recent year up to the date of publication of the Annual Report

Year	Specific Results of Research and Development
2018	Successfully developed Jumper resistors LRJ 0603 1/4W. Successfully developed Jumper resistors LRJ 0805 1/2W. Successfully developed high power current sensing resistors CSM 1206 69mΩ~100mΩ 1W. Successfully developed 4-terminal current sensing chip resistors 4T 1206 10mΩ~20mΩ 1/2W. Successfully developed 4-terminal current sensing chip resistors 4T 2010 10mΩ~20mΩ 3/4W. Successfully developed high power current sensing resistors CS 1206 101~1000mR 1W. Successfully developed pulse withstanding, surge withstanding high power thick film resistors PWR/SWR 0402 1/5W. Successfully developed pulse withstanding, surge withstanding high power thick film resistors PWR/SWR 0805 1/2W. Successfully developed pulse withstanding, surge withstanding high power thick film resistors PWR/SWR 1206 3/4W. Successfully developed miniature lead-free thick film resistors CRG 0201. Successfully developed high current low ohmic thick film Jumper resistors PWR 0R (0603<8mR, 0805/1206<5mR). Successfully developed high power metal alloy resistors LRP12 120-200mR 3W.
2019	Successfully developed MELF metal film resistors CSRV0102 1R~4R.

(4) Long-term and short-term business development plans

A. Short-term business development plans

a. Comply with local sales strategy in emerging markets and demand for new applications

b. Introduce other products to existing customers and other units

c. Promote products with higher gross profits and improve the safety level

d. Develop miniature POWER CHOKE, high power, low ohmic, metal, high precision, anti-sulfur products to maintain competitive niches

e. Participate in exhibitions at home and abroad to expand business and marketing via electronic media

f. Consolidate e-commerce marketing to increase global visibility

g. Expand the capacity of thin film products with higher gross profits based on the market need to increase sales

B. Long-term business development plans

a. Develop key component module design based on the existing brand image

b. Reduce costs and improve product specifications to improve competitiveness

c. Develop multiple core technologies to shorten the research and development cycle and reduce the risk of life cycle

d. Conduct market research and develop products that meet the market need with customers

e. Introduce the design of Viking Tech America Corporation and agents in Europe and Asia to major brands to lay the foundation for long-term sustainable development

f. Increase exposure of the Company's brand image via the Internet and media

2. Analysis of Market and Production and Marketing Situation

(1) Market analysis

A. Geographic areas of main products

Unit: NT$1,000

Geographic Area \ Year		2017		2018	
		Sales	%	Sales	%
Domestic Sales		308,791	16.71	441,936	16.65
Export	USA	146,336	7.92	216,879	8.17
	Hong Kong	229,240	12.40	337,756	12.73
	China	520,351	28.16	902,447	34.00
	South Korea	172,857	9.35	150,752	5.68
	Others	470,493	25.46	604,190	22.77
Total		1,848,068	100.00	2,653,960	100.00

Source: Consolidated financial statements audited by the CPAs.

The Company's main products include precision resistors, RF inductors, and general resistors. The domestic sales and export accounted for 20% and 80% of total revenue, respectively. Due to the rapid growth in China and the shift of electronics OEMs to China, the Company's sales in Asia (mainly China) grew significantly. In the future, the Company will expand the market in China and develop other new markets to balance the regional development.

B. Market share

Major high-end passive component manufacturers are foreign suppliers like Vishay, Yageo, Walsin, KOA, and Murata,which have operated for decades. In 2002, the Company started to manufacture high-end passive components. Although the Company’s revenue grows year by year, market demand also continues to rise. There is still room for the Company to manufacture high-end passive components. Currently, the Company aims to improve outlets and visibility by participating in exhibitions and increasing media reports and strives to become a strategic partner of original manufacturers in IC design. From 2011 to 2017, the Company enjoyed a growth rate of 8% every year. In 2018, the growth rate hit a record high, and the Company received more and more support from customers and outlets. The Company will continue to improve technology to stay competitive.

C. Future supply and demand conditions and market’s growth potential

In 2018, there was excessive demand in the market, causing an illusion of panic orders. It is estimated that the overall need of the passive component market will drop in 2019 as customers slow down their orders; however, in emerging markets segments, there will be greater opportunities for growth. Compared with those in 2018, the shipments of automotive grade passive components in 2019 will grow rapidly. The shipments of 4C passive components remained flat. As the 5G market is ready, the market conditions are still optimistic. If the Company continues to strengthen the research and development of new products, such as high temperature, high power, high current products, and tap into markets, such as electrical and electronic products, base stations, automotive electronics, renewable energy power generation equipment, and white home appliances, it is likely to seize business opportunities in the intense competition.

D. Competitive niches

a. Core technology

The Company boasts its thin film technology. With years of experience in research and development and a research and development team specializing in materials, chemicals, machinery, electronics and electric machinery, the Company is capable of developing key materials and processes and applications based on the needs of customers and providing diversified professional services.

b. High-end products, not susceptible to industry conditions

The Company manufactures high-end passive components that are applied to consumer electronics, medical electronics, measuring instruments, and automotive electronics. Due to the high-end nature and wide applications, the high-end passive components are not susceptible to fluctuations in a single industry.

c. Flexible delivery and stable quality

The delivery of passive components has been extended. Compared with international major manufacturers, the Company has more efficient, flexible, and expanded production that allows the Company to deliver thin film products faster than other suppliers. The Company has also set the strict quality requirements and attached great importance to customer service. With strict quality requirements, fast delivery, and fine quality, the Company is able to meet the customers' tight schedules and create business opportunities with customers.

d. Good customer relationships and a sound sales network

Since its foundation, the Company has strived to maintain a good customer relationship in addition to investing in research and development. After years of hard work, the Company has built a solid customer base. The Company is able to provide a diversity of products and technical support for customers immediately, which strengthens the long-term cooperation with customers; moreover, the Company has expanded the market in China through overseas subsidiaries and built a sound sales network with local distributors to increase the Company's visibility and market share.

e. Professional management

The Company's management has served in the industry for many years. With a wealth of industry knowledge and experience in business management, the management can control the market trends quickly and provide professional services for customers immediately, which considerably benefits the marketing of existing products, development of new products, and sustainable development of the Company.

E. Positive and negative factors for future development and response measures

a. Positive factors

i. Rapid growth of demand in China

In recent years, the economy has grown rapidly in China. Supported by the government's incentives, demand for consumer electronics and digital electric meters has increased faster than that in other regions; in addition, the automotive market has become a global highlight and a big force behind the growth of global consumer electronics and component industries. With years of development in the Chinese market through overseas subsidiaries, the Company has maintained a solid relationship with local customers.

In addition, the Company has started to receive results of market expansion in East Europe, Russia, South Korea, and South America on a large scale. The global visibility has also increased significantly. The balanced development and growth of demand in each region around the world will be one of the positive factors for the future development of the Company.

ii. Wide applications of products

In addition to consumer electronics, the Company's special products are applied to automotive electronics, medical equipment, electronic measuring instruments, smart home appliances, industrial computers, smart machine tools, and digital electric meters. As they are not susceptible to recession, risk is distributed considerably.

iii. Increasing demand for other high-end passive components

The Company develops high-end resistors and high power resistors at the same time and increases the percentage of automotive grade products. To provide full support for customers, the Company also provides other passive components that Fenghua, the parent company of the Company, manufactures.

iv. Development of Viking-branded products

After years of hard work, the Company has built its own brand and stood out in the high-end passive component market. With production technology, the Company provides services for customers as an OEM. To meet the customers' needs and expand the market, the Company aims to provide both Viking-branded products and OEM products and technical support for customers.

v. Stable quality and good customer services

The Company manufactures precision resistors with thin film technology to deliver quality beyond that of the other domestic manufacturers. With quality that can compete with foreign major brands and efficient and flexible production, the Company is able to shorten the delivery of thin film products and provide highly recognized customer services.

b. Negative factors and response measures

i. As high-end electronic components have higher gross profits, many manufacturers desire to enter the market.

Response measures:

The Company continued to improve the quality and functionality of products, develop new products and expand production lines based on the customers' needs, and shorten the research and development cycle to increase the barriers to entry and secure its leadership in the market.

ii. The supply and demand of key materials (such as substrates) are limited by the quantity, price, and delivery of major foreign manufacturers, and precision resistors feature small quantity and diversification. To reduce the cost of purchase, the Company purchases materials in an economical manner, which increases the risk of inventory backlog.

Response measures:

The Company maintained good cooperation with suppliers, sought alternative materials, and developed and tested materials to reduce the consolidation of suppliers and business risk arising therefrom; in addition, the Company controlled orders at any time and improved sales representatives' ability to conduct supply and demand forecasts, so as to increase the inventory turnover rate and reduce the risk of inventory backlog.

iii. The Company’s brand still lacks visibility. Although having cooperated with major manufacturers at home and abroad, the Company is not the main supplier.

Response measures:

The Company continued to participate in exhibitions to sell its high quality and high efficiency and expand sales channels so as to improve its visibility and increase sales.

(2) Usage and manufacturing processes of main products

A. Usage of main products

Main Product	Features/Usage
Precision resistors	Medical equipment, measuring instruments, automotive control panels, computer control panels, and power converters.
Power resistors	Power equipment, such as medical power supply, electronic deceleration systems, uninterruptible power systems, RF amplifiers, and fuel cells.
MELF metal film cylindrical resistors	Medical equipment, measuring instruments, automotive and industrial control panels.
High voltage resistors	Precision instruments, measuring instruments, wired and wireless communication network equipment.
General resistors	3C products or low-end electronics.
Current sensing resistors	Notebook computers, motherboards, charger control panels, and power supply.
RF resistors	Information, communication and consumer electronics, such as mobile phones, Bluetooth modules, wireless network cards, GPS and other RF wireless communication products.
Power inductors	Notebook computers, LCD screens, power supply, and electrical and electronic control panels.
Chip/array/high voltage/high power resistors	Information, communication and consumer electronics, such as mobile phones, notebook computers, LCD screens and other electronics.
Anti-sulfur resistors	Automotive and industrial equipment.

B. Manufacturing processes of main products

(1) Thin film process

Substrate Cleaning → Electrode Fabrication → Sputtering → Exposing → Developing → Etching

Laser Cutting → Protective Layer Fabrication → Plating → Testing → Packaging → Delivery

(2) Thick film process

Conductor Printing → Sintering → Resistor Printing → Sintering → Silicone Sealant Printing → Sintering

Laser Cutting → Protective Layer Fabrication → Plating → Testing → Packaging → Delivery

(3) Supply situation of main raw materials

Main Raw Material	Main Supplier	Supply Situation
Substrates	Company A, Company M, Company S	Good
Colloid	Company N, DuPont Taiwan	Good
Silver powder	Company V, Ames	Good

(4) Any suppliers and customers accounting for 10% or more of the Company's total procurement (sales) amount in the most recent two years, the amount, and the percentage of total procurement (sales)

A. Any customers accounting for 10% or more of the Company's total sales amount in the most recent two years and reasons for changes:

Unit: NT$1,000

I	2017				2018			
	Customer	Amount	Percentage of Net Sales (%)	Relationship with Issuer	Customer	Amount	Percentage of Net Sales (%)	Relationship with Issuer
1	Others	1,848,068	100	None	Others	2,653,960	100	None
	Net sales	1,848,068	100	None	Net sales	2,653,960	100	None

Note: IFRS (consolidated) is adopted.

B. Any suppliers accounting for 10% or more of the Company's total procurement amount in the most recent two years and reasons for changes:

Unit: NT$1,000

Item	2017				2018			
	Supplier	Amount	Percentage of Total Procurement (%)	Relationship with Issuer	Supplier	Amount	Percentage of Total Procurement (%)	Relationship with Issuer
1	Lizhi Electronic Co., Ltd.	78,946	9.40	None	Lizhi Electronic Co., Ltd.	146,869	11.50	None
	Others	760,528	90.60	None	Others	1,129,878	88.50	None
	Net purchase	839,474	100.00		Net purchase	1,276,747	100.00	

Note: Financial information is disclosed from a consolidated perspective.

(5) Production volume and value for the most recent years

Unit: NT$1,000; 1,000 units

Year / Production Volume/Value / Main Product	2017			2018		
	Capacity	Volume	Value	Capacity	Volume	Value
Precision resistors	4,200,000	3,354,291	467,713	5,500,000	4,211,692	661,746
RF inductors	412,500	212,220	74,705	412,500	167,743	54,960
General resistors	20,070,000	16,398,314	426,613	21,500,000	19,393,313	523,962
Total	24,682,500	19,964,825	969,031	27,412,500	23,772,748	1,240,668

(6) Sales volume and value for the most recent years

Unit: NT$1,000; 1,000 units

Year / Sales Volume and Value / Main Product	2017				2018			
	Domestic Sales		Export		Domestic Sales		Export	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value
Precision resistors	381,506	115,837	2,660,173	721,227	674,930	243,325	3,349,849	963,191
RF inductors	78,828	42,623	607,313	195,424	76,321	35,026	571,620	202,953
General resistors	3,019,042	108,954	21,009,431	561,711	3,252,640	148,853	27,733,244	902,711
Others	29,120	41,377	415,923	60,915	32,664	14,732	703,235	143,169
Total	3,508,496	308,791	24,692,840	1,539,277	4,036,555	441,936	32,357,948	2,212,024

3. Number of Employees Employed for the Most Recent Two Years, and During the Current Year up to the Date of Publication of the Annual Report, Their Average Years of Service, Average Age, and Education Levels

Unit: Person; Age; Year; %

Year		2017	2018	February 28, 2019
Number of employees	Managerial officers	32	32	33
	General employees	249	290	290
	Director labor	415	459	461
	Total	696	781	784
Average Age		34.81	34.58	34.68
Average Years of Service		4.31	4.45	4.55
Education	Ph.D.	0	0	0
	Master's degree	4.02	3.97	4.08
	Bachelor's degree	58.19	53.01	54.08
	Senior high school	34.34	37.77	36.61
	Below senior high school	3.45	5.25	5.23

4. Disbursements for Environmental Protection

Total losses (including damage awards) and fines for environmental pollution for the most recent years up to the date of publication of the Annual Report, response measures (including corrective measures), and possible disbursements in the future (including an estimate of losses, fines, and compensation resulting from any failure to adopt response measures): None.

5. Labor Relations

(1) Any employee benefit plans, continuing education and training, retirement systems, and their implementation, labor-management agreements, and measures for preserving employees' rights and interests:

A. Employee benefit plans

From the on-boarding date, employees are eligible to labor insurance and national health insurance. The Company also purchases group insurance, covering regular life insurance, illness insurance, injury insurance, aviation accident insurance, medical insurance, inpatient insurance, and cancer insurance, to protect the rights and interests of employees; in addition, the performance evaluation method is in place as the standard for salary adjustments and bonuses.

The Company also provides employee share subscription warrants and employee compensation to encourage employees to contribute to and share the business operations of the Company.

B. Continuing education and training

The Company has established the training regulations to improve the quality and competitiveness of employees and achieve the corporate sustainable development. Supervisors and employees may participate in training and courses organized by external training institutions as needed to improve the expertise and core competitiveness of employees and strengthen the sound training system of the Company.

In 2018, the results of training are as follows:

Training Item	Number of Courses	Number of Trainees	Training Hours
Internal training-general education	5	510	2208
Internal training-professional training	18	556	1881.5
Internal training-skill training	37	51	408
External training-management	2	77	885.5
External training-skill training	54	2	18
Law and regulation training	24	386	997.5
Competence examination	23	288	565.5
Total	163	1870	6964

C. Retirement systems

The government-led defined contribution plans apply to the Labor Pension Act. The Company contributes 6% of every employee’s monthly salary to the employee’s personal account at the Bureau of Labor Insurance. Regarding the years of service before 2005, the Company has paid employees a pension of two months a year in advance based on the Labor Standards Act.

D. Labor-management agreements and measures for preserving employees' rights and interests

Labor relations have always been the top priority of the Company. The Company organizes labor-management meetings on a regular basis to convey internal policies and understand employees’ opinions through two-way open communication. The Company has also established the Employee Welfare Committee to distribute bonuses and allowances, including three Chinese festival bonuses and allowances for weddings, funerals, illness, and childbirth, to take care of employees’ life. Since 2005, the Company has organized domestic or overseas trips for 14 consecutive years to strengthen interaction and cohesion among employees and their family members.

The Company has maintained harmonious labor relations by organizing labor-management meetings on a regular basis to convey internal policies and work environment issues with employees. The Company has also established the Employee Welfare Committee to be in charge of handling employee benefits and organizing activities from time to time to strengthen interaction and cohesion among employees. The Company always values employee benefits and maintains harmonious labor relations.

The Company has maintained labor relations through people-oriented management and two-way communication and established related systems according to the Labor Standards Act to ensure the rights and interests of employees. Therefore, the labor relations are harmonious. There has been no labor dispute.

E. Promotion of social responsibility

The Company has implemented the Electronic Industry Citizenship Coalition (EICC) and abided by labor regulations, including ban on child labor, enforced labor, and discrimination and respect for freedom of association, to improve the rights and interests of employees. The Company has also provided a safe and healthy work environment in accordance with laws and regulations; in addition, the Company attaches great importance to environmental safety and health and complies with environmental laws and regulations. The Company follows the highest ethical standards, prohibits the provision or acceptance of bribes and protects the intellectual property rights.

F. Protective measures for the work environment and personal safety

a. The Company has monitored and managed occupational safety and health in accordance with the occupational safety and health regulations and distributed safety and health guidelines to employees to ask for their compliance.

b. The Company has established a safety and health management unit (Occupational Safety Office) and assigned the safety and health managers and nurses in the headquarters and Kaohsiung Branch to be in charge of planning, implementing, and supervising occupational safety and health according to the laws. The Company has also established the Occupational Safety and Health Committee. The Occupational Safety Office is responsible to convene the Occupational Safety and Health Committee every quarter to deliberate, coordinate, and comment on safety and health related matters and document the said matters.

   The Company has conducted the safety and health inspections and engaged specialists in occupational diseases to evaluate and review the employees' health examination reports on-site and give advice or health education as appropriate.

c. Facility safety

   i. Production equipment is posted with warnings and equipped with safety protection facilities, such as emergency stop devices and alarms. The Company makes the automatic inspection plan every year according to the laws and regulations, and the automatic inspection is conducted by each responsible department. The inspection should cover inspection items and cycles, and related records should be retained for 3 years.

   ii. The chemical warehouse is equipped with gas detectors to prevent leakage.

   iii. Hazardous machines (such as lifts) are maintained every month and inspected every year on a regular basis.

   iv. When entering into construction contracts with contractors, the Company always notifies contractors of instructions on safety and environmental protection in writing.

d. Work environment monitoring

   i. Local exhaust facilities are installed in the workplace where process waste gas is generated, and the hazard factors are discharged to air pollution control equipment.

   ii. The Company engages qualified monitoring institutions to conduct the environment monitoring on a regular basis (every year for lead and every six months for other substances), including organic solvents, specific chemicals, noise, and carbon dioxide as well as items required by the laws and regulations.

iii. The Company engages vendors to maintain drinking water every month and engages qualified laboratories to test the quality of drinking water every quarter to ensure the health of drinking water.

e. Fire safety

According to the fire laws and regulations, the Company has installed a complete fire system, including alarm devices, fire hydrants, fire extinguishers and escape systems. The Company inspects fire devices every month and engages qualified fire inspection institutions to report the inspection every year and to conduct the fire drill at least once every half a year to keep the fire facilities in optimum conditions at any time.

f. Training

The Company organizes general safety and health training for new or existing employees, and the training items and hours comply with the laws and regulations.

License training: According to the laws and regulations, the Company engages qualified external training institutions to organize license training and retraining for operators, such as radiant machine operator, first aid personnel, forklift operators, and operations supervisors.

g. Right to know

In addition to posting warnings and posters in work environment, the Occupational Safety Office conveys the Occupational Safety and Health Act and occupational injury cases to employees from time to time.

In the orientation training, the Company highlights the hazardous substance prevention and instructions to reduce occupational incidents.

h. Health examination

Before reporting in for duty, new employees are required to take the physical examination at any qualified hospital and submit the health examination report.

The Company organizes the health examination for employees every year; in addition, the Company organizes the special health examination for existing employees working in special operations every year according to the laws and regulations.

For existing employees having served for a year, the Company has managed to organize a regular health examination every year.

i. Personal protective equipment

According to the laws and regulations, the Company has provided personal protective equipment required in the operations and posted related signs at each workplace for employees to follow.

j. Incident investigation, analysis, and handling

In case of occupational incidents, the Company investigates into them according to the incident investigation procedures. The Occupational Safety Office is responsible to work with labor representatives and related responsible departments to investigate into the occupational incidents. The responsible departments should fill in the reasons for the occupational incidents, propose corrective measures, and report to the monthly occupational incident system. In case of major occupational incidents stipulated by laws, the responsible departments should notify the labor inspection agencies within 8 hours.

k. Hazardous chemicals

The Company has established the hazard education plan according to laws and regulations and organized safety and health training to improve employees' understanding of chemicals and hazard prevention, including the list of chemicals, safety data sheets, and hazard labels.

l. Group insurance

The Company includes each employee in group insurance. In case of occupational injuries, employees are eligible to apply for labor insurance and group insurance claims.

(2) Any loss sustained as a result of labor disputes in the most recent year up to the date of publication of the Annual Report, an estimate of losses incurred to date or in the future, and response measures: None.

6. Important Contracts

Nature of Contract	Contracting Party	Contracting Party	Commencement/Expiration Date (yyyy/mm/dd)	Main Content	Restrictive Clause
Loan contract	The Company	Land Bank of Taiwan	2013/09/27~2027/01/19	Long-term secured loan	Note 1
Loan contract	The Company	Shanghai Commercial and Savings Bank	2017/02/20~2022/01/15	Medium and long term secured loan	Note 2
Loan contract	The Company	Chang Hwa Bank	2017/10/25~2027/10/25	Long-term secured loan	Note 1
Loan contract	The Company	Chang Hwa Bank	2018/02/07~2027/10/25	Long-term secured loan	Note 1
Loan contract	The Company	Taiwan Business Bank	2018/02/07~2023/01/15	Medium and long term secured loan	Note 2

Note 1: According to the loan contract, the Company should pledge the property as security for Land Bank of Taiwan and Chang Hwa Bank.

Note 2: According to the loan contract, the Company should pledge equipment as security for Shanghai Commercial and Savings Bank and Taiwan Business Bank.

VI. Overview of Financial Status

1. Condensed Financial Information for the Most Recent Five Years

   (1) Condensed consolidated balance sheets and statements of comprehensive income - IFRS

Condensed Consolidated Balance Sheet

Unit: NT$1,000

Item \ Year		Financial Information for the Most Recent Five Years				
		2014	2015	2016	2017	2018
Current assets		2,126,474	2,006,010	1,659,531	1,637,663	2,033,529
Property, plant and equipment		1,234,947	1,335,061	1,295,578	1,282,614	1,143,587
Intangible assets		7,450	4,587	2,294	1,947	3,608
Other assets		86,338	55,338	74,636	114,503	172,466
Total assets		3,455,209	3,400,996	3,032,039	3,036,727	3,353,200
Current liabilities	Before distribution	874,313	801,836	661,628	571,535	648,610
	After distribution	991,654	1,095,188	720,299	630,206	Note 1
Non-current liabilities		110,386	97,444	87,621	151,508	175,437
Total liabilities	Before distribution	984,699	899,280	749,249	723,043	824,047
	After distribution	1,102,040	1,192,632	807,920	781,714	Note 1
Attributable to owners of parent company		2,469,349	2,501,009	2,280,410	2,310,665	2,524,356
Share capital		1,173,408	1,173,408	1,173,408	1,173,408	1,173,408
Capital reserve	Before distribution	887,358	887,358	730,121	730,121	730,121
	After distribution	887,358	730,121	730,121	730,121	730,121
Retained earnings	Before distribution	404,829	437,684	381,986	410,646	628,351
	After distribution	287,488	301,569	323,315	351,975	Note 1
Other equity		3,754	2,559	(5,105)	(3,510)	(7,524)
Treasury shares		-	-	-	-	-
Non-controlling interests		1,161	707	2,380	3,019	4,797
Total equity	Before distribution	2,470,510	2,501,716	2,282,790	2,313,684	2,529,153
	After distribution	2,353,169	2,208,364	2,224,119	2,255,013	Note 1

Note 1: The proposal for 2018 earnings distribution is yet to be determined in the shareholders' meeting.

Condensed Consolidated Statement of Comprehensive Income

Unit: NT$1,000

Year / Item	Financial Information for the Most Recent Five Years				
	2014	2015	2016	2017	2018
Operating revenue	1,437,079	1,549,394	1,720,618	1,848,068	2,653,960
Gross profit	421,955	431,621	437,729	438,454	845,136
Operating income	95,916	132,233	141,665	154,851	500,441
Non-operating revenue and expenses	82,902	49,281	(39,783)	(54,281)	(157,592)
Income before tax	178,818	181,514	101,882	100,570	342,849
Income from continuing operations	148,095	149,715	82,103	88,172	278,026
Loss from discontinued operations	-	-	-	-	-
Net income (loss)	148,095	149,715	82,103	88,172	278,026
Other comprehensive income (net after tax)	2,661	(1,168)	(7,677)	1,393	(3,886)
Total comprehensive income	150,756	148,547	74,426	89,565	274,140
Net income attributable to owners of parent company	148,846	150,196	80,417	87,331	276,376
Net income attributable to non-controlling interests	(751)	(481)	1,686	841	1,650
Total comprehensive income attributable to owners of parent company	151,427	149,001	72,753	88,926	272,362
Total comprehensive income attributable to non-controlling interests	(671)	(454)	1,673	639	1,778
Earnings per share	1.32	1.28	0.69	0.74	2.36

(2) Condensed standalone balance sheets and statements of comprehensive income - IFRS

Condensed Standalone Balance Sheet

Unit: NT$1,000

Item \ Year		Financial Information for the Most Recent Five Years				
		2014	2015	2016	2017	2018
Current assets		2,032,841	1,889,968	1,520,508	1,477,420	1,795,498
Property, plant and equipment		1,227,988	1,329,380	1,291,116	1,278,452	1,107,238
Intangible assets		6,857	4,587	2,294	1,947	3,608
Other assets		168,919	136,253	166,201	220,011	355,257
Total assets		3,436,605	3,360,188	2,980,119	2,977,830	3,261,601
Current liabilities	Before distribution	853,581	760,450	611,818	504,895	536,158
	After distribution	970,922	1,053,802	670,489	563,566	Note 1
Non-current liabilities			98,729	87,891	162,270	201,087
Total liabilities	Before distribution	967,256	859,179	699,709	667,165	737,245
	After distribution	1,084,597	1,152,531	758,380	725,836	Note 1
Attributable to owners of parent company			2,501,009	2,280,410	2,310,665	2,524,356
Share capital		1,173,408	1,173,408	1,173,408	1,173,408	1,173,408
Capital reserve	Before distribution	887,358	887,358	730,121	730,121	730,121
	After distribution	887,358	730,121	730,121	730,121	730,121
Retained earnings	Before distribution	404,829	437,684	381,986	410,646	628,351
	After distribution	287,488	301,569	323,315	351,975	Note 1
Other equity		3,754	2,559	(5,105)	(3,510)	(7,524)
Treasury shares		-	-	-	-	-
Non-controlling interests		-	-	-	-	-
Total equity	Before distribution	2,469,349	2,501,009	2,280,410	2,310,665	2,524,356
	After distribution	2,352,008	2,207,657	2,221,739	2,251,994	Note 1

Note 1: The proposal for 2018 earnings distribution is yet to be determined in the shareholders' meeting.

Condensed Standalone Statement of Comprehensive Income

Unit: NT$1,000

Item \ Year	Financial Information for the Most Recent Five Years				
	2014	2015	2016	2017	2018
Operating revenue	1,286,718	1,385,100	1,511,383	1,594,973	2,165,515
Gross profit	392,959	390,607	380,193	378,260	690,827
Operating income	104,072	130,724	123,564	137,579	401,832
Non-operating revenue and expenses	75,456	51,271	(23,420)	(37,869)	(78,161)
Income before tax	179,528	181,995	100,144	99,710	323,671
Income from continuing operations	148,846	150,196	80,417	87,331	276,376
Loss from discontinued operations	-	-	-	-	-
Net income (loss)	148,846	150,196	80,417	87,331	276,376
Other comprehensive income (net after tax)	2,581	(1,195)	(7,664)	1,595	(4,014)
Total comprehensive income	151,427	149,001	72,753	88,926	272,362
Net income attributable to owners of parent company	-	-	-	-	-
Net income attributable to non-controlling interests	-	-	-	-	-
Total comprehensive income attributable to owners of parent company	-	-	-	-	-
Total comprehensive income attributable to non-controlling interests	-	-	-	-	-
Earnings per share	1.32	1.28	0.69	0.74	2.36

(3) Name and opinion of CPAs for the most recent five years

Year	CPA	Opinion	Remark
2014	Lin, Yu-Kuan Liu, Yin-Fei	Unqualified opinion	Due to the need of internal adjustments, Lin, Yu-Kuan and Liu, Yin-Fei succeeded from 2014.
2015	Lin, Yu-Kuan Liu, Yin-Fei	Unqualified opinion	
2016	Lin, Yu-Kuan Cheng, Ya-Hui	Unqualified opinion	Due to the need of internal adjustments, Lin, Yu-Kuan and Cheng, Ya-Hui succeeded from 2016.
2017	Lin, Yu-Kuan Cheng, Ya-Hui	Unqualified opinion	
2018	Lin, Yu-Kuan Cheng, Ya-Hui	Unqualified opinion	

2. Financial Analysis for the Most Recent Five Years

(1) Financial analysis – IFRS (consolidated)

Item for Analysis / Year		2014	2015	2016	2017	2018
		Financial Analysis for the Most Recent Five Years				
Financial structure (%)	Debt to asset ratio	28.50	26.44	24.71	23.81	24.57
	Ratio of long-term capital to property, plant and equipment	208.11	194.23	182.58	191.91	236.17
Solvency (%)	Current ratio	243.22	250.18	250.83	286.54	313.52
	Quick ratio	154.06	173.08	195.16	210.78	222.21
	Interest coverage ratio	19.48	20.71	18.07	25.12	95.16
Operating ability	Receivables turnover rate (times)	3.85	3.98	4.19	4.37	5.01
	Average collection days	95	92	88	84	73
	Inventory turnover rate (times)	2.57	2.50	2.82	2.85	3.11
	Payables turnover rate (times)	7.86	8.19	8.15	7.31	6.89
	Average days for sale	142	147	130	129	118
	Property, plant and equipment turnover rate (times)	1.29	1.21	1.31	1.43	2.18
	Total asset turnover rate (times)	0.47	0.45	0.53	0.61	0.83
Profitability	Return on assets (%)	5.11	4.59	2.70	3.03	8.79
	Return on equity (%)	6.67	6.02	3.43	3.84	11.48
	Ratio of income before tax to paid-in capital (%)	15.24	15.47	8.68	8.57	29.22
	Profit margin (%)	10.31	9.66	4.77	4.77	10.48
	Earnings per share (NT$)	1.32	1.28	0.69	0.74	2.36
Cash flow	Cash flow ratio (%)	15.66	49.63	29.56	52.39	64.35
	Cash flow adequacy ratio (%)	56.20	65.73	65.80	68.67	65.97
	Cash reinvestment ratio (%)	-1.35	9.24	-3.31	7.65	10.07
Leverage	Operating leverage	3.15	2.76	2.83	2.69	1.56
	Financial leverage	1.11	1.07	1.04	1.03	1.01

Changes in financial ratios over the past two years:

1. Long-term capital to property, plant and equipment: An increase is mainly due to increases in income after tax and long-term capital in 2018.
2. Interest coverage ratio: An increase is mainly due to an increase in income before tax and interest expenses in 2018.
3. Property, plant and equipment turnover rate and total asset turnover rate: An increase is mainly due to an increase in operating revenue in 2018.
4. Return on assets, return on equity, ratio of income before tax to paid-in capital, and profit margin: An increase is mainly due to an increase in income after tax in 2018.
5. Cash flow ratio and cash reinvestment ratio: An increase is mainly due to net cash flow generated from operating activities as a result of an increase in income before tax in 2018.

(2) Financial analysis – IFRS (standalone)

Item for Analysis / Year		Financial Analysis for the Most Recent Five Years				
		2014	2015	2016	2017	2018
Financial structure (%)	Debt to asset ratio	28.15	25.56	23.48	22.4	22.6
	Ratio of long-term capital to property, plant and equipment	209.19	195.01	183.03	192.3	243.49
Solvency (%)	Current ratio	238.15	248.53	248.52	292.62	334.88
	Quick ratio	151.19	172.94	196.58	219.22	244.15
	Interest coverage ratio	19.55	20.76	17.77	24.92	89.89
Operating ability	Receivables turnover rate (times)	3.8	4.01	4.13	4.1	4.3
	Average collection days	96	92	89	90	85
	Inventory turnover rate (times)	2.5	2.45	2.78	2.76	2.92
	Payables turnover rate (times)	8.22	9.16	9.78	8.81	8.31
	Average days for sale	146	149	132	133	125
	Property, plant and equipment turnover rate (times)	1.16	1.08	1.15	1.24	1.81
	Total asset turnover rate (times)	0.42	0.41	0.48	0.54	0.69
Profitability	Return on assets (%)	5.17	4.64	2.69	3.05	8.95
	Return on equity (%)	6.71	6.04	3.36	3.8	11.43
	Ratio of income before tax to paid-in capital (%)	15.3	15.51	8.53	8.5	27.58
	Profit margin (%)	11.57	10.84	5.32	5.48	12.76
	Earnings per share (NT$)	1.32	1.28	0.69	0.74	2.36
Cash flow	Cash flow ratio (%)	17.62	52.21	28.25	54.99	61.39
	Cash flow adequacy ratio (%)	58.61	67.74	66.2	67.82	62.87
	Cash reinvestment ratio (%)	-0.89	9.23	-4.09	6.96	7.57
Leverage	Operating leverage	2.82	2.64	2.98	2.87	2.87
	Financial leverage	1.1	1.08	1.05	1.03	1.03

Changes in financial ratios over the past two years:

1. Long-term capital to property, plant and equipment: An increase is mainly due to increases in income after tax and long-term capital in 2018.
2. Interest coverage ratio: An increase is mainly due to an increase in income before tax and interest expenses in 2018.
3. Property, plant and equipment turnover rate and total asset turnover rate: An increase is mainly due to an increase in operating revenue in 2018.
4. Return on assets, return on equity, ratio of income before tax to paid-in capital, and profit margin: An increase is mainly due to an increase in income after tax in 2018.

A. Financial structure

(A) Debt to asset ratio＝Total liabilities/Total assets.

(B) Ratio of long-term capital to property, plant and equipment＝(Total equity+Non-current liabilities)/Net worth of property, plant and equipment.

B. Solvency

(A) Current ratio＝Current assets/Current liabilities.

(B) Quick ratio＝(Current assets–Inventories–Prepaid expenses)/Current liabilities.

(C) Interest coverage ratio＝Income before tax and interest expenses/Current interest expenses.

C. Operating ability

(A) Receivables (including accounts receivable and notes receivable arising from business operations) turnover rate=Net sales/Average receivables (including accounts receivable and notes receivable arising from business operations) for each period.

(B) Average collection days=365/Receivables turnover rate.

(C) Inventory turnover rate=Cost of sales/Average inventory.

(D) Payables (including accounts payable and notes payable arising from business operations) turnover rate=Cost of sales/Average payables (including accounts payable and notes payable arising from business operations) for each period.

(E) Average days for sale=365/Inventory turnover rate.

(F) Property, plant and equipment turnover rate=Net sales/Average net worth of property, plant and equipment.

(G) Total asset turnover rate=Net sales/Average total assets.

D. Profitability

(A) Return on assets＝[Income after tax+Interest expenses (1-Tax rate)] /Average total assets.

(B) Return on equity=Income after tax/Average total equity.

(C) Profit margin＝Income after tax/Net sales.

(D) Earnings per share＝(Income attributable to owners of parent company– Dividends on preferred shares)/Weighted average number of issued shares. (Note 4)

E. Cash flow

(A) Cash flow ratio=Net cash flow from operating activities/Current liabilities.

(B) Net cash flow adequacy ratio=Net cash flow from operating activities for the most recent five years/(Capital expenditures+Inventory increase+Cash dividends).

(C) Cash reinvestment ratio = (Net cash flow from operating activities–Cash dividends)/Gross value of property, plant and equipment+Long-term investments+Other non-current assets+Working capital). (Note 5)

F. Leverage

(A) Operating leverage=(Net operating revenue–Variable operating costs and expenses)/Operating income. (Note 6)

(B) Financial leverage=Operating income/(Operating income/Interest expenses).

3. Audit Committee's Review Report for the Most Recent Year's Financial Statements

Refer to Appendix 1 (Page104).

4. Financial Statements for the Most Recent Year (Consolidated)

Refer to Appendix 2 (Pages 105~170).

5. Standalone Financial Statements for the Most Recent Year, Audited by CPAs

Refer to Appendix 3 (Pages 171~251).

6. Up to the Printing Date of this Annual Report, has the Company or Related Companies Experienced Financial Turnover Difficulties:

None

VII. Review and Analysis of Financial Position and Financial Performance

1. Financial Position

Main reasons for any material changes (by 20% or more or NT$10 million) in the Company's assets, liabilities, or equity during the most recent two years, the effect, and response measures:

Unit: NT$1,000

Item \ Year	2018	2017	Increase (Decrease)	
			Amount	%
Current assets	2,033,539	1,637,663	395,876	24.17
Property, plant and equipment	1,143,587	1,282,614	(139,027)	(10.84)
Intangible assets	3,608	1,947	1,661	85.31
Other assets	172,466	114,503	57,963	50.62
Total assets	3,353,200	3,036,727	316,473	10.42
Current liabilities	648,610	571,535	77,075	13.49
Non-current liabilities	175,437	151,508	23,929	15.79
Total liabilities	824,047	723,043	101,004	13.97
Share capital	1,173,408	1,173,408	0	0.00
Capital reserve	730,121	730,121	0	0.00
Retained earnings	628,351	410,646	217,705	53.02
Other equity	(7,524)	(3,510)	(4,014)	114.36
Non-controlling interests	4,797	3,019	1,778	58.89
Total equity	2,529,153	2,313,684	215,469	9.31

1. Main reasons for any material changes (by 20% or more or NT$10 million) in the Company's assets, liabilities, or equity during the most recent two years, the effect, and response measures:
   Increase in current assets: Mainly due to increases in accounts receivable and inventories as a result of production expansion and revenue growth.
   Increase in other assets: Mainly because prepaid equipment for production expansion is not available for use and thus not yet recognized as property, plant and equipment.
   Increase in retained earnings: Mainly due to an increase in income after tax in 2018.

2. Main reasons for any material changes in the Company's current liabilities and long-term liabilities due within one year during the most recent two years, the effect, and response measures:
   An increase in current liabilities in 2018 is mainly due to an increase in accounts payable for the purchase of raw materials as a result of production expansion and revenue growth. In the future, the Company will respond to the need of funds through cash flows generated from operating activities and disposal of financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income, and financial assets at amortized cost.
   An increase in long-term liabilities due within one year in 2018 is mainly due to long-term borrowings. In the future, the Company will respond to the need of funds through cash flows generated from operating activities and disposal of financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income, and financial assets at amortized cost.

2. Financial Performance

Main reasons for any material changes in operating revenues, operating income, or income before tax during the most recent two years, the sales volume forecast and its basis, and the effect on the Company's financial operations, as well as response measures:

(1) Analysis of financial performance:

Unit: NT$1,000

Year / Item	2018	2017	Amount of Increase (Decrease)	Increase (Decrease) (%)
Operating revenue	2,653,960	1,848,068	805,892	43.61
Operating costs	1,808,524	1,409,614	398,910	28.30
Gross profit	845,136	438,454	406,682	92.75
Operating expenses	344,695	283,603	61,092	21.54
Operating income	500,441	154,851	345,590	223.18
Non-operating revenue and expenses	(157,592)	(54,281)	(103,311)	190.33
Income before tax	342,849	100,570	242,279	240.91
Income tax expenses (income)	64,823	12,398	52,425	422.85
Net income	278,026	88,172	189,854	215.32
Net other comprehensive income	(3,886)	1,393	(5,279)	(378.97)
Total comprehensive income	274,140	89,565	184,575	206.08

Main reasons for changes by 20% or more or NT$10 million and the effect:

1. Increases in operating revenue, operating costs, gross profit, and operating income: Mainly due to an increase in orders in 2018.
2. Increase in operating expenses: Mainly due to an increase in operating revenue.
3. Decrease in non-operating revenue and expenses: Mainly due to a loss on disposal or impairment of property, plant, and equipment.
4. Increase in income tax expenses: Mainly due to an increase in income before tax.

(2) Sales volume forecast for the coming year and its basis:

Focusing on the high-end market, the Company’s products are highly standardized and equipped with special functions. In recent years, the Company’s own brand, Viking, has been marketed in China and Asia successfully and widely adopted by electronics manufacturers in China, leading to high performance growth in China. The Company has been developing and producing new products on a mass scale in line with the industry trends. The sales volume in the coming year is estimated to be 37,706,000 thousand pieces.

3. Cash Flow

(1) Cash flow analysis:

Year / Item	2018	2017	Increase (Decrease) (%)
Cash flow ratio (%)	64.35	52.39	22.83
Cash flow adequacy ratio (%)	65.97	68.67	(3.93)
Cash reinvestment ratio (%)	10.07	7.65	31.63
Analysis of changes by 20% or more: Increases in cash flow ratio and cash reinvestment ratio: Mainly due to an increase in the net cash flow generated from operating activities as a result of an increase in income before tax in 2018.			

(2) Liquidity analysis for the coming year:

Unit: NT$1,000

Cash, Beginning of Year (1)	Net Cash Flow from Operating Activities (2)	Cash Used (3)	Cash, End of Year (1)+(2)-(3)	Corrective Measures for Cash Inadequacy	
				Investment Plans	Financing Plans
612,806	677,409	(489,487)	800,728	-	-

Analysis of changes in the cash flow in the coming year:
1. Cash flow generated from operating activities: Focusing on the high-end market, the Company’s products are highly standardized and equipped with special functions. In recent years, the Company’s own brand, Viking, has been marketed in China, Europe, and the U.S. successfully, leading to stable performance growth.
2. Cash flow used in investing activities: Mainly due to an increase in capital expenditures by NT$419,602 thousand as a result of production expansion.
3. Cash flow used in financing activities: Mainly due to the distribution of cash dividends and the repayment of bank loans.

4. Effect of Major Capital Expenditures on Financial Operations for the Most Recent Year

In 2018, capital expenditures amounted to NT$317,369 thousand, which could be covered by the cash flow generated from operating activities. Therefore, there was no material effect on the Company’s financial operations.

5. Reinvestment Analysis

Reinvestment Policy for the Most Recent Year, Main Reasons for Profit or Loss Generated Thereby, Improvement Plan, and Investment Plan for the Coming Year

December 31, 2018 Unit: NT$1,000

Reinvestment	Profit (Loss) Recognized in 2018	Reinvestment Policy	Main Reason for Profit or Loss	Improvement Plan	Investment Plan for the Coming Year
Viking Global Tech Co., Ltd.	81,410	Investment holding	Profit generated by Viking Tech Electronics Limited and Grand Barry International Ltd.	None	None
Grand Barry International Limited	5,202	Investment holding	Profit generated by Viking Tech America Corporation	None	None
Viking Tech Electronics Limited	64,203	Investment holding	Profit generated by Viking Electronics (Wuxi) Co., Ltd.	None	None
Lead Brand Co., Ltd.	12,005	Market expansion in China	Profit generated by the breakeven sales of general resistors in China	None	None
Viking Tech America Corporation	5,156	Market expansion in the U.S.	Profit generated by the breakeven sales of general resistors featuring Viking terminal design in the U.S.	None	None
Viking Electronics (Wuxi) Co., Ltd. (Note 1)	64,203	Market expansion in China	Profit generated by the breakeven sales of general resistors in China	None	None

Source: Financial statements for the year ended December 31, 2018 audited by the CPAs.

Note 1: On July 1, 2009, Viking Tech Electronics Limited acquired Viking Electronics (Wuxi) Co., Ltd. (formerly Wuxi Tmtec Co., Ltd., which was renamed on May 30, 2018), a subsidiary of Taitec Electronics (Samoa) Co., Ltd., using equity method. Approved by the Investment Commission, Ministry of Economic Affairs, the initial investment amounting to US$6,000 thousand is incorporated into the Company from now on.

6. Risk Analysis

(1) Effect of interest and exchange rate fluctuations and inflation on the Company's profit or loss,and response measures:

A. Interest and exchange rate fluctuations:

(A) Interest rate fluctuations:

Unit: NT$1,000

Item\Year	2017	2018
Short-term borrowings	130,000	20,000
Long-term interest-bearing liabilities (including those due within one year or business cycle)	170,135	200,749
Interest expenses (1)	4,169	3,641
Operating revenue (2)	1,848,068	2,653,960
Income before tax (3)	100,570	342,849
(1)/(2)	0.23%	0.14%
(1)/(3)	4.15%	1.06%

Source: Financial statements audited by the CPAs.

The effect of interest expenses on the Company's profit or loss remains low, but deposits are affected by interest rate fluctuations. The Finance Department should select bond funds with better performance in response.

(B) Exchange rate fluctuations:

Unit: NT$1,000

Item\Year	2017	2018
Exchange gains (losses) (1)	(55,413)	7,829
Income before tax (2)	100,570	342,849
(1)/(2)	-55.10%	2.28%

In addition to adopting a natural hedge strategy for foreign exchange transactions, the Company pays attention to exchange rate fluctuations at any time and adjusts foreign currency assets and liabilities in a timely manner to reduce the effect of exchange rate fluctuations on the Company's profit or loss. As the Company's sales model focuses on export, foreign currency assets are relatively high. In 2018, USD and RMB fluctuated significantly, the effect of exchange rate fluctuations was noticeable. Considering the focus on the major line of business, the Company did not engage in foreign exchange transactions for hedge purpose. In the future, the Company will continuously pay attention to the market conditions and exchange rate fluctuations at any time and review and control foreign currency assets to avoid any exchange rate risk.

B. Inflation: The Company pays close attention to the supply and demand of raw materials and the changes in raw material prices to adjust inventory in a timely manner. In the future, the Company will collect information on inflation and the government's price index policy from time to time to purchase raw materials appropriately.

(2) Internal policies on high-risk investments, highly leveraged investments, loans to other parties, endorsements/guarantees, and derivatives transactions, main reasons for the Company's profit or loss generated thereby, and response measures:

A. The Company did not engage in any high-risk investments or highly leveraged investments.

B. The Company always adopts a conservative strategy for derivatives transactions and follows the established Regulations Governing the Handling of Derivatives Transactions. As of the date of publication of the Annual Report, the Company did not engage in any derivatives transactions.

C. The Company has established the Regulations Governing the Making of Endorsements/Guarantees according to related laws. As of the date of publication of the Annual Report, the Company did not make any endorsements/guarantees.

D. The Company has established the Regulations Governing the Lending of Funds to Others according to related laws. As of the date of publication of the Annual Report, the Company did not loan to others.

(3) Research and development plans in the future and their expected expenditures:

Research and Development Plans	Progress	Expected Expenditure on Research and Development (NT$)	Expected Completion of Mass Production (yyyy/mm)	Key Factor in Successful Research and Development
PCNM (aluminum nitride precision thin film)	Prototype (etching process)	8,000,000	2019/6	Process control and yield
Electric meter-specific products	Prototype	200,000	2019/6	Material testing and process control
Tablet TFAN products	Prototype	200,000	2019/6	Material testing and process control
AIN high power thick film resistors	Prototype	5,000,000	2019/9	Material testing and process control
CSM0402/0603 alloy resistors	Prototype	200,000	2019/9	Process control and yield
2010 high power low resistance alloy resistors (10~100mR)	Prototype	200,000	2019/9	Process control and yield
Low temperature coefficient (5ppm) MELF cylindrical resistors	Prototype	5,000,000	2019/9	Material testing and process control
Long-side 1225 high power resistors	Prototype	200,000	2019/9	Process control and yield
Long-side 1020 resistors	Prototype	500,000	2019/10	Process control and yield
2512 high power high resistance alloy resistors (200~400mR)	Prototype	200,000	2019/11	Process control and yield
High resistivity resistor targets	Development and design	500,000	2019/12	Material testing and process control
TaN targets	DOE condition optimization	10,000,000	2019/12	Material testing and process control
CSM0612 long-side alloy resistors	Development and design	200,000	2019/12	Process control and yield
High voltage thin film resistors	Development and design	300,000	2019/12	Material testing and process control
Microwave thin film resistors (RF resistors)	Development and design	200,000	2019/12	Material testing and process control
CSM0306 (4T) long-side 4-terminal alloy resistors	Development and design	200,000	2019/12	Process control and yield
High frequency MELF cylindrical resistors	Development and design	5000,000	2019/12	Equipment and process control
Anti-plus anti-sulfur automotive grade resistors	Development and design	250,000	2019/12	Material testing and process control
Surge withstanding, anti-sulfur automotive grade resistors	Development and design	250,000	2019/12	Material testing and process control

(4) Effect of important policies and changes in the legal environment at home and abroad on the Company’s financial operations, and response measures:

The Company follows the government’s policies and laws and regulations. The management is able to control and comply with important policies and legal changes, and timely adjust the Company's business activities and governance in accordance with changes in policies and regulations to maintain the smooth business operations.

(5) Effect of changes in technology and industry on the Company’s financial operations, and response measures:

To ensure the autonomy and legitimacy of technologies, the Company not only develops new technologies through the internal research and development team, but also research on emerging technologies in collaboration with domestic research institutes to secure its technology leadership; in addition, upon completion of new technology development, the Company will apply for patents in Europe, the U.S., Japan, and China to prevent the newly developed technology from being preempted by other peers. Through application for patents, the Company can maintain the results of research and development and commercial interests and reduce overall business risks.

(6) Effect of changes in the corporate image on the Company’s crisis management, and response measures:

The Company requires all employees to strictly follow the code of conduct and ethics and provides customers quality products and services in line with the government's policies and laws and regulations; the Company has also established and amended internal policies and systems to maintain the corporate image. In the most recent year up to the date of publication of the Annual Report, no event has had an impact on the Company’s corporate image.

(7) Expected benefits and possible risks associated with any mergers and acquisitions, and response measures:

In the most recent year up to the date of publication of the Annual Report, the Company has not planned any mergers or acquisitions. If there is a need of merger or acquisition in the future, the Company will evaluate the merger or acquisition with prudence as to whether it will bring the specific synergy to protect the shareholders’ rights and interest.

(8) Expected benefits and possible risks associated with any plant expansion, and response measures:

As the Company leads in process technology and is able to flexibly adjust the capacity in response to the need of electronic components, plant expansion allows the Company to increase the capacity and receive more orders, thereby increasing revenue and profitability. After the capacity reaches the economic scale, production costs can be significantly reduced.

The Company has carefully planned for capital expenditures on the production expansion to meet customers’ needs while optimizing the utilization of capital.

(9) Risks associated with any consolidation of sales or purchasing operations, and response measures:

1. The single supplier with the highest proportion of the purchases only accounted for 11.50% of the Company's purchases. There was no risk of consolidation of purchasing operations.
2. The largest customer accounted for 3.41% of the Company's sales. There was no risk of consolidation of sales operations.

(10) Effect on and risk to the Company in the event a major quantity of shares belonging to a director, supervisor, or shareholder with a stake of more than 10% has been transferred or has otherwise changed hands, and response measures:

Since the incorporation of the Company, the Company's directors, supervisors, or shareholders with a stake of more than 10% have held shares for the purpose of sustainable management. The Company has reported changes in shareholding of the aforesaid personnel on schedule according to the Securities and Exchange Act. As of the date of publication of the Annual Report, there has been no transfer or change of shares.

(11) Effect on and risk to the Company associated with any changes in the governance personnel or top management, and response measures:

Since the incorporation of the Company, professional managers have been engaged to manage the Company; therefore, any changes in the shareholder structure will not affect the Company's business promotion.

(12) Litigious and non-litigious matters (please list major litigious, non-litigious or administrative disputes that: (1) involve the Company and/or any director, any supervisor, the President, any person with actual responsibility, any major shareholder holding a stake of more than 10%, and/or any company controlled by the Company; and (2) have been concluded by means of a final and unappealable judgment, or are still under litigation. Where such a dispute could materially affect shareholders' equity or the prices of the Company's securities, the facts of the dispute, amount of money at stake in the dispute, the date of litigation commencement, the main parties to the dispute, and the status of the dispute shall be disclosed): None.

(13) Other important risks and response measures:

Analysis of security risk assessment and corresponding measures

In order to implement information security management, the Company has established an information system management procedure to standardize the implementation and compliance of internal security policies, and auditors conduct audits of the safety inspections of the funds from time to time, and internal and establish the external information security at same time. The protection system reviews and identifies internal and external security risks and preventions each year to reduce threats or impact on the company's operating system. The Company's annual report of year 2018 up to end of the date of publication, there is no major asset security incidents occurred, which had no any adverse impact on the company's business and operations management.

7. Other Important Matters:

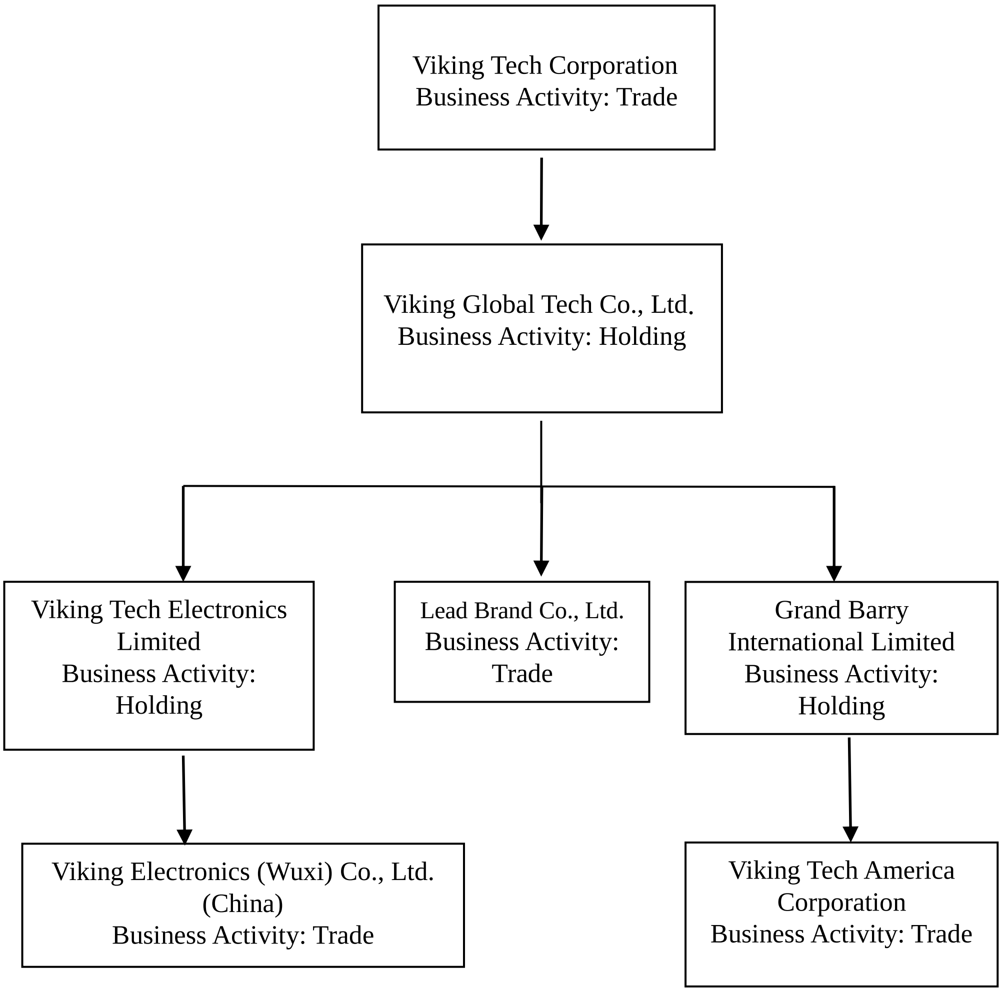
None.

VIII. Special Items to Be Included

1. Information on Affiliated Companies

    (1) Consolidated business report covering affiliated companies (as of December 31, 2018)

    A. Organization of affiliated companies



B. Information on affiliated companies

Unit: In thousand

Affiliated Company	Date of Incorporation	Address	Paid-in Capital	Scope of Business or Production
Lead Brand Co., LTD.	July 2, 2007	The Financial Services Centre P.O. Box 1823 Paul's Avenue, Kingstown St. Vincent & the Grenadines	US$0	International trade
Viking Electronics (Wuxi) Co., Ltd.	(Note 2)	No.1, Zone A, Electromechanical Industrial Park, Wuxi National High-Tech Industrial Development Zone	US$6,000	Manufacture and sale of passive components and thermistors
Viking Global Tech Co., Ltd. (Note 1)	July 11, 2009	OMC Chambers, Wickhams Cay 1, Road Town, Tortola, British Virgin Islands	US$785	General investment
Viking Tech America Corporation (Note 3)	January 3, 2011	19800 MacArthur Blvd Suite 300 Irvine, CA 92612,USA	US$750	International trade
Grand Barry International Limited	January 28, 2011	OMC Chambers, Wickhams Cay 1,Road Town, Tortola, British Virgin Islands	US$785	General investment
Viking Tech Electronics Limited (Note 2)	July 9, 2009	1004 AXA Centre, 151 Gloucester Road, Wan Chai, Hong Kong	US$0	General investment

Note 1: On July 1, 2009, the Company invested in Viking Global Tech Co., Ltd. by holding of Viking Tech Group L.L.C. and Taitec Technology (Samoa) Co., Ltd. at US$91,196.

Note 2: On July 1, 2009, Viking Tech Electronics Limited acquired Viking Electronics (Wuxi) Co., Ltd. (formerly Wuxi Tmtec Co., Ltd., which was renamed on May 30, 2018), a subsidiary of Taitec Electronics (Samoa) Co., Ltd., using equity method. Approved by the Investment Commission, Ministry of Economic Affairs, the initial investment amounting to US$6,000 thousand is incorporated into the Company from now on.

Note 3: In July 2013, Grand Barry International Limited invested in Viking Tech America Corporation by issuing new shares for US$3,001; however, it did not subscribe for new shares in proportion to its shareholding, causing the shareholding percentage to fall to 76% this year, but it still had control over the subsidiary. The discrepancy between the carrying amount and the net worth totaling US$1,482 was adjusted under equity.

C. Information on same shareholders under presumption of a relationship of control or subordination: None.

D. Industries covered by the overall business operated by the affiliated companies and mutual dealings and division of work:

(A) Industries covered by the overall business operated by the affiliated companies:

Mainly the sale and service of passive components, coupled with investment and international trade.

(B) Mutual dealings and division of work:

To expand business in China and overseas, the Company has established operations in Wuxi and the U.S. for the sale and service of passive components.

E. Directors, supervisors, and presidents of affiliated companies

Affiliated Company	Title	Name or Representative	Number of Shares Held	
			Number of Shares	Shareholding Percentage (%)
Lead Brand Co., LTD.	Director	Viking Global Tech Co., Ltd. Representative: Hu, Chuan-Pin	1,000,000	100.00
Grand Barry International Limited	Director	Viking Global Tech Co., Ltd. Representative: Hu, Chuan-Pin	31,400	100.00
Viking Electronics (Wuxi) Co., Ltd.	Director	Viking Tech Electronics Limited. Representative: Hu, Chuan-Pin	0	100.00
	Director	Viking Tech Electronics Limited. Representative: Liang, Yao-Ming		
Viking Global Tech Co., Ltd.	Director	Viking Tech Corporation Representative: Tsai, Kao-Ming Representative: Hu, Chuan-Pin	7,000	100.00
Viking Tech Electronics Limited.	Director	Viking Global Tech Co., Ltd. Representative: Hu, Chuan-Pin	46,800,000	100.00
Viking Tech America Corporation	Director	Grand Barry International Limited Representative: Hu, Chuan-Pin	750,000	75.76

F. Financial position and operating results of affiliated companies

December 31, 2018 Unit: NT$1,000

Affiliated Company	Capital	Total Assets	Total Liabilities	Net Worth	Operating Revenue	Operating Income	Income after Tax	Earnings per share (NT$) (after Tax)
Viking Global Tech Co., Ltd. (Note 1)	104,832	186,526	0	186,526	0	0	81,410	11,630
Lead Brand Co., LTD.	0	81,142	39,393	41,749	131,845	12,972	12,005	12.005
Viking Tech Electronics Limited	74,411	128,708	0	128,708	0	0	64,203	0.137
Grand Barry International Limited	23,766	16,068	0	16,068	0	0	5,202	165.669
Viking Tech America Corporation (Note 3)	29,912	38,657	18,871	19,786	73,608	4,627	6,807	9.076
Viking Electronics (Wuxi) Co., Ltd. (Note 2)	184,290	460,227	331,519	128,708	813,855	78,483	64,203	N/A

Note 1: On July 1, 2009, the Company invested in Viking Global Tech Co., Ltd. by holding of Viking Tech Group L.L.C. and Taitec Technology (Samoa) Co., Ltd. at US$91,196.

Note 2: On July 1, 2009, Viking Tech Electronics Limited acquired Viking Electronics (Wuxi) Co., Ltd. (formerly Wuxi Tmtec Co., Ltd., which was renamed on May 30, 2018), a subsidiary of Taitec Electronics (Samoa) Co., Ltd., using equity method. Approved by the Investment Commission, Ministry of Economic Affairs, the initial investment amounting to US$6,000 thousand is incorporated into the Company from now on.

Note 3: In July 2013, Grand Barry International Limited invested in Viking Tech America Corporation by issuing new shares for US$3,001; however, it did not subscribe for new shares in proportion to its shareholding, causing the shareholding percentage to fall to 76% this year, but it still had control over the subsidiary. The discrepancy between the carrying amount and the net worth totaling US$1,482 was adjusted under equity.

(2) Consolidated financial statements covering affiliated companies

For the fiscal year from January 1, 2018 to December 31, 2018, companies that should be included in the consolidated financial statements covering affiliated companies in accordance with the Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises are the same as those that should be included in the consolidated financial statements under IAS 27; in addition, related information that should be disclosed in the consolidated financial statements covering affiliated companies has been disclosed in the consolidated financial statement. As a result, the consolidated financial statements covering affiliated companies are not prepared separately.

Affiliation report: None.

2. Private Placement of Securities during the Current Year up to the Date of Publication of the Annual Report:

None.

3. Holding or Disposal of Shares in the Company by Subsidiaries during the Current Year up to the Date of Publication of the Annual Report:

None.

4. Other Matters Requiring Additional Description:

None.

5. Any of the Situations Listed in Subparagraph 2, Paragraph 2, Article 36 of the Securities and Exchange Act which Might Materially Affect Shareholders' Equity or Price of the Company's Securities:

None.

Appendix:

1. Audit Committee’s Review Report

Audit Committee’s Review Report

The Board of Directors has submitted the financial statements for the year ended December 31, 2018, which have been audited by CPA Lin, Yu-Kuan and CPA Cheng, Ya-Hui of PwC Taiwan, the business report, and the proposal for 2018 earnings distribution to the Audit Committee. Upon review, the Audit Committee deems the above report and statements consistent and hereby issues the review report for adoption in accordance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act.

To:

2018 shareholders’ meeting

Viking Tech Corporation
Convener: Shen, Po-Ting

March 13, 2019

2. Financial Statements for the Most Recent Year (Consolidated)

VIKING TECH CORPORATION AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS AND

REPORT OF INDEPENDENT ACCOUNTANTS

DECEMBER 31, 2018 AND 2017

For the convenience of readers and for information purpose only, the auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. In the event of any discrepancy between the English version and the original Chinese version or any differences in the interpretation of the two versions, the Chinese-language auditors' report and financial statements shall prevail.

VIKING TECH CORPORATION

Declaration of Consolidated Financial Statements of Affiliated Enterprises

For the year ended December 31, 2018, pursuant to "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises," the Company that is required to be included in the consolidated financial statements of affiliates, is the same as the Company required to be included in the consolidated financial statements of parent and subsidiary companies under International Financial Reporting Standard No. 10. And if relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies, it shall not be required to prepare separate consolidated financial statements of affiliates.

Hereby declare,

Viking Tech Corporation

Representative: Tsai, Gau-ming

March 13, 2019

REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

PWCR18000442

To the Board of Directors and Shareholders of VIKING TECH CORPORATION

Opinion

We have audited the accompanying consolidated balance sheets of VIKING TECH CORPORATION and its subsidiaries (the "Group") as at December 31, 2018 and 2017, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.

Basis for opinion

We conducted our audits in accordance with the "Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants" and generally accepted auditing standards in the Republic of China (ROC GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Code of Professional Ethics for Certified Public Accountants in the Republic of China (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

The key audit matters in relation to the consolidated financial statements for the year ended December 31, 2018 are outlined as follows:

Cut-off risk error of revenue recognistion

Description

Please refer to Note 4(24) for accounting policy on revenue recognition. The Company is primarily engaged in export and offers different credit terms to their customers. The credit terms for some customers are delivered at place and the timing for transferring the control of goods is based on the customer confirmation documents. Given the revenue recognition process relies on manual processes and the large amounts of daily sales transactions are to be material to the financial statements, we thus consider sales cut-off as a key audit matter.

How our audit addressed the matter

We performed the following audit procedures on the above key audit matter:

1. Assessed the reasonableness of the sales recognistion accounting policy.
2. Understood and tested the design and effectiveness of implement of relevant internal control when recognising the sales revenues.
3. Sampled delivery orders and customer confirmation documents in a certain period before and after the balance sheet date to ensure the accuracy of cut-off of sales revenue.

Assessment of allowance for inventory valuation losses

<u>Description</u>

Please refer to Note 4(12) for accounting policies on inventory, Note 5 for significant accounting estimates and assumptions of inventory, and Note 6(6) for details of allowance for inventory valuation losses.

The Company manufactures and sells thick and thin film passive components products. Due to the competitive market in the industry and the fluctuating prices, there is a higher risk of inventory losing value or becoming obsolete. The inventories are stated at the lower of cost and net realisable value and the possible losses arising from aged and obsolete inventories are also assessed. Given the evaluation on the aged and obsolete inventories involves subjective judgement which results in estimation uncertainty and the impact of aged inventories and allowance for inventory valuation losses are to be material to the financial statements, we thus consider assessment of allowance for inventory valuation losses as a key audit matter.

<u>How our audit addressed the matter</u>

We performed the following audit procedures on the above key audit matter:

1. Understood and assessed the reasonableness of allowance for inventory valuation losses policy including the historical sources of inventory clearance process.
2. Obtained the inventory assessment report prepared by the authority and checked the completeness of the information on the inventory aging report.
3. Verified the accuracy of the intervals and relevant information used on the inventory aging report, ensured the allowance loss valuation and the provision policy are consistently applied and further assessed the reasonableness of the estimations of allowance for inventory valuation losses.

Other matter – Parent company only financial reports

We have audited and expressed an unmodified opinion on the parent company only financial statements of Viking Tech Corporation, as at and for the years ended December 31, 2018 and 2017.

Responsibilities of management and those charged with governance for the consolidated financial statements

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 the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including audit committee, are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the parent company only financial statements

Our objectives are to obtain reasonable assurance about whether the parent company only financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ROC GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these parent company only financial statements.

As part of an audit in accordance with ROC GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the parent company only financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Lin, Yu-Kuan	Cheng, Ya-Huei

For and on behalf of PricewaterhouseCoopers, Taiwan
March 13, 2019

The accompanying consolidated financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying consolidated financial statements and report of independent accountants are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.
As the financial statements are the responsibility of the management, PricewaterhouseCoopers cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

VIKING TECH CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	Assets	Notes	December 31, 2018 AMOUNT	%	December 31, 2017 AMOUNT	%
	Current assets					
1100	Cash and cash equivalents	6(1)	$ 612,806	18	$ 669,909	22
1110	Financial assets at fair value through profit or loss - current	6(2)	49,656	2	40,856	1
1120	Current financial assets at fair value through other comprehensive income	6(3)	59,096	2	-	-
1125	Available-for-sale financial assets - current	12(4)	-	-	58,901	2
1136	Current financial assets at amortised cost, net	6(4)	63,416	2	-	-
1147	Bond investments without active markets - current	12(4)	-	-	4,565	-
1150	Notes receivable, net	6(5)	14,929	-	9,737	-
1170	Accounts receivable, net	6(5)	615,166	18	405,421	13
1180	Accounts receivable - related parties	6(5) and 7	9	-	130	-
1200	Other receivables		22,517	1	13,011	1
1210	Other receivables - related parties	7	1,581	-	-	-
1220	Current income tax assets		2,129	-	2,129	-
130X	Inventories	6(6)	568,210	17	405,627	14
1410	Prepayments		22,936	1	26,476	1
1479	Other current assets, others	8	1,088	-	901	-
11XX	**Total current assets**		2,033,539	61	1,637,663	54
	Non-current assets					
1600	Property, plant and equipment	6(7)(8)(25) and 8	1,143,587	34	1,282,614	42
1780	Intangible assets		3,608	-	1,947	-
1840	Deferred income tax assets	6(23)	46,510	1	24,387	1
1900	Other non-current assets	6(25)	125,956	4	90,116	3
15XX	**Total non-current assets**		1,319,661	39	1,399,064	46
1XXX	**Total assets**		$ 3,353,200	100	$ 3,036,727	100

(Continued)

VIKING TECH CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	Liabilities and Equity	Notes	December 31, 2018 AMOUNT	%	December 31, 2017 AMOUNT	%
	Current liabilities					
2100	Short-term borrowings	6(9)(26)	$ 20,000	1	$ 130,000	4
2150	Notes payable		3,154	-	5,253	-
2170	Accounts payable		280,099	9	182,001	6
2180	Accounts payable - related parties	7	33,508	1	19,114	1
2200	Other payables	6(10)(22)	210,044	6	198,135	7
2230	Current income tax liabilities	6(23)	63,155	2	12,593	-
2320	Long-term liabilities, current portion	6(11)(26) and 8	29,076	1	22,319	1
2399	Other current liabilities, others		9,574	-	2,120	-
21XX	**Total current liabilities**		648,610	20	571,535	19
	Non-current liabilities					
2540	Long-term borrowings	6(11)(26) and 8	171,673	5	147,816	5
2570	Deferred income tax liabilities	6(23)	209	-	247	-
2600	Other non-current liabilities		3,555	-	3,445	-
25XX	**Total non-current liabilities**		175,437	5	151,508	5
2XXX	**Total Liabilities**		824,047	25	723,043	24
	Equity attributable to owners of parent					
	Share capital	6(13)				
3110	Share capital - common stock		1,173,408	35	1,173,408	38
	Capital surplus	6(14)				
3200	Capital surplus		730,121	22	730,121	24
	Retained earnings	6(15)				
3310	Legal reserve		150,954	4	142,221	5
3320	Special reserve		3,510	-	5,105	-
3350	Unappropriated retained earnings		473,887	14	263,320	9
	Other equity	6(3)(16) and 12(4)				
3400	Other equity interest		(7,524)	-	(3,510)	-
31XX	**Total equity attributable to owners of the parent**		2,524,356	75	2,310,665	76
36XX	**Non-controlling interest**		4,797	-	3,019	-
3XXX	**Total equity**		2,529,153	75	2,313,684	76
	Significant Contingent Liabilities and Unrecongised	9				
	Contract Commitments	11				
	Significant Events After the Balance Sheet Date					
3X2X	**Total liabilities and equity**		$ 3,353,200	100	$ 3,036,727	100

The accompanying notes are an integral part of these consolidated financial statements.

VIKING TECH CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS, EXCEPT EARNINGS PER SHARE)

			Years ended December 31			
			2018		2017	
	Items	Notes	AMOUNT	%	AMOUNT	%
4000	**Operating revenue**	6(17) and 7	$ 2,653,960	100	$ 1,848,068	100
5000	**Operating costs**	6(6)(21)(22) and 7	(1,808,824)	(68)	(1,409,614)	(76)
5900	**Gross profit**		845,136	32	438,454	24
	Operating expenses	6(21)(22)				
6100	Selling expenses		(128,469)	(5)	(104,351)	(5)
6200	General and administrative expenses		(165,472)	(6)	(123,354)	(7)
6300	Research and development expenses		(50,754)	(2)	(55,898)	(3)
6000	**Total operating expenses**		(344,695)	(13)	(283,603)	(15)
6900	**Operating profit**		500,441	19	154,851	9
	Non-operating income and expenses					
7010	Other income	6(3)(4)(18)	15,873	-	(21,582)	(1)
7020	Other gains and losses	6(2)(8)(19)	(169,824)	(6)	(28,530)	(2)
7050	Finance costs	6(20)	(3,641)	-	(4,169)	-
7000	**Total non-operating income and expenses**		(157,592)	(6)	(54,281)	(3)
7900	**Profit before income tax**		342,849	13	100,570	6
7950	Income tax expense	6(23)	(64,823)	(3)	(12,398)	(1)
8200	**Profit for the year**		$ 278,026	10	$ 88,172	5
	Other comprehensive income					
	Components of other comprehensive income that will be reclassified to profit or loss					
8361	Cumulative translation differences of foreign operations	6(16)	($ 2,080)	-	($ 1,519)	-
8362	Other comprehensive income, before tax, available-for-sale financial assets	6(16) and 12(4)	-	-	2,912	-
8367	Unrealised gains (losses) from investments in debt instruments measured at fair value through other comprehensive income, net	6(3)(16)	(1,806)	-	-	-
8500	**Total comprehensive income for the year**		$ 274,140	10	$ 89,565	5
	Profit, attributable to:					
8610	Owners of the parent		$ 276,376	10	$ 87,331	5
8620	Non-controlling interest		$ 1,650	-	$ 841	-
	Comprehensive income attributable to:					
8710	Owners of the parent		$ 272,362	10	$ 88,926	5
8720	Non-controlling interest		$ 1,778	-	$ 639	-
	Basic earnings per share	6(24)				
9750	**Total Basic earnings per share**		$	2.36	$	0.74
	Diluted earnings per share	6(24)				
9850	**Total Diluted earnings per share**		$	2.33	$	0.74

The accompanying notes are an integral part of these consolidated financial statements.

VIKING TECH CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

		Equity attributable to owners of the parent										
				Retained Earnings			Other Equity Interest					
Year ended December 31, 2017												
Balance at January 1, 2017		$1,173,408	$ 730,121	$ 134,179	$ -	$ 247,807	($ 2,541)	$ -	($ 2,564)	$2,280,410	$ 2,380	$2,282,790
Profit for the year		-	-	-	-	87,331	-	-	-	87,331	841	88,172
Other comprehensive income (less) for the year	6(16) and 12(4)	-	-	-	-	-	(1,317)	-	2,912	1,595	(202)	1,393
Total comprehensive income		-	-	-	-	87,331	(1,317)	-	2,912	88,926	639	89,565
Distribution of retained earnings of 2016:												
Legal reserve	6(15)	-	-	8,042	-	(8,042)	-	-	-	-	-	-
Special reserve	6(15)	-	-	-	5,105	(5,105)	-	-	-	-	-	-
Cash dividends	6(15)	-	-	-	-	(58,671)	-	-	-	(58,671)	-	(58,671)
Balance at December 31, 2017		$1,173,408	$ 730,121	$ 142,221	$ 5,105	$ 263,320	($ 3,858)	$ -	$ 348	$2,310,665	$ 3,019	$2,313,684
Year ended December 31, 2018												
Balance at January 1, 2018		$1,173,408	$ 730,121	$ 142,221	$ 5,105	$ 263,320	($ 3,858)	$ -	$ 348	$2,310,665	$ 3,019	$2,313,684
Retrospective application and effect of retrospective restatement		-	-	-	-	-	-	348	(348)	-	-	-
Balance at 1 January after adjustments		1,173,408	730,121	142,221	5,105	263,320	(3,858)	348	-	2,310,665	3,019	2,313,684
Profit for the year		-	-	-	-	276,376	-	-	-	276,376	1,650	278,026
Other comprehensive income (loss) for the year	6(3)(16)	-	-	-	-	-	(2,208)	(1,806)	-	(4,014)	128	(3,886)
Total comprehensive income		-	-	-	-	276,376	(2,208)	(1,806)	-	272,362	1,778	274,140
Distribution of retained earnings of 2017:												
Legal reserve	6(15)	-	-	8,733	-	(8,733)	-	-	-	-	-	-
Special reserve	6(15)	-	-	-	(1,595)	1,595	-	-	-	-	-	-
Cash dividends	6(15)	-	-	-	-	(58,671)	-	-	-	(58,671)	-	(58,671)
Balance at December 31, 2018		$1,173,408	$ 730,121	$ 150,954	$ 3,510	$ 473,887	($ 6,066)	($ 1,458)	$ -	$2,524,356	$ 4,797	$2,529,153

The accompanying notes are an integral part of these consolidated financial statements.

VIKING TECH CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	Notes	Years ended December 31, 2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		$ 342,849	$ 100,570
Adjustments			
Adjustments to reconcile profit (loss)			
Provision for expected credit loss	12(2)	883	-
Reversal for doubtful accounts	12(4)	-	(22)
Depreciation	6(7)(21)	184,546	173,109
Amortisation of intangible assets	6(21)	2,976	3,166
Interest income	6(3)(4)(18)	(5,066)	(6,524)
Interest expense	6(20)	3,641	4,169
Net loss (gain) on financial assets at fair value	6(2)(19)	4,372	(3,109)
Loss on disposal of property, plant and equipment	6(7)(19)	35,524	1,491
Impairment loss	6(7)(8)(19)	135,374	4,637
Value loss on available-for-sale financial assets	12(4)	-	4,901
Gain on foreign exchange remeasurement of financial assets at fair value through other comprehensive income	6(3)	(1,872)	-
Changes in operating assets and liabilities			
Changes in operating assets			
Financial assets at fair value through profit or loss	6(2)	(13,172)	54,624
Notes receivable	6(5)	(5,266)	6,541
Accounts receivable	6(5) and 12(4)	(214,636)	(7,396)
Accounts receivable - related parties	6(5), 7 and 12(4)	121	(11)
Other receivables		(9,620)	(4,341)
Other receivables - related parties		(1,581)	-
Inventories	6(6)	(165,118)	(57,397)
Prepayments		3,411	(7,534)
Other current assets		(187)	644
Changes in operating liabilities			
Notes payable		(2,099)	(1,365)
Accounts payable		99,883	32,392
Accounts payable- related parties	7	14,829	7,176
Other payables	6(10)	35,128	5,244
Other current liabilities		7,503	(1,474)
Cash inflow generated from operations		452,423	309,491
Interest received		4,981	6,719
Interest paid		(3,670)	(4,235)
Income tax paid		(36,307)	(12,549)
Net cash flows from operating activities		417,427	299,426

(Continued)

VIKING TECH CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	Notes	Years ended December 31, 2018	2017
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of financial assets at amortized cost	6(4)	($ 86,481)	$ -
Acquisition of Obtain debt instruments without an active market		-	(4,530)
Procceds from Disposal of financial assets measured by amortized cost	6(4)	27,361	-
Expiration of Debt instrument investment without active market	12(4)	-	6,795
Increase in other current financial assets	8	-	(800)
Acquisition of property, plant and equipment	6(7)(25)	(317,369)	(175,542)
Proceeds from disposal of property, plant and equipment	6(7)	44,138	1,285
Acquisition of intangible assets		(4,637)	(2,819)
Increase in refundable deposits		(1,990)	(274)
Net cash flows used in investing activities		(338,978)	(175,885)
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase in short-term borrowings	6(9)(26)	30,000	150,000
Repayment of short-term borrowings	6(9)(26)	(140,000)	(330,000)
Increase in short-term borrowings	6(11)(26)	57,380	95,000
Repayment of short-term borrowings	6(11)(26)	(26,766)	(16,022)
Increase (decrease) in guarantee deposits received		110	(288)
Cash dividends paid	6(15)	(58,671)	(58,671)
Net cash flows used in financing activities		(137,947)	(159,981)
Effects of changes in foreign exchange rates		2,395	535
Net decrease in cash and cash equivalents		(57,103)	(35,905)
Cash and cash equivalents at beginning of year	6(1)	669,909	705,814
Cash and cash equivalents at end of year	6(1)	$ 612,806	$ 669,909

The accompanying notes are an integral part of these consolidated financial statements.

VIKING TECH CORPORATION AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS,
EXCEPT AS OTHERWISE INDICATED)

1. HISTORY AND ORGANISATION

VIKING TECH CORPORATION (the "Company") was incorporated as a company limited by shares under the provisions of the Company Act of the Republic of China (R.O.C.). The Company is primarily engaged in research and development, manufacturing and sale of thick and thin film passive components.

2. THE DATE OF AUTHORISATION FOR ISSUANCE OF THE CONSOLIDATED FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORISATION

The consolidated financial statements were authorised for issuance by the Board of Directors on March 13, 2019.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

(1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards ("IFRS") as endorsed by the Financial Supervisory Commission ("FSC")

New standards, interpretations and amendments endorsed by FSC effective from 2018 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 2, 'Classification and measurement of share-based payment transactions'	January 1, 2018
Amendments to IFRS 4, 'Applying IFRS 9, Financial instruments with IFRS 4, Insurance contracts'	January 1, 2018
IFRS 9, 'Financial instruments'	January 1, 2018
IFRS 15, 'Revenue from contracts with customers'	January 1, 2018
Amendments to IFRS 15, 'Clarifications to IFRS 15, Revenue from contracts with customers'	January 1, 2018
Amendments to IAS 7, 'Disclosure initiative'	January 1, 2017
Amendments to IAS 12, 'Recognition of deferred tax assets for unrealised losses	January 1, 2017
Amendments to IAS 40, 'Transfers of investment property'	January 1, 2018
IFRIC 22, 'Foreign currency transactions and advance consideration'	January 1, 2018
Annual improvements to IFRSs 2014-2016 cycle - Amendments to IFRS 1, 'First-time adoption of International Financial Reporting Standards'	January 1, 2018
Annual improvements to IFRSs 2014-2016 cycle - Amendments to IFRS 12, 'Disclosure of interests in other entities'	January 1, 2017
Annual improvements to IFRSs 2014-2016 cycle - Amendments to IAS 28, 'Investments in associates and joint ventures'	January 1, 2018

Except for the following, the above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment.

A. IFRS 9, 'Financial instruments'

Classification of debt instruments is driven by the entity's business model and the contractual cash flow characteristics of the financial assets, which would be classified as financial asset at fair value through profit or loss, financial asset measured at fair value through other comprehensive income or financial asset at amortised cost. Equity instruments would be classified as financial asset at fair value through profit or loss, unless an entity makes an irrevocable election at inception to present subsequent changes in the fair value of an investment in an equity instrument that is not held for trading in other comprehensive income.

B. When applying to the 2018 IFRSs version approved by the FSC. The Company has elected not to restate prior period financial statements using the modified retrospective approach under IFRS 9. The details of the significant effect as at January 1, 2018 is as follows: ：

(1) The Group will provide for the sale of financial assets of $58,901, which will be classified as IFRS 9 Easy-to-use equity instruments are an irrevocable choice, adjusted by other comprehensive gains and losses Financial assets measured at fair value of $58,901.

(2) The Group will hold a debt investment instrument of $4,565 in an inactive market, in accordance with the IFRS 9 classification. Increase the financial assets measured by amortized cost by $4,565.

(3) The Group adopts revised traceability for the IFRS 9 Series, which is the weight of the Republic of China on January 1, 2018. For the significant effects, please refer to Note 12 (D).

(2) Effect of new issuances of or amendments to IFRSs as endorsed by the FSC but not yet adopted by the Group

New standards, interpretations and amendments endorsed by the FSC effective from 2019 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 9, ‘Prepayment features with negative	January 1, 2019
IFRS 16, ‘Leases’	January 1, 2019
Amendments to IAS 19, ‘Plan amendment, curtailment or settlement’	January 1, 2019
Amendments to IAS 28, ‘Long-term interests in associates and joint	January 1, 2019
IFRIC 23, ‘Uncertainty over income tax treatments’	January 1, 2019
Annual improvements to IFRSs 2015-2017 cycle	January 1, 2019

Except for the following, the above standards and interpretations have no significant impact to the Group’s financial condition and financial performance based on the Group’s assessment.The quantitative impact will be disclosed when the assessment is complete.

IFRS 16,‘Leases’

IFRS 16,‘Leases’, replaces IAS 17,‘Leases’and related interpretations and SICs. The standard requires lessees to recognise a 'right-of-use asset' and a lease liability (except for those leases withterms of 12 months or less and leases of low-value assets). The accounting stays the same for lessors, which is to classify their leases as either finance leases or operating leases and account for those two types of leases differently. IFRS 16 only requires enhanced disclosures to be provided by lessors. The Company expects to recognise the lease contract of lessees in line with IFRS 16 using the modified retrospective approach. The Company expects that‘ right-of-use asset’ and lease liability will be increased by $34,614 on January 1, 2019.

(3) IFRSs issued by IASB but not yet endorsed by the FSC

New standards, interpretations and amendments issued by IASB but not yet included in the IFRSs as endorsed by the FSC are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendment to IAS 1 and IAS 8, ‘Disclosure Initiative-Definition of Material’	January 1, 2020
Amendments to IFRS 3, ‘Definition of a business’	January 1, 2020
Amendments to IFRS 10 and IAS 28, ‘Sale or contribution of assets between an investor and its associate or joint venture’	To be determined by International Accounting Standards Board
IFRS 17, ‘Insurance contracts’	January 1, 2021

Except for the following, the above standards and interpretations have no significant impact to the Group’s financial condition and financial performance based on the Group’s assessment.The quantitative impact will be disclosed when the assessment is complete.

Amendment to IAS 1 and IAS 8, ‘Disclosure Initiative-Definition of Material’

The amendments clarify the definition of material that information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

The consolidated financial statements of the Group have been prepared in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the “IFRSs”).

(2) Basis of preparation

A. Except for the following items, the consolidated financial statements have been prepared under the historical cost convention:

(a) Financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

(b) Financial assets and liabilities at fair value through other comprehensive income/Available-for-sale financial assets measured at fair value.

(c) Liabilities on cash-settled share-based payment arrangements measured at fair value.

(d) Defined benefit liabilities recognised based on the net amount of pension fund assets less present value of defined benefit obligation.

B. The preparation of financial statements in conformity with IFRSs requires the use of certain criticalaccounting estimates. It also requires management to exercise its judgement in the process of applying the Company’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant.

C. In adopting IFRS 9 and IFRS 15 effective January 1, 2018, the Group has elected to apply modified retrospective approach whereby the cumulative impact of the adoption was recognised as retained earnings or other equity as of January 1, 2018 and the financial statements for the year ended December 31, 2017 were not restated. The financial statements for the year ended December 31, 2017 were prepared in compliance with International Accounting Standard 39

(‘IAS 39’), International Accounting Standard 18 (‘IAS 18’) and related financial reporting interpretations. Please refer to Notes 12(4) and (5) for details of significant accounting policies and details of significant accounts.

(3) Basis of consolidation

A. Basis for preparation of consolidated financial statements:

(a) All subsidiaries are included in the Group’s consolidated financial statements. Subsidiaries are all entities controlled by the Group. The Group controls an entity when the Group is exposed,or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries.

(b) Inter-company transactions, balances and unrealized gains or losses on transactions between companies within the Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.

(c) Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to
the owners of the parent and to the non-controlling interests even if this results in the noncontrolling interests having a deficit balance.

(d) Changes in a parent’s ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are accounted for as equity transactions, i.e. transactions with owners in their capacity as owners. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity.

B. Subsidiaries included in the consolidated financial statements:

Name of investor	Name of subsidiary	Main business activities	Ownership(%) December 31, 2018	Ownership(%) December 31, 2017	Description
Viking Tech Corporation	Viking Global Tech Co.,	Broad businesses and investments	100	100	
Viking Global Tech Co.,	Lead Brand Co., Ltd.	Sale of thin film passive components	100	100	
Viking Global Tech Co.,	Viking Tech Electronics Limited	Broad businesses and investments	100	100	
Viking Global Tech Co.,	Grand Barry International Limited	Broad businesses and investments	100	100	
Viking Tech Electronics Limited	Viking Electronics (WUXI) CO.LTD.	Manufacturing and sale of passive components and	100	100	Note 1
Grand Barry International Limited	Viking Tech America Corporation	Sale of film and thick film passive	76	76	

Note 1:The Company’s subsidiary, Wuxi Taiming Electronics Co., Ltd., was renamed Viking Electronics (WUXI) CO.LTD. on May 30, 2018.

C. Subsidiaries not included in the consolidated financial statements: None.

D. Adjustments for subsidiaries with different balance sheet dates: None.

E. Major restriction: None.

F. Subsidiaries with significant non-controlling interests in the Group: None.

(4) Foreign currency translation

Items included in the financial statements of each of the Group’s entities are measured using the currency of the primary economic environment in which the entity operates (the “functional currency”). The consolidated financial statements are presented in New Taiwan dollars, which is the Company’s functional and the Group’s presentation currency.

A. Foreign currency transactions and balances

(a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in profit or loss in the period in which they arise.

(b) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognised in profit or loss.

(c) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.

(d) All other foreign exchange gains and losses based on the nature of those transactions are presented in the statement of comprehensive income within ‘other gains and losses’.

B. Translation of foreign operations

(a) The operating results and financial position of all the group entities, associates and joint arrangements that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

i. Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;

ii. Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and

iii. All resulting exchange differences are recognised in other comprehensive income.

(b) When the foreign operation partially disposed of or sold is a subsidiary, cumulative exchange differences that were recorded in other comprehensive income are proportionately transferred to the non-controlling interest in this foreign operation.

(5) Classification of current and non-current items

A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:

(a) Assets arising from operating activities that are expected to be realised, or are intended to be sold or consumed within the normal operating cycle;

(b) Assets held mainly for trading purposes;

(c) Assets that are expected to be realised within twelve months from the balance sheet date;

(d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to settle liabilities more than twelve months after the balance sheet date.

B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:

(a) Liabilities that are expected to be settled within the normal operating cycle;

(b) Liabilities arising mainly from trading activities;

(c) Liabilities that are to be settled within twelve months from the balance sheet date;

(d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(6) Cash equivalents

Cash equivalents refer to short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Time deposits that meet the definition above and are held for the purpose of meeting short-term cash commitments in operations are classified as cash equivalents.

(7) Financial assets at fair value through profit or loss

A. Financial assets at fair value through profit or loss are financial assets that are not measured at amortised cost or fair value through other comprehensive income.

B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognised and derecognised using settlement date accounting.

C. At initial recognition, the Group measures the financial assets at fair value and recognises the transaction costs in profit or loss. The Group subsequently measures the financial assets at fair value, and recognises the gain or loss in profit or loss.

D. The Group recognises the dividend income when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

(8) Financial assets at fair value through other comprehensive income

A. Financial assets at fair value through other comprehensive income comprise equity securities which are not held for trading, and for which the Group has made an irrevocable election at initial recognition to recognise changes in fair value in other comprehensive income and debt instruments which meet all of the following criteria:

(a) The objective of the Group’s business model is achieved both by collecting contractual cash flows and selling financial assets; and

(b) The assets’ contractual cash flows represent solely payments of principal and interest.

B. On a regular way purchase or sale basis, financial assets at fair value through other comprehensive income are recognised and derecognised using settlement date accounting.

C. At initial recognition, the Group measures the financial assets at fair value plus transaction costs. The Group subsequently measures the financial assets at fair value:

(a) The changes in fair value of equity investments that were recognised in other comprehensive income are reclassified to retained earnings and are not reclassified to profit or loss following the derecognition of the investment. Dividends are recognised as revenue when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

(b) Except for the recognition of impairment loss, interest income and gain or loss on foreign exchange which are recognised in profit or loss, the changes in fair value of debt instruments are taken through other comprehensive income. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss.

(9) Financial assets at amortised cost

A. Financial assets at amortised cost are those that meet all of the following criteria:

(a) The objective of the Group's business model is achieved by collecting contractual cash flows.

(b) The assets' contractual cash flows represent solely payments of principal and interest.

B. On a regular way purchase or sale basis, financial assets at amortised cost are recognised and derecognised using settlement date accounting.

C. At initial recognition, the Group measures the financial assets at fair value plus transaction costs. Interest income from these financial assets is included in finance income using the effective interest method. A gain or loss is recognised in profit or loss when the asset is derecognised or impaired.

D. The Group's time deposits which do not fall under cash equivalents are those with a short maturity period and are measured at initial investment amount as the effect of discounting is immaterial.

(10) Accounts and notes receivable

A. Accounts and notes receivable entitle the Group a legal right to receive consideration in exchange for transferred goods or rendered services.

B. The short-term accounts and notes receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(11) Impairment of financial assets

For debt instruments measured at fair value through other comprehensive income and financial assets at amortised cost, at each reporting date, the Group recognises the impairment provision for 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition or recognises the impairment provision for the lifetime expected credit losses (ECLs) if such credit risk has increased since initial recognition after taking into consideration all reasonable and verifiable information that includes forecasts. On the other hand, for accounts receivable or contract assets that do not contain a significant financing component, the Group recognises the impairment provision for lifetime ECLs.

(12) Derecognition of financial assets

The Group derecognises a financial asset when one of the following conditions is met:

A. The contractual rights to receive the cash flows from the financial asset expire.

B. The contractual rights to receive cash flows of the financial asset have been transferred and the Group has transferred substantially all risks and rewards of ownership of the financial asset.

C. The contractual rights to receive cash flows of the financial asset have been transferred; however, the Group has not retained control of the financial asset.

(13) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted-average method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (allocated based on normal operating capacity). It excludes borrowing costs. The item by item approach is used in applying the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and applicable variable selling expenses.

(14) Property, plant and equipment

A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalised.
B. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.
C. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.
D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

Buildings and structures	20 ~ 50 years
Machinery and equipment	2 ~ 12 years
Other equipment	2 ~ 10 years

(15) Intangible assets

Computer software expenditures are stated at cost and amortized on a straight-line basis over its estimated useful life of 2 to 5 years.

(16) Impairment of non-financial assets

The Group assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. When the circumstances or reasons for recognizing impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortised historical cost would have been if the impairment had not been recognised.

(17) Borrowings

Borrowings comprise long-term and short-term bank borrowings. Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

(18) Notes and accounts payable

Notes and accounts payable are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. They are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. However, short-term accounts payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(19) Derecognition of financial liabilities

A financial liability is derecognised when the obligation specified in the contract is either discharged or cancelled or expires.

(20) Employee benefits

A. Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in respect of service rendered by employees in a period and should be recognised as expenses in that period when the employees render service.

B. Pensions

(a)Defined contribution plans

For defined contribution plans, the Company has no legal or constructive obligation to make additional contributions after a fixed amount is contributed to a public or privately managed and independent pension fund. The contributions are recognised as pension expenses when they are due on an accrual basis. Prepaid contributions are recognised as an asset to the extent of a cash refund or a reduction in the future payments.

(b) Subsidiary pensions are handled in accordance with local laws and regulations.

C. Employees' compensation and directors' remuneration

Employees' compensation and directors' remuneration are recognised as expenses and liabilities, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates.

(21) Income tax

A. The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or items recognised directly in equity, in which cases the tax is recognised in other comprehensive income or equity.

B. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional income tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.

C. Deferred tax is recognised, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet. However, the deferred tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

D. Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. At each balance sheet date, unrecognised and recognised deferred tax assets are reassessed.

(22) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or stock options are shown in equity as a deduction, net of tax, from the proceeds.

(23) Dividends

Dividends are recorded in the Company's financial statements in the period in which they are approved by the Company's shareholders. Cash dividends are recorded as liabilities; stock dividends are recorded as stock dividends to be distributed and are reclassified to ordinary shares on the effective date of new shares issuance.

(24) Revenue recognition

Sales of goods

A. The Group manufactures and sells thick and thin film passive components. Sales are recognised when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, or the Group has objective evidence that all criteria for acceptance have been satisfied.

B. A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

(25) Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The Group's chief operating decision-maker is responsible for allocating resources and assessing performance of the operating segments.

5. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND KEY SOURCES OF ASSUMPTION UNCERTAINTY

The preparation of these consolidated financial statements requires management to make critical judgements in applying the Group's accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. Such assumptions and estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year; and the related information is addressed below:

Evaluation of inventories

As inventories are stated at the lower of cost and net realisable value, the Group must determine the net realisable value of inventories on balance sheet date using judgements and estimates. Due to the rapid technological innovation, the Group evaluates the amounts of normal inventory consumption, obsolete inventories or inventories without market selling value on balance sheet date,and writes down the cost of inventories to the net realisable value. Such an evaluation of inventories is principally based on the demand for the products within the specified period in the future. Therefore, there might be material changes to the evaluation.

As of December 31, 2018, the carrying amount of inventories was $568,210.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	December 31, 2018	December 31, 2017
Cash on hand and revolving funds	$ 2,551	$ 1,168
Checking accounts and demand deposits	571,323	555,624
Cash equivalents		
Time deposits	21,044	90,292
Wealth investment product	17,888	22,825
Total	$ 612,806	$ 669,909

A. The Group transacts with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.

B. Cash and cash equivalents pledged to banks as collateral were classified as other current financial assets. Information is provided in Note 8.

(2) Financial assets at fair value through profit or loss

	December 31, 2018	December 31, 2017
Current items:		
Financial assets mandatorily measured at fair value through profit or loss		
Beneficiary certificates	$ 53,916	$ 40,291
Valuation adjustment	(4,260)	565
Total	$ 49,656	$ 40,856

A. Amounts recognised in profit or loss in relation to financial assets at fair value through profit or loss are listed amounted to ($4,372) and $3,109 for the year ended December 31, 2018 and 2017,respectirely.

B. The Group has no financial assets at fair value through profit or loss pledged to others.

(3) Financial assets at fair value through other comprehensive income

Items	December 31, 2018
Current items:	
Overseas Corporate bonds	$ 60,554
Valuation adjustment	(1,458)
Total	$ 59,096

A. The Group has elected to classify as financial assets at fair value through other comprehensive income. The fair value of such investments amounted to ($1,806) as at December 31, 2018.

B. The credit quality of the Group's investment debt instruments is good.

C. The Group recognised interest income of $2,163 for the year ended December 31, 2018.

D. The Group has no financial assets at fair value through other comprehensive income pledged to others as collateral.

E. Information on available-for-sale financial assets and financial assets at amortised cost as of December 31, 2017 is provided in Note 12(4).

(4) Financial assets at amortised cost

Items	December 31, 2018
Current items:	
Time deposits	$ 50,000
Financial products	13,416
Total	$ 63,416

A. The Group recognised interest income of $646 for amortised cost in profit or loss for the year ended December 31, 2018.

B. The credit quality of the Group's investment targets is good.

C. No financial assets at amortised cost held by the Group were pledged to others.

D.The Group signed a contract with a bank to protect its wealth management preducts. The expected annualized rate of return as at December 31, 2018 is 3.45% to 3.80%.

E. Information on held-to-maturity financial assets and investments in debt instruments without active market as of December 31, 2017 is provided in Note 12(4).

(5) Notes and accounts receivable

	December 31, 2018	December 31, 2017
Notes receivable	$ 14,929	$ 9,737
Less: Allowance for uncollectible accounts	-	-
	$ 14,929	$ 9,737
Accounts receivable	$ 622,541	$ 412,159
Less: Allowance for uncollectible accounts	(7,366)	(6,608)
	$ 615,175	$ 405,551

A. The ageing analysis of accounts receivable that were past due but not impaired is as follows:

	December 31, 2018	December 31, 2017
Not past due	$ 526,803	$ 353,181
Up to 60 days	81,221	44,868
61 to 90 days	6,607	6,243
91 to 180 days	4,168	4,250
Over 180 days	3,742	3,617
	$ 622,541	$ 412,159

The above ageing analysis was based on past due date.

B. The Group does not hold any collateral as security.

C. As at December 31, 2018 and 2017, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the Group’s notes receivable were $14,929 and $9,737, and accounts receivable were $622,541 and $412,159, respectively.

D. Information relating to credit risk is provided in Note 12(2).

(6) Inventories

	December 31, 2018		
	Cost	Allowance for valuation loss	Book value
Raw materials	$ 228,425	($ 7,396)	$ 221,029
Work in progress	146,080	(26,805)	119,275
Finished goods	133,506	(21,280)	112,226
Merchandise	125,385	(9,705)	115,680
	$ 633,396	($ 65,186)	$ 568,210

	December 31, 2017		
	Cost	Allowance for valuation loss	Book value
Raw materials	$ 161,431	($ 10,463)	$ 150,968
Work in progress	138,784	(36,084)	102,700
Finished goods	158,240	(66,657)	91,583
Merchandise	65,839	(5,463)	60,376
	$ 524,294	($ 118,667)	$ 405,627

The cost of inventories recognised as expense for the year :

	Years ended December 31	
	2018	2017
Cost of goods sold	$ 1,864,645	$ 1,381,033
Loss on decline in market price and slow-moving inventories	11,492	42,895
Revenue from sale of scraps	(5,965)	(3,711)
Loss on physical inventory	(61,348)	(10,603)
	$ 1,808,824	$ 1,409,614

(7) Property, plant and equipment

	Land	Buildings and structures	Machinery and equipment	Equipment under acceptance	Others	Total
At January 1, 2018						
Cost	$ 229,932	$ 494,517	$ 1,250,897	$ 411	$ 15,267	$ 1,991,024
Accumulated depreciation		(171,548)	(525,248)		(6,977)	(703,773)
Accumulated impairment	-	-	(4,637)	-	-	(4,637)
	$ 229,932	$ 322,969	$ 721,012	$ 411	$ 8,290	$ 1,282,614
2018						
Opening net book amount as at January 1	$ 229,932	$ 322,969	$ 721,012	$ 411	$ 8,290	$ 1,282,614
Additions	-	10,983	218,082	13,979	17,074	260,118
Disposals	-	-	(79,588)	-	(74)	(79,662)
Transfers	-	-	411	(411)	-	-
Depreciation expense	-	(36,369)	(143,558)	-	(4,619)	(184,546)
Impairment loss	-	-	(135,374)	-	-	(135,374)
Effect of exchange rate changes	-	-	661	-	(224)	437
Closing net book amount as at December 31	$ 229,932	$ 297,583	$ 581,646	$ 13,979	$ 20,447	$ 1,143,587
At December 31, 2018						
Cost	$ 229,932	$ 505,500	$ 1,270,457	$ 13,979	$ 29,748	$ 2,049,616
Accumulated depreciation		(207,917)	(553,437)		(9,301)	(770,655)
Accumulated impairment	-	-	(135,374)	-	-	(135,374)
	$ 229,932	$ 297,583	$ 581,646	$ 13,979	$ 20,447	$ 1,143,587

	Land	Buildings and structures	Machinery and equipment	Equipment under acceptance	Others	Total
At January 1, 2017						
Cost	$ 229,932	$ 457,194	$ 1,193,955	$ 3,955	$ 16,448	$ 1,901,484
Accumulated depreciation	-	(137,987)	(458,461)	-	(9,458)	(605,906)
	$ 229,932	$ 319,207	$ 735,494	$ 3,955	$ 6,990	$ 1,295,578
2017						
Opening net book amount as at January 1	$ 229,932	$ 319,207	$ 735,494	$ 3,955	$ 6,990	$ 1,295,578
Additions	-	37,323	125,279	411	4,597	167,610
Disposals	-	-	(2,759)	-	(17)	(2,776)
Transfers	-	-	3,955	(3,955)	-	-
Depreciation expense	-	(33,561)	(136,271)	-	(3,277)	(173,109)
Impairment loss	-	-	(4,637)	-	-	(4,637)
Effect of exchange rate changes	-	-	(49)	-	(3)	(52)
Closing net book amount as at December 31	$ 229,932	$ 322,969	$ 721,012	$ 411	$ 8,290	$ 1,282,614
At December 31, 2017						
Cost	$ 229,932	$ 494,517	$ 1,250,897	$ 411	$ 15,267	$ 1,991,024
Accumulated depreciation		(171,548)	(525,248)		(6,977)	(703,773)
Accumulated impairment	-	-	(4,637)	-	-	(4,637)
	$ 229,932	$ 322,969	$ 721,012	$ 411	$ 8,290	$ 1,282,614

A. The significant components of buildings are depreciated over 50 years.
B. Information about the property, plant and equipment that were pledged to others as collaterals is provided in Note 8.
C. Impairment information about the property, plant and equipment is provided in Note 6(8).

(8) Impairment of non-financial assets

A. The Group recognised impairment loss for the years ended December 31, 2018 and 2017 amounting to $135,374 and $4,637, respectively. Details of such loss are as follows:

	Year ended December 31, 2018	
	Recognised in profit or loss	Recognised in other comprehensive income
Impairment loss－machinery	($ 135,374)	$ -

	Year ended December 31, 2017	
	Recognised in profit or loss	Recognised in other comprehensive income
Impairment loss－machinery	($ 4,637)	$ -

B.The Group has written down the carrying amount of the asset based on the recoverable amount and recognised an impairment loss accordingly.

(9) Short-term borrowings

Type of borrowings	December 31, 2018	Interest rate range	Collateral
Bank borrowings			
Unsecured borrowings	$ 20,000	1.18%～1.2%	No

Type of borrowings	December 31, 2017	Interest rate range	Collateral
Bank borrowings			
Unsecured borrowings	$ 130,000	1.16%～1.32%	No

(10) Other payables

	December 31, 2018	December 31, 2017
Payable on Employees' compensation	$ 38,079	$ 11,699
Payable on machinery and equipment	36,179	59,509
Bonus payable	31,985	31,338
Salary payable	31,415	27,894
Payable on directors' remuneration	19,039	5,849
Others	53,347	61,846
	$ 210,044	$ 198,135

(11) Long-term borrowings

Type of borrowings	Borrowing period and repayment term	Interest rate range	Collateral	December 31, 2018
Long-term bank borrowings				
Secured borrowings	Borrowing period is from September 27, 2013 to January 19, 2014; interest is repayable monthly.Borrowing period is from January 20, 2014 to January 19, 2017, principal and interest are repayable monthly.	1.36%	Note 1	$ 74,055
Secured borrowings	Borrowing period is from February 20, 2017 to January 15, 2022; interest is repayable monthly.	1.40%	Note 2	29,250
Secured borrowings	Borrowing period is from October 25, 2017 to October 25, 2027, principal and interest are repayable monthly.	1.36%	Note 1	44,511
Secured borrowings	Borrowing period is from February 7, 2018 to October 25, 2022, principal and interest are repayable monthly.	1.36%	Note 1	45,553
Secured borrowings	Borrowing period is from February 7, 2018 to January 15, 2023; interest is repayable monthly; grace period of one year from February 15, 2019 to January 15, 2023, principal and interest are repayable monthly.	1.40%	Note 2	7,380
				200,749
Less: Current portion				(29,076)
				$ 171,673

Type of borrowings	Borrowing period and repayment term	Interest rate range	Collateral	December 31, 2017
Long-term bank borrowings				
Secured borrowings	Borrowing period is from September 27, 2013 to January 19, 2014; interest is repayable monthly. Borrowing period is from January 20, 2014 to January 19, 2017, principal and interest are repayable monthly.	1.36%	Note 1	$ 82,664
Secured borrowings	Borrowing period is from February 20, 2017 to January 15, 2022; interest is repayable monthly.	1.40%	Note 2	38,250
Secured borrowings	Borrowing period is from February 7, 2018 to October 25, 2022; principal and interest are repayable monthly.	1.36%	Note 1	49,221
				170,135
Less: Current portion				(22,319)
				$ 147,816

Note 1: Information about the land, buildings and structures and machinery and equipment that were pledged to others as collaterals is provided in Note 8.

Note 2: Information about the machinery and equipment that were pledged to others as collaterals is provided in Note 8.

(12) Pensions

A.Effective July 1, 2005, the Company has established a defined contribution pension plan (the “New Plan”) under the Labor Pension Act (the “Act”), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company contribute monthly an amount based on 6% of the employees’ monthly salaries and wages to the employees’ individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.

B. The subsidiary, Viking Electronics (WUXI) CO., LTD. provides pension insurance premiums based on a certain percentage of the total salary of local employees according to the pension system prescribed by the government of the People's Republic of China. The ratio of 2018 and 2017 is 20%. The pension for each employee is arranged by the government. The Group has no further obligations except for monthly payments.

C.The pension costs under the defined contribution pension plans of the Company for the years ended December 31, 2018 and 2017 were $14,266 and $13,711, respectively.

(13) Share capital

As of December 31, 2018, the Company’s authorised capital was $1,500,000, consisting of 150 million shares of ordinary stock (including 15 million shares reserved for employee stock options and convertible bonds issued by the Company), and the amount issued was $1,173,408 with a par value of $10 (in dollars) per share. All proceeds from shares issued have been collected.
There is no change in the number of shares for the years ended December 31, 2018 and 2017.
Details of the balances at the end of the year are as follows:

Unit: in thousand shares

	2018	2017
At December 31	$ 117,341	$ 117,341

(14) Capital surplus

Pursuant to the R.O.C. Company Act, capital surplus arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficit. Further, the R.O.C. Securities and Exchange Act requires that the amount of capital surplus to be capitalised mentioned above should not exceed 10% of the paid-in capital each year. Capital surplus should not be used to cover accumulated deficit unless the legal reserve is insufficient.

	2018				
	Share premium	Recognition of changes in the subsidiary's equity	Donated assets received	Consolidation excess	Total
At January 1 (and at December 31)	$ 423,367	$ 1,482	$ 700	$ 304,572	$ 730,121

	2017				
	Share premium	Recognition of changes in the subsidiary's equity	Donated assets received	Consolidation excess	Total
At January 1 (and at December 31)	$ 423,367	$ 1,482	$ 700	$ 304,572	$ 730,121

(15) Retained earnings

A. Under the Company’s Articles of Incorporation, the current year’s earnings, if any, shall offset prior years’ operating losses. The remaining amount shall be set aside as legal reserve in accordance with the regulations and the special reserve shall be set aside or reversed, if necessary. The remainder along with the previous years' unappropriated retained earnings, if any, to be appropriated shall be proposed by the Board of Directors at its meeting and then resolved by the stockholders at their meeting. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the balance of the reserve exceeds 25% of the Company's paid-in capital.

B. In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.

C. Under the Company's Articles of Incorporation, dividends to the shareholders can be distributed in cash or share dividends. However, the cash dividends shall not be less than 20% of the total distribution.

D. (a) The appropriations of 2017 and 2016 earnings had been resolved at the Board of Directors' and stockholders' meeting on June 26, 2018 and June 14, 2017, respectively. Details are summarized below:

	2017		2016	
	Amount	Dividends per share (in dollars)	Amount	Dividends per share (in dollars)
Legal reserve	$ 8,733		$ 8,042	
Special reserve	1,595		5,105	
Cash dividends	58,671	$ 0.50	58,671	$ 0.50
Total	$ 68,999		$ 71,818	

The appropriations of 2017 and 2016 earnings are in agreement with the Board of Directors' proposals on March 14, 2018 and March 8, 2017, respectively.

(b)The appropriations of 2018 earnings had been resolved at the Board of Directors' and stockholders' meeting on March 13, 2019. Details are summarized below:

	2018	
	Amount	Dividends per share (in dollars)
Legal reserve	$ 27,638	
Special reserve	4,014	
Cash dividends	140,809	$ 1.20
Total	$ 172,461	

As of March 13, 2019, the appropriations of 2018 earnings had not been approved by the stockholders.

F. Information about employees' compensation and Directors' and supervisors' remuneration are provided in Note 6(22).

(16) Other equity items

	2018			
	Available-for-sale investment	Measured at fair value through other comprehensive income under unrealized gain or loss on financial instrument	Currency translation	Total
At January 1	$ 348	$ -	($ 3,858)	($ 3,510)
Retrospective application	(348)	348	-	-
Revaluation	-	(1,806)	-	(1,806)
Currency translation differences:				
–Subsidiary	-	-	(2,208)	(2,208)
At December 31	$ -	$ 1,458	($ 6,066)	($ 7,524)

	2017		
	Available-for-sale investment	Currency translation	Total
At January 1	($ 2,564)	($ 2,541)	($ 5,105)
Revaluation	2,912	-	2,912
Currency translation differences:			
–Subsidiary	-	(1,317)	(1,317)
At December 31	$ 348	($ 3,858)	($ 3,510)

(17) Operating revenue

	Year ended December 31, 2018
Revenue from contracts with customers	$ 2,653,960

Revenue from contracts with customers

A. The Group derives revenue from the transfer of goods at a point in time. Revenue is mainly from single passive components.

B. Related disclosures for 2017 operating revenue are provided in Note 12(5) .

(18) Other income

	Year ended December 31, 2018	Year ended December 31, 2017
Interest income：		
Interest income from bank deposits	$ 2,257	$ 4,263
Interest income from available-for-sale financial	-	2,169
Interest income from financial assets at fair value	2,163	-
Interest income from financial assets measured at amortised cost	646	-
Interest income from investments in debt instrument without active market	-	92
Net currency exchange gain (losses)	2,339	(30,325)
Other income, others	8,468	2,219
	$ 15,873	($ 21,582)

(19) Other gains and losses

	Year ended December 31, 2018	Year ended December 31, 2017
Gains (losses) on financial assets at fair value through profit or loss	($ 4,372)	$ 3,109
Foreign exchange gains (losses)	5,490	(25,088)
Gains on disposals of property, plant and equipment	(35,524)	(1,491)
Impairment loss on property, plant and equipment	(135,374)	(4,637)
Miscellaneous disbursements	(44)	(423)
	($ 169,824)	($ 28,530)

(20) Finance costs

	Year ended December 31, 2018	Year ended December 31, 2017
Interest expense	$ 3,641	$ 4,169

(21) Expenses by nature

	Year ended December 31, 2018	Year ended December 31, 2017
Employee benefit expense	$ 522,071	$ 451,313
Depreciation charges on property, plant and equipment	184,546	173,109
Amortisation charges on intangible assets	2,976	3,166
	$ 709,593	$ 627,588

(22) Employee benefit expense

	Year ended December 31, 2018	Year ended December 31, 2017
Wages and salaries	$ 449,709	$ 382,047
Labour and health insurance fees	37,288	35,034
Pension costs	14,266	13,711
Other personnel expenses	20,808	20,521
	$ 522,071	$ 451,313

A. In accordance with the Articles of Incorporation of the Company, a ratio of distributable profit of the current year, after covering accumulated losses, shall be distributed as employees 'compensation and directors' and supervisors' remuneration. The ratio shall be 10% for employees' compensation and shall be 5% for directors' and supervisors' remuneration. However, annual net income should be firstly reserved to offset the Company's accumulated deficit prior to the distribution of compensation and remuneration.

B. For the years ended December 31, 2018 and 2017, employees' compensation was accrued at $38,079 and $11,699, respectively; while directors' and supervisors' remuneration was accrued at $19,039 and $5,849, respectively. The aforementioned amounts were recognised in salary expenses.

The employees' compensation and directors' and supervisors' remuneration were estimated and accrued based on 10% and 5% of distributable profit of current year.

Information about employees' compensation and directors' and supervisors' remuneration of the Company as resolved by the Board of Directors will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(23) Income tax

A. Income tax expense

(a) Components of income tax expense:

	Year ended December 31, 2018	Year ended December 31, 2017
Current tax:		
Current tax on profits for the year	$ 84,755	$ 22,134
Tax on undistributed surplus earnings	2,152	860
Prior year income tax (over) underestimation	77	(2,280)
Total current tax	86,984	20,714
Deferred tax:		
Origination and reversal of temporary differences	(17,901)	(8,316)
Impact of change in tax rate	(4,260)	-
Total deferred tax	(22,161)	(8,316)
Income tax expense	$ 64,823	$ 12,398

(b) The income tax (charge)/credit relating to components of other comprehensive income is as follows: None.

(c) The income tax charged/(credited) to equity during the period is as follows: None.

B. Reconciliation between income tax expense and accounting profit

	Year ended December 31, 2018	Year ended December 31, 2017
Tax calculated based on profit before tax and statutory tax rate	$ 82,262	$ 17,097
Expenses disallowed by tax regulation	(15,408)	(3,279)
Separate taxation	2,152	860
Prior year income tax (over) underestimation	77	(2,280)
Effect of different tax rates in countries in which the group operates	(4,260)	-
Income tax expense	$ 64,823	$ 12,398

C. Amounts of deferred tax assets or liabilities as a result of temporary differences, tax losses and investment tax credits are as follows:

	2018		
	January 1	Recognised in profit or loss	December 31
Temporary differences:			
—Deferred tax assets:			
Unrealised loss on market value decline and obsolete inventory	$ 18,962	($ 6,424)	$ 12,538
Unrealised exchange loss	2,370	(1,034)	1,336
Unused vacation time bonus	437	(6)	431
Unused gross margin	1,830	3,300	5,130
Unused impairment loss	788	26,287	27,075
Subtotal	$ 24,387	$ 22,123	$ 46,510
—Deferred tax liabilities:			
Unrealised exchange gain	($ 247)	$ 38	($ 209)
Subtotal	($ 247)	$ 38	($ 209)
Total	$ 24,140	$ 22,161	$ 46,301

	2017		
	January 1	Recognised in profit or loss	December 31
Temporary differences:			
—Deferred tax assets:			
Unrealised loss on market value decline and obsolete inventory	$ 14,613	$ 4,349	$ 18,962
Unrealised exchange loss	1,726	644	2,370
Unused vacation time bonus	663	(226)	437
Unused gross margin	46	1,784	1,830
Unused impairment loss	-	788	788
Subtotal	$ 17,048	$ 7,339	$ 24,387
—Deferred tax liabilities:			
Unrealised exchange gain	($ 1,224)	$ 977	($ 247)
Subtotal	($ 1,224)	$ 977	($ 247)
Total	$ 15,824	$ 8,316	$ 24,140

D. The effective period of the tax loss that has not been used by the subsidiary Viking Electronics (WUXI) CO., LTD. in December 31, 2018 and 2017 and the amount of the deferred income tax assets are as follows:

	Number of declarations / verification number	Not yet deducted	deferred income tax assets	Final deduction year
December 31,2017	$ 25,545	$ 24,915	$ 24,915	2017~2019

E. The amounts of deductible temporary difference that are not recognised as deferred tax assets are as follows:

	December 31, 2018	December 31, 2017
Deductible temporary differences	$ 74,909	$ 4,292

F.The Company's income tax returns through 2016 have been assessed and approved by the Tax Authority.

G. Under the amendments to the Income Tax Act which was promulgated by the President of the Republic of China in February, 2018, the Company's applicable income tax rate was raised from 17% to 20% effective from January 1, 2018. The Group has assessed the impact of the change in income tax rate.

(24) Earnings per share

	Year ended December 31, 2018		
	Amount after tax	Weighted average number of ordinary shares outstanding (share in thousands)	Earnings per share (in dollars)
Basic earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 276,376	117,341	$ 2.36
Diluted earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 276,376	117,341	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	1,303	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	$ 276,376	118,644	$ 2.33

	Year ended December 31, 2017		
	Amount after tax	Weighted average number of ordinary shares outstanding (share in thousands)	Earnings per share (in dollars)
Basic earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 87,331	117,341	$ 0.74
Diluted earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 87,331	117,341	
Assumed conversion of all dilutive potential ordinary shares			
Employees'compensation	-	532	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	$ 87,331	117,873	$ 0.74

(25) Supplemental cash flow information

	Year ended December 31, 2018	Year ended December 31, 2017
Purchase of property, plant and equipment	$ 260,118	$ 167,610
Add: Opening balance of payable on equipment	59,509	35,166
Ending balance of prepayment for equipment	121,414	87,493
Less: Ending balance of payable on equipment	(36,179)	(59,509)
Opening balance of prepayment on equipment	(87,493)	(55,218)
Cash paid during the year	$ 317,369	$ 175,542

(26) Changes in liabilities from financing activities

	Short-term borrowings	Long-term borrowings	Liabilities from financing activities-gross
At January 1,2018	$ 130,000	$ 170,135	$ 300,135
from financing activities	(110,000)	30,614	(79,386)
At December 31, 2018	$ 20,000	$ 200,749	$ 220,749

7.RELATED PARTY TRANSACTIONS

(1) Parent and ultimate controlling party

Names of related parties	Relationship with the Company
Guangdong Fenghua Advanced Technology (Holding) Co., Ltd.	Entity having significant influence on the Company

(2) Significant related party transactions

A. Operating revenue:

	Year ended December 31, 2018	Year ended December 31, 2017
Sales of goods:		
Entity having significant influence on the Company	$ 211	$ 1,043

The above sales were based on the sales prices and terms that were available to the third parties. The credit terms were approximately 60 days and were 60~90 days after monthly billings for related parties and the third parties, respectively, and the difference was due to the adjustment in credit term of the subsidiary’s ultimate customers.

B. Purchases:

	Year ended December 31, 2018	Year ended December 31, 2017
Purchases of goods:		
Entity having significant influence on the Company	$ 114,449	$ 58,637

The above purchases were based on the purchase prices and terms that were available to the third parties. The payment terms were approximately 90 days and were 60~90 days after monthly billings for related parties and the third parties, respectively.

C. Receivables from related parties:

	December 31, 2018	December 31, 2017
Accounts receivable:		
Entity having significant influence on the Company	$ 9	$ 130
Entity having significant influence on the Company	1,581	-
Total	$ 1,590	$ 130

D. Payables to related parties:

	December 31, 2018	December 31, 2017
Accounts payable:		
Entity having significant influence on the Company	$ 33,508	$ 19,114

(3) Key management compensation

	Year ended December 31, 2018	Year ended December 31, 2017
Salaries and other short-term employee benefits	$ 43,848	$ 24,840

8. PLEDGED ASSETS

	Book value		
Pledged asset	December 31, 2018	December 31, 2017	Purpose
Land	$ 229,932	$ 229,932	Bank loan (Note1)
Buildings andstructures	177,147	183,550	Bank loan (Note1)
Machinery	38,798	61,423	Bank loan (Note2)
other curent assets-others)	800	800	Raw material import tariff guarantee
	$ 446,677	$ 475,705	

Note 1: It was pledged to Taiwan Land Bank New Works Branch and Changhua Commercial Bank Hsinchu Branch as collateral for long-term borrowings.

Note 2: It was pledged to Shanghai Commercial Savings Bank and Taiwan SME Bank Zhudong Branch as collateral for long-term borrowings.

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

Contingencies : None

Commitments:

Capital expenditure contracted for at the balance sheet date but not yet incurred is as follows:

	December 31, 2018	December 31, 2017
Machinery	$ 74,132	$ 38,313

10. SIGNIFICANT DISASTER LOSS

None

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

The information regarding the appropriations of 2018 earnings is provided in Note 6(15).

12.OTHERS

(1) Capital management

The Group’s objectives when managing capital are to safeguard the Group’s ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital.

(2) Financial instruments

A. Financial instruments by category

	December 31, 2018	December 31, 2017
Financial assets		
Financial assets at fair value through profit or loss		
Financial assets mandatorily measured at fair value through profit	$ 49,656	$ -
Financial assets held for trading	-	40,856
Financial assets at fair value through other comprehensive income		
Qualifying equity instrument	59,096	-
Available-for-sale financial assets	-	58,901
Financial assets at amortised cost/Loans and receivables		
Cash and cash equivalents	612,806	669,909
Debt instrument investment	63,416	4,565
Notes receivable	14,929	9,737
Accounts receivable (including related parties)	615,175	405,551
Other receivables (including related parties)	24,098	13,011
Guarantee deposits paid	4,542	2,623
Other financial assets	800	800
	$ 1,444,518	$ 1,205,953

	December 31, 2018	December 31, 2017
Financial liabilities		
Financial liabilities at amortised cost		
Short-term borrowings	20,000	130,000
Notes payable	3,154	5,253
Accounts payable(including related parties)	313,607	201,115
Other accounts payable	210,044	198,135
Long-term borrowings (including current portion)	200,749	170,135
Guarantee deposits received	3,555	3,445
	$ 751,109	$ 708,083

B. Financial risk management policies

(a)The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk.

(b)Risk management is carried out by a finance department (Company finance) under policies approved by the Board of Directors. Company finance identifies, evaluates and hedges financial risks in close cooperation with the Group's operating units.

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

i. The Group operates internationally and is exposed to foreign exchange risk arising from the transactions of the Company and its subsidiaries used in various functional currency, primarily with respect to the USD and RMB. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

ii.Management has set up a policy to require group to manage their foreign exchange risk against their functional currency. The Group companies are required to hedge their entire foreign exchange risk exposure with the Group treasury. Foreign exchange risk arises when future commercial transactions or recognized assets or liabilities are denominated in a currency that is not the entity's functional currency.

iii. The Group's businesses involve some non-functional currency operations. The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

	December 31, 2018			
	Foreign currency amount (In thousands)		Exchange rate	Book value (NTD)
(Foreign currency: functional currency)				
Financial assets				
Monetary items				
EUR:NTD	EUR	1,172	35.20	$ 41,242
USD:NTD	USD	14,154	30.72	434,750
HKD:NTD	HKD	4,244	3.92	16,643
RMB:NTD	RMB	62,851	4.47	281,069
USD:RMB	USD	1,622	6.87	49,829
Non-monetary items: None				
Financial liabilities				
Monetary items				
EUR:NTD	EUR	337	35.20	$ 11,880
USD:NTD	USD	1,731	30.72	53,152
RMB:NTD	RMB	8,823	4.47	39,454
Non-monetary items: None				

	December 31, 2017			
	Foreign currency amount (In thousands)		Exchange rate	Book value (NTD)
(Foreign currency: functional currency)				
Financial assets				
Monetary items				
EUR:NTD	EUR	889	35.57	$ 31,635
USD:NTD	USD	22,842	29.76	679,791
HKD:NTD	HKD	3,844	3.81	14,633
RMB:NTD	RMB	37,875	4.57	172,900
USD:RMB	USD	616	6.52	18,320
Non-monetary items: None				
Financial liabilities				
Monetary items				
USD:NTD	USD	1,158	29.76	34,473
RMB:NTD	RMB	3,854	4.57	17,595

ii. Please refer to the following table for the details of exchange gain (loss), including realised and unrealised, arising from significant foreign exchange variation on the monetary items held by the Group:

	December 31, 2018			
	Foreign exchange gain (loss)			
	Foreign currency amount (In thousands)		Exchange rate	Book value (NTD)
(Foreign currency: functional currency)				
Financial assets				
Monetary items				
EUR:NTD		-	35.61	$ 145
USD:NTD		-	30.15	12,631
HKD:NTD		-	3.85	398
RMB:NTD		-	4.56	(9,780)
USD:RMB	USD	289	6.61	1,317
Financial liabilities				
Monetary items				
EUR:NTD		-	35.61	$ 305
USD:NTD		-	30.15	238
RMB:NTD		-	4.56	2,244
USD:RMB	USD	15	6.61	66

	December 31, 2017			
	Foreign exchange gain (loss)			
	Foreign currency amount (In thousands)		Exchange rate	Book value (NTD)
(Foreign currency: functional currency)				
Financial assets				
Monetary items				
EUR:NTD		-	33.62	$ 2,709
USD:NTD		-	30.43	(40,555)
HKD:NTD		-	3.92	(1,208)
RMB:NTD		-	4.53	993
USD:RMB	(USD	270)	6.72	(1,224)
Financial liabilities				
Monetary items				
USD:NTD		-	30.43	($ 11,339)
RMB:NTD		-	4.53	(4,169)

viii. Analysis of foreign currency market risk arising from significant foreign exchange variation:

	Year ended December 31, 2018		
	Sensitivity analysis		
	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)			
Financial assets			
Monetary items			
EUR:NTD	1%	$ 412	-
USD:NTD	1%	4347	-
HKD:NTD	1%	166	-
RMB:NTD	1%	2,811	-
USD:RMB	1%	498	-
Financial liabilities			
Monetary items			
EUR:NTD	1%	($ 119)	-
USD:NTD	1%	(532)	-
RMB:NTD	1%	(395)	-

	Year ended December 31, 2017		
	Sensitivity analysis		
	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)			
Financial assets			
Monetary items			
EUR:NTD	1%	$ 316	-
USD:NTD	1%	6,798	-
HKD:NTD	1%	146	-
RMB:NTD	1%	1,729	-
USD:RMB	1%	183	-
Financial liabilities			
Monetary items			
USD:NTD	1%	($ 345)	-
RMB:NTD	1%	(176)	-

Price risk

i. The Group’s equity securities, which are exposed to price risk, are the held financial assets at fair value through other comprehensive income and available-for-sale financial assets. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio.

ii. The Group's investments in equity securities comprise domestic and foreign stocks. The prices of equity securities would change due to the change of the future value of investee companies. If the prices of these equity securities had increased/decreased by 1% with all other variables held constant, other components of equity for the years ended December 31, 2018 and 2017 would have increased/decreased by $397 and $339, respectively, as a result of other comprehensive income classified as available-for-sale equity investment and equity investment at fair value through other comprehensive income.

<u>Cash flow and fair value Interest rate risk</u>

i. The Group's interest rate risk arises from short-term and long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash and cash equivalents held at variable rates.

ii. Based on the simulations performed, the impact on post-tax profit of a 1% shift would be a maximum increase or decrease of $1,766 and $2,491 for the years ended December 31, 2018 and 2017, respectively. The simulation is done on a quarterly basis to verify that the maximum loss potential is within the limit given by the management.

(b) Credit risk

i. Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms, and the contract cash flows of debt instruments stated at amortised cost, at fair value through profit or loss and at fair value through other comprehensive income.

ii.The Group manages their credit risk taking into consideration the entire group's concern. For banks and financial institutions, only independently rated parties with a minimum rating of 'A' are accepted. According to the Group's credit policy, each local entity in the Group is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilisation of credit limits is regularly monitored.

iii.The Group adopts the assumptions under IFRS 9, the default occurs when the contract payments are past due over 90 days.

iv.The Group adopts following assumptions under IFRS 9 to assess whether there has been a significant increase in credit risk on that instrument since initial recognition:

If the contract payments were past due over 30 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition.

v.The Group classifies customers' accounts receivable in accordance with credit rating of customer. The Company applies the modified approach using loss rate methodology to estimate expected credit loss.

vi.The following indicators are used to determine whether the credit impairment of debt instruments has occurred:

(i) It becomes probable that the issuer will enter bankruptcy or other financial reorganization due to their financial difficulties;

(ii) The disappearance of an active market for that financial asset because of financial difficulties;

(iii) Default or delinquency in interest or principal repayments;

(iv) Adverse changes in national or regional economic conditions that are expected to cause a default.

vii.The Group wrote-off the financial assets, which cannot be reasonably expected to be recovered, after initiating recourse procedures. However, the Company will continue executing the recourse procedures to secure their rights.

viii. The Group used the forecastability to adjust historical and timely information to assess the default possibility of accounts receivable. On December 31, 2018, the loss rate methodology is as follows:

	Not past due	Up to 60 days past due	61~90 days past due	91~180 days past due	Over 180 days past due	Total
AtDecember 31, 2018						
Expected loss rate	0%	2.42%	20.00%	30.00%	75.61%	
Total book value	$ 526,803	$ 81,221	$ 6,607	$ 4,168	$ 3,742	$ 622,541
Loss allowance	-	(1,965)	(1,321)	(1,250)	(2,830)	(7,366)

ix.Movements in relation to the Group applying the modified approach to provide loss allowance for accounts receivable, contract assets and lease payments receivable are as follows:

	2018	
	Accounts receivable	Notes receivable
At January 1_IAS 39	$ 6,608	$ -
Adjustments under new standards	-	-
At January 1_IFRS 9	-	-
Provision for impairment	883	-
Reimbursement of uncollected funds in the	(88)	-
Effect of foreign exchange	(37)	-
At December 31	$ 7,366	$ -

x. Credit risk information of 2017 is provided in Note 12(4).

(c) Liquidity risk

i. Cash flow forecasting is performed in the operating entities of the Group and aggregated by Group treasury. Group treasury monitors rolling forecasts of the Group’s liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities (Note 6(26)) at all times so that the Group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Such forecasting takes into consideration the Group's debt financing plans, covenant compliance, compliance with internal balance sheet ratio targets and, if applicable external regulatory or legal requirements, for example, currency restrictions.

ii. Surplus cash held by the operating entities over and above balance required for working capital management are transferred to the Group treasury. Group treasury invests surplus cash in, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient head-room as determined by the above-mentioned forecasts.

iii. The table below analyses the Group's non-derivative financialliabilities based on the remaining period at the balance sheet date to the contractual maturity date for nonderivative financial liabilities and to the expected maturity date for derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows.

Non-derivative financial liabilities

December 31, 2018	Less than 60 days	61 days and 90 days	Between 91 days and 180	181 days and 360 days	Over 361 days	Total
Short-term borrowings	$ 40	$ 20,015	$ -	$ -	$ -	$ 20,055
Notes payable	1,419	1,644	91	-	-	3,154
Accounts payable	212,234	44,582	23,283	-	-	280,099
Accounts payable -related parties	15,900	16,277	1,331	-	-	33,508
Other payables	123,605	14,421	11,941	60,076	1	210,044
Long-term borrowings (including current	5,905	1,903	7,951	15,882	180,395	212,036

Non-derivative financial liabilities

December 31, 2017	Less than 60 days	61 days and 90 days	91 days and 180 days	181 days and 360 days	Over 361 days	Total
Short-term borrowings	$ 70,158	$50,054	$ 33	$ 10,042	$ -	$ 130,287
Notes payable	3,082	1,830	341	-	-	5,253
Accounts payable	117,454	41,695	22,852	-	-	182,001
Accounts payable -related parties	13,122	5,920	72	-	-	19,114
Other payables	142,464	24,485	10,656	20,529	1	198,135
Long-term borrowings (including current	4,841	1,294	6,128	12,232	155,742	180,237

Fair value information

A. The different levels that the inputs to valuation techniques are used to measure fair value of financial and non-financial instruments have been defined as follows:

Level 1:Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The fair value of the Group's investment in beneficiary certificates is included in Level 1

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability.

B. Financial instruments not measured at fair value

The carrying amounts of cash and cash equivalents, notes receivable, accounts receivable, other receivables, short-term borrowings, notes payable, accounts payable and other payables are approximate to their fair values.

C. The related information of financial and non-financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities is as follows:

(a) The Group's financial assets and liabilities measured at fair value are as follows:

	December 31, 2018			
	Level 1	Level 2	Level 3	Total
Assets:				
Recurring fair value measurements				
Financial assets at fair value through profit or loss				
Equity securitiess	$ 49,656	$ -	$ -	$ 49,656
Financial assets at fair value through other comprehensive income				
Liability securities	$ 59,096	$ -	$ -	$ 59,096

	December 31, 2017			
	Level 1	Level 2	Level 3	Total
Assets:				
Recurring fair value measurements				
Financial assets at fair value through profit or loss				
Equity securitiess	$ 40,856	$ -	$ -	$ 40,856
Financial assets at fair value through other comprehensive income				
Liability securities	$ 58,901	$ -	$ -	$ 58,901

(b) The methods and assumptions the Group used to measure fair value are as follows:
The instruments the Group used market quoted prices as their fair values (that is, Level 1)
are listed shares, according to the characteristics of the tool, it is listed as follows:

	Open-end fund	Corporate bond
Market quoted price	Net asset value	Weighted average quoted price

D. For the years ended December 31, 2018 and 2017, there was no transfer between Level 1 and Level 2.

E. For the years ended December 31, 2018 and 2017, there was no transfer into or out from Level 3.

(4) Effects on initial application of IFRS 9 and information on application of IAS 39 in 2017

A. Summary of significant accounting policies adopted in 2017:

(a) Financial assets at fair value through profit or loss

i. They are financial assets held for trading. Financial assets are classified in this category of held for trading if acquired principally for the purpose of selling in the short-term. Derivatives are also categorized as financial assets held for trading unless they are designated as hedges.

ii. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognised and derecognised using settlement date accounting.

iii. Financial liabilities at fair value through profit or loss are initially recognised at fair value. Related transaction costs are expensed in profit or loss. These financial liabilities are subsequently remeasured and stated at fair value, and any changes in the fair value of these financial liabilities are recognised in profit or loss.

(b) Loans and receivables

i. Accounts receivable

Accounts receivable are loans and receivables originated by the entity. They are created by the entity by selling goods or providing services to customers in the ordinary course of business. They are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. However, short-term accounts receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

ii. Investment in debt instrument without active market

(i) Investments in debt instrument without active market are loans and receivables not
originated by the entity. They are bond investments with fixed or determinable payments that are not quoted in an active market,and also meet all of the following conditions:

a. Not designated on initial recognition as at fair value through profit or loss;

b.Not designated on initial recognition as available-for-sale;

c. Not for which the holder may not recover substantially all of its initial investment,
other than because of credit deterioration.

(ii) On a regular way purchase or sale basis, investments in debt instrument without active market are recognised and derecognised using settlement date accounting.

(iii) They are initially recognised at fair value on the trade date plus transaction costs and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Amortisation of a premium or a discount on such assets is recognised in profit or loss.

(iv) Investments in debt instrument without active market held by the Group are those time deposits with a short maturity period but do not qualify as cash equivalents, and they are measured at initial investment amount as the effect of discounting is immaterial.

(c) Impairment of financial assets

i. The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired as a result of one or more events that occurred after the initial recognition of the asset ("loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

ii. The criteria that the Group uses to determine whether there is objective evidence of an impairment loss is as follows:

(i) Significant financial difficulty of the issuer or debtor;

(ii)It becomes probable that the borrower will enter bankruptcy or other financial reorganisation;

(iii) The disappearance of an active market for that financial asset because of financial difficulties;

(iv) Observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial asset in the group, including adverse changes in the payment status of borrowers in the group or national or local economic conditions that correlate with defaults on the assets in the group;

(v) Information about significant changes with an adverse effect that have taken place in the technology, market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment in the equity instrument may not be recovered;

(vi) A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

iii. When the Company assesses that there has been objective evidence of impairment and an impairment loss has occurred, accounting for impairment is made as follows according to the category of financial assets:

(i)Financial assets at amortised cost

The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate, and is recognised in profit or loss. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset does not exceed its amortised cost that would have been at the date of reversal had the impairment loss not been recognised previously. Impairment loss is recognised and reversed by adjusting the carrying amount of the asset through the use of an impairment allowance account.

(ii)Available-for-sale financial assets

The amount of the impairment loss is measured as the difference between the asset's acquisition cost (less any principal repayment and amortisation) and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss, and is reclassified from 'other comprehensive income' to 'profit or loss'. If, in a subsequent period, the fair value of an investment in a debt instrument increases, and the increase can be related objectively to an event occurring after the impairment loss was recognised, such impairment loss is reversed through profit or loss. Impairment loss of an investment in an equity instrument recognised in profit or loss shall not be reversed through profit or loss. Impairment loss is recognised and reversed by adjusting the carrying amount of the asset through the use of an impairment allowance account.

(d) Available-for-sale financial assets

i. They are non-derivatives that are either designated in this category or not classified in any of the other categories.

ii. On a regular way purchase or sale basis, available-for-sale financial assets are recognised and derecognised using settlement date accounting.

iii. They are initially recognised at fair value plus transaction costs. These financial assets are subsequently remeasured and stated at fair value, and any changes in the fair value of these financial assets are recognised in other comprehensive income.

B. The reconciliations of carrying amount of financial assets transfered from December 31, 2017, IAS 39, to January 1, IFRS 9, were as follows:

						Effects	
	Measured at fair value through profit or loss	Available-for-sale financial assets	As measured by amortized cost	No active market debt instrument	Total	Retained earnings	Other equity
IAS 39	$ -	$ 58,901	$ -	$ 4,565	$ 63,466	$ -	$ -
Transferred into and measured at fair value through other comprehensive income-liability	58,901	(58,901)			-	-	-
Transferred into and measured at amortised cost	-	-	4,565	(4,565)	-	-	-
IFRS 9	$ 58,901	$ -	$ 4,565	$ -	$ 63,466	$ -	$ -

(a) Under IAS 39, because the cash flows of debt instruments, which were classified as debt instruments without active market amounting to $4,565, met the condition that it is intended to settle the principal and interest on the outstanding principal balance, they were reclassified as “financial assets at amortised cost” on initial application of IFRS 9.

(b) Under IAS 39, because the debt instruments, which were classified as: available-for-sale financial assets amounting to $58,901, was not held for the purpose of trading, they were reclassified as “financial assets at fair value through other comprehensive income (debt instruments)” on initial application of IFRS 9.

C. The significant accounts as of December 31, 2017 are as follows:

Available-for-sale financial assets

Items	December 31, 2017
Current items:	
Oversea corporate bonds	$ 58,553
Valuation adjustment	348
Total	$ 58,901

i. The Group recognised $2,912 in other comprehensive income for fair value change for the year ended December 31, 2017.

ii. The counterparties of the Group's investments in debt instruments have good credit quality.

iii. The Group recognised interest income of $2,169 on debt instruments held for the year ended December 31, 2017.

iiii.The Group has no available-for-sale financial assets pledged to others.

C. No active market debt instrument

Item	December 31, 2017
Mobile project:	
Guaranteed income and wealth management	$ 4,565
Total	$ 4,565

A. The Group's interest income recognized in the current profit and loss as a result of amortization in 2017 was $92.

B. The credit of the Group's investment targets is good.

C. The Group has not pledged the investment in debt instruments without active markets.

D. Credit risk information for the year ended December 2017 are as follows:

(a) Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. According to the Group's credit policy, each operating entities manages individual customer and analyse its credit risk, in particular evaluation of factors undermine the customers ' repayment such as the customers' financial status and historical transactions as well as monitoring the usage of credit facilities on a regular basis. Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables. The Group transacts with banks and institutions with good credit quality.

(b) The management did not expect any significant losses from the counterparty's non-compliance.on December 31, 2018.

(c) For the year ended December 31, 2017, no credit limits were exceeded during the reporting periods, and management does not expect

	December 31, 2017
Group 1	$ 351,800
Group 2	1,381
	$ 353,181

Group 1: Medium to low risk customers, which refer to customers with good

operation and the Group's approved credit control.

Group 2: General risk customers, which refer to customers other than Group 1.

(d) The ageing analysis of financial assets that were past due but not impaired is as follows:

		December 31, 2017
Accounts receivable		
Up to 60 days	$	43,848
61 to 90 days		4,994
91 to 180 days		2,975
Over 181 days		553
	$	52,370

The above is an age analysis based on the number of overdue days.

(e) Analysis of changes in financial assets that have been devalued：

The allowance for bad debt changes is as follows:

	Year ended December 31, 2017					
	Individual provision		Group provision		Total	
At January 1	$	-	$	6,732	$	6,732
The impairment loss is presented.		-	(	22)	(	22)
Write-offs during the year		-	(	40)	(	40)
Effect of exchange rate changes		-	(	62)	(	62)
At December 31	$	-	$	6,608	$	6,608

(5) Effects of initial application of IFRS 15 and information on application of IAS 11 and IAS 18 in 2017

A. The significant accounting policies applied on revenue recognition for the year ended December 31, 2017 are set out below.

Sales of goods

The Group manufactures and sells thick and thin film passive components.Revenue is measured at the fair value of the consideration received or receivable taking into account of business tax, returns, rebates and discounts for the sale of goods to external customers in the ordinary course of the Group's activities. Revenue arising from the sales of goods is recognised when the Group has delivered the goods to the customer, the amount of sales revenue can be measured reliably and it is probable that the future economic benefits associated with the transaction will flow to the entity. The delivery of goods is completed when the significant risks and rewards of ownership have been transferred to the customer, the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold, and the customer has accepted the goods based on the sales contract or there is objective evidence showing that all acceptance provisions have been satisfied.

B. The revenue recognised by using above accounting policies for the year ended December 31, 2017 are as follows:

		December 31, 2017
Sale revenue	$	1,848,004
Other operating revenue		64
Total	$	1,848,068

C. The continuous application of the aforementioned accounting policies during the year ended December 31, 2018 has no significant effect on the Group’s balance sheet and statement of comprehensive income for the year then ended.

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

A. Loans to others: None.

B. Provision of endorsements and guarantees to others: None.

C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to table 1.

D. Acquisition or sale of the same security with the accumulated cost exceeding $300 million or 20% of the Company’ s paid-in capital: None.

E. Acquisition of real estate reaching $300 million or 20% of paid-in capital or more:None.

F. Disposal of real estate reaching $300 million or 20% of paid-in capital or more:None.

G. Purchases or sales of goods from or to related parties reaching $100 million or 20% of paid-in capital or more: Please refer to table 2.

H. Receivables from related parties reaching $100 million or 20% of paid-in capital or more: Please refer to table 3.

I. Trading in derivative instruments undertaken during the reporting periods: None.

J. Significant inter-company transactions during the reporting periods: Please refer to table 4.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China)：Please refer to table 5.

(3) Information on investments in Mainland China

A. Basic information: Please refer to table 6.

B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: Please refer to table 7

14. SEGMENT INFORMATION

(1) General information

The Group operates only a single industry and the Group's operating decision makers assess the performance and allocate resources as a whole, and the Group is identified as a reporting department.

(2) Segment information

The Group assesses the performance of operating segments based on their individual financial statements prepared by operating segments. The accounting policies of operating segments are the same as the significant accounting polices summarized in Note 4.

(3) Segment information

December 31, 2018	Amount
Revenue from external customers	$ 2,653,960
Inter-segment revenue	$ -
Segment income (loss)	$ 342,849
Segment assets	$ 3,353,200
Segment liability	$ 824,047

December 31, 2017	Amount
Revenue from external customers	$ 1,848,068
Inter-segment revenue	$ -
Segment income (loss)	$ 100,570
Segment assets	$ 3,036,727
Segment liability	$ 723,043

(4) Adjustment of departmental profit and loss: None.

(5) Product and service information: Please refer to Note 6 (17).

(6) Geographical information

Geographical information for the years ended December 31, 2018 and 2017 is as follows:

	December 31, 2018				December 31, 2017			
	Revenue		Non-current assets		Revenue		Non-current assets	
China	$	902,447	$	36,348	$	520,351	$	4,162
Taiwan		441,936		1,232,261		308,791		1,367,892
Hong Kong		337,756		-		229,240		-
America		216,879		-		146,336		-
Korea		150,752		-		172,857		-
Others		604,190		-		470,493		-
Total	$	2,653,960	$	1,268,609	$	1,848,068	$	1,372,054

(7) Major customer information

The Group's non-operating income in 2018 and 2017 accounted for more than 10% of the operating income of the consolidated consolidated income statement.

VIKING TECH CORPORATION and Subsidiaries

Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures)

December 31, 2018

Table 1

Expressed in thousands of NTD

Securities held by	Marketable securities and securities	Relationship with the securities issuer	General ledger account	As of December 31, 2018 Number of shares	Book value	Ownership	Fair value	Footnote
VIKING TECH CORPORATION	Franklin Templeton SinoAm China A Shares Equity Fund-TWD	None	Financial asset at fair value through profit or loss－current	661,998	$ 4,627	N/A	$ 4,627	
VIKING TECH CORPORATION	FSITC RMB Money Market Fund-TWD	None	Financial asset at fair value through profit or loss－current	500,000	4,944	N/A	4,944	
VIKING TECH CORPORATION	Union Global ETF Fund of Funds-TWD	None	Financial asset at fair value through profit or loss－current	100,000	953	N/A	953	
VIKING TECH CORPORATION	Jih Sun Asian High Yield Bond Fund-TWD	None	Financial asset at fair value through profit or loss－current	168,491	2,016	N/A	2,016	
VIKING TECH CORPORATION	Union Asia High Yield Bond Fund	None	Financial asset at fair value through profit or loss－current	10,000	3,369	N/A	3,369	
VIKING TECH CORPORATION	Franklin Templeton SinoAm Multi-Asset Income Fund-Accu.-USD	None	Financial asset at fair value through profit or loss－current	10,000	3,007	N/A	3,007	
VIKING TECH CORPORATION	Franklin Templeton SinoAm Asia Pacific Balanced Fund-Accu.-USD	None	Financial asset at fair value through profit or loss－current	10,000	2,967	N/A	2,967	
VIKING TECH CORPORATION	Union Global Balanced Fund-USD	None	Financial asset at fair value through profit or loss－current	5,000	1,598	N/A	1,598	
VIKING TECH CORPORATION	Jih Sun China Harvest Balanced Fund-USD	None	Financial asset at fair value through profit or loss－current	9,517	2,745	N/A	2,745	
VIKING TECH CORPORATION	Jih Sun Global Smart Car Fund-USD	None	Financial asset at fair value through profit or loss－current	4,996	1,533	N/A	1,533	
VIKING TECH CORPORATION	Nomura Global Short Duration Bond Fund-USD	None	Financial asset at fair value through profit or loss－current	5,972	1,896	N/A	1,896	
VIKING TECH CORPORATION	Union Money Market Fund	None	Financial asset at fair value through profit or loss－current	1,517,111	20,001	N/A	20,001	
VIKING TECH CORPORATION	FORMOSA GROUP (CAYMAN) LIMITED	None	Financial asset measured at fair value through other comprehensive income－current	N/A	59,096	N/A	59,096	
					$ 108,752		$ 108,752	

VIKING TECH CORPORATION and Subsidiaries

Purchases or sales of goods from or to related parties reaching NT$100 million or 20% of paid-in capital or more

Year ended December 31, 2018

Table 2

Expressed in thousands of NTD

(Except as otherwise indicated)

			Transaction				Differences in transaction(Note 2)		Notes/accounts receivable (payable)		
Purchaser/seller	Counterparty（Note1）	Relationship with the counterparty	Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	Footnote（Note 3）
VIKING TECH CORPORATION	Viking Electronics (WUXI) CO., LTD.	Subsidiary	Sales	$ 228,915	8.63%	150 days payment	N/A	N/A	$ 154,779	24.28%	N/A
VIKING TECH CORPORATION	Lead Brand Co., Ltd.	Subsidiary	Sales	115,781	4.36%	150 days payment	N/A	N/A	39,357	6.17%	N/A
Lead Brand Co., Ltd.	Viking Electronics (WUXI) CO., LTD.	Affiliates	Sales	131,845	4.97%	150 days payment	N/A	N/A	45,774	7.18%	N/A

註1：The Company’s subsidiary, Viking Tech Wuxi TMTEC Electronics Co., Ltd., was renamed Viking Electronics (WUXI) CO., LTD. on May 30, 2018.

註2：Note 2: Goods are sold at the same prices with those for the third parties. Transaction terms vary depending on the terms of the subsidiaries’ end customers.

註3：Note 3: In case related-party transaction terms involve advance receipts (prepayments) transactions, explain in the footnote the reasons, contractual provisions, related amounts, and differences in types of transactions compared to third-party transactions.

VIKING TECH CORPORATION and Subsidiaries

Receivables from related parties reaching NT$100 million or 20% of paid-in capital or more

Year ended December 31, 2018

Table 3

Expressed in thousands of NTD

(Except as otherwise indicated)

Creditor	Counterparty（Note 1）	Relationship with the counterparty	Balance as at December 31, 2018（Note 2）	Turnover rate	Overdue receivables Amount	Overdue receivables Action taken	Amount collected subsequent to the balance sheet date	Allowance for Creditor Counterparty doubtful accounts
VIKING TECH CORPORATION	Viking Electronics (WUXI) CO., LTD.	Subsidiary	$ 154,779	1.78	$ -	N/A	$ 45,473	$ -

註1：The Company’s subsidiary, Viking Tech Wuxi TMTEC Electronics Co., Ltd., was renamed Viking Electronics (WUXI) CO., LTD. on May 30, 2018.

VIKING TECH CORPORATION and Subsidiaries

Significant inter-company transactions during the reporting period

Year ended December 31, 2018

Table 4

Expressed in thousands of NTD

				Transaction			
Number (Note 1)	Company name	Counterparty(Note 2)	Relationship (Note 3)	General ledger account	Amount	Transaction terms	Percentage of consolidated total operating revenues or total assets (Note 4)
0	VIKING TECH CORPORATION	Lead Brand Co., Ltd.	1	Accounts receivable	$ 39,357	150 days payment	1%
0	VIKING TECH CORPORATION	Lead Brand Co., Ltd.	1	Sales	115,781	"	4%
0	VIKING TECH CORPORATION	Viking Electronics (WUXI) CO., LTD.	1	Accounts receivable	154,779	"	5%
0	VIKING TECH CORPORATION	Viking Electronics (WUXI) CO., LTD.	1	Sales	228,915	"	9%
0	VIKING TECH CORPORATION	Viking Electronics (WUXI) CO., LTD.	1	Other receivables	17,987	"	1%
0	VIKING TECH CORPORATION	Viking Tech America Corporation	1	Accounts receivable	16,381	60 days payment	-
0	VIKING TECH CORPORATION	Viking Tech America Corporation	1	Sales	54,260	"	2%
1	Lead Brand Co., Ltd.	Viking Electronics (WUXI) CO., LTD.	3	Accounts receivable	45,774	150 days payment	1%
1	Lead Brand Co., Ltd.	Viking Electronics (WUXI) CO., LTD.	3	Sales	131,845	"	5%

Note 1: The numbers filled in for the transaction company in respect of inter-company transactions are as follows:
1.Parent company is‘0’.
2.The subsidiaries are numbered in order starting from‘1’.

Note 2： The Company’s subsidiary, Viking Tech Wuxi TMTEC Electronics Co., Ltd., was renamed Viking Electronics (WUXI) CO., LTD. on May 30, 2018.

Note 3： Relationship between transaction company and counterparty is classified into the following categories:
1.Parent company to subsidiary.
2.Subsidiary to parent company.
3.Subsidiary to subsidiary.

Note 4： Regarding percentage of transaction amount to consolidated total operating revenues or total assets, it is computed based on period-end balance of transaction to consolidated total assets for balance sheet accounts and based onaccumulated transaction amount for the period to consolidated total operating revenues for income statement accounts.

VIKING TECH CORPORATION and Subsidiaries

Information on investees(not including investees in Mainland China)

Year ended December 31, 2018

Table 5

Expressed in thousands of NTD

				Initial investment amount		Shares held as at December 31, 2018					
Investor	Investee	Location	Main business activities	Balance as at December 31, 2018	Balance as at December 31, 2017	Number of shares	Ownership	Book value	Net profit (loss) of the investee for the year ended December 31, 2018	Investment income (loss) recognised by the Company for the year ended December 31, 2018	Footnote
VIKING TECH CORPORATION	Viking Global Tech Co., Ltd.	British Virgin Islands	Broad businesses and	$ 111,311	$ 111,311	7,000	100	186,526	81,410	81,410	Note1
Viking Global Tech Co., Ltd.	Lead Brand Co., Ltd.	St. Vincent	Sale of thin film passive components	-	-	1,000,000	100	41,750	12,005	12,005	
Viking Global Tech Co., Ltd.	Viking Tech Electronics Limited	Hong Kong	Manufacturing and sale of passive	74,411	74,411	46,800,000	100	128,708	64,203	64,203	
Viking Global Tech Co., Ltd.	Grand Barry International Limited	British Virgin Islands	Manufacturing and sale of passive	23,766	23,766	31,400	100	16,068	5,202	5,202	
Grand Barry International Limited	Viking Tech America Corporation	United States of America	Sale of thin film passive components	22,680	22,680	750,000	76	14,990	6,807	5,156	Note2

註1：VIKING TECH CORPORATION invested in Viking Global Tech Co., Ltd. with its ownership in Viking Tech Group L.L.C. and Taitec Technology (Samoa) Co., Ltd. as capital contribution amounting to $91,196.

註2：In July 2013, Grand Barry International Limited increased its investments by $3,001 in Viking Tech America Corporation.
Its ownership of the investee declined to 76% since it did not participate the investee' s capital increase in proportion to its previous ownership.
Yet it did not lose its control over the subsidiaries. The difference between the book value and net assets acquired has been adjusted in equity by $1,482.

VIKING TECH CORPORATION and Subsidiaries

Information on investments in Mainland China

Year ended December 31, 2018

Table 6

Expressed in thousands of NTD

Investee in Mainland China(Note1)	Main business activities	Paid-in capital (Note2)	Investment method （Note 3）	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2018	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2018		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2018	Net income of investee for the year ended December 31, 2018	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2018 （Note6.(2).B）	Book value of investments in Mainland China as of December 31, 2018	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2018	Footnote
					Remitted to Mainland China	Remitted back to Taiwan							
Viking Electronics (WUXI) CO., LTD.	Manufacturing and sale of passive	$ 184,290	（3）	$ 184,290	$ -	$ -	$ 184,290	$ 64,203	100	$ 64,203	$ 128,708	$ -	

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2018	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA
Viking Electronics (WUXI) CO., LTD.	$ 184,290	$ 184,290	$ 1,517,492

Note 1: The Company's subsidiary, Viking Tech Wuxi TMTEC Electronics Co., Ltd., was renamed Viking Electronics (WUXI) CO., LTD. on May 30, 2018.

Note 2: The paid-in capital was translated into NTD from USD 6,000 at the exchange rate on reporting date.

Note 3：Investment methods are classified into the following four categories; fill in the number of category each case belongs to:

(1)Invested in the investee in Mainland China through remitting to the third area.

(2)Re-investment of China companies through the establishment of a third-region investment company.

(3)Through investing in an existing company in the third area, which then invested in the investee in Mainland China.

(4)Others.

Note 4: Viking Tech Electronics Limited acquired a subsidiary accounted for using equity method, Viking Tech Wuxi TMTEC Electronics Co., Ltd., from Taitec Electronics (Samoa) Co., Ltd. on July 1, 2009. The original investments approved by the Investment Commission of MOEA were USD 6,000 thousand. The acquiree became a subsidiary of the Company thereafter.

Note 5: Viking Electronics (WUXI) CO., LTD. became an indirect investee of the Company after surviving the merger with Viking Tech Wuxi TMTEC Electronics Co., Ltd. on the merger effective date. The original investments by Viking Tech Wuxi TMTEC Electronics Co., Ltd. approved by the Investment Commission of MOEA were USD 6,000 thousand.

Note 6：Recognition methods of investment income (loss) are classified into two categories as follows:

(1)It should be indicated if the company is in the process of incorporation and have no profit or loss yet.

(2)Indicate the basis for investment income (loss) recognition in the number of one of the following three categories:

A. The financial statements that are audited and attested by international accounting firm which has cooperative relationship with accounting firm in R.O.C.

B.The financial statements that are audited and attested by R.O.C. parent company’ s CPA.

C.Others.

VIKING TECH CORPORATION and Subsidiaries

Significant transactions conducted with investees in Mainland China directly or indirectly through other companies in the third areas

Year ended December 31, 2018

Table 7

Expressed in thousands of NTD

Investee in Mainland China (Note1)	Sale (purchase)		Property transaction		Accounts receivable (payable)		Provision of endorsements/guarantees or collaterals		Financing				
	Amount	%	Amount	%	Balance at December 31, 2018	%	Balance at December 31, 2018	Purpose	Maximum balance during the year ended December 31, 2018	Balance at December 31, 2018	Interest rate	Interest during the year ended December 31, 2018	Others
Viking Electronics (WUXI) CO., LTD.	$ 360,760	14%	$ -	-	$ 200,553	32%	$ -	-	$ -	$ -	-	$ -	-

註1：The Company’s subsidiary, Viking Tech Wuxi TMTEC Electronics Co., Ltd., was renamed Viking Electronics (WUXI) CO., LTD. on May 30, 2018.

3. Standalone Financial Statements for the Most Recent Year, Audited by CPAs

VIKING TECH CORPORATION

PARENT COMPANY ONLY FINANCIAL

STATEMENTS AND REPORT OF INDEPENDENT

ACCOUNTANTS

DECEMBER 31, 2018 AND 2017

For the convenience of readers and for information purpose only, the auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. In the event of any discrepancy between the English version and the original Chinese version or any differences in the interpretation of the two versions, the Chinese-language auditors' report and financial statements shall prevail.

REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

PWCR18000418

To the Board of Directors and Shareholders of VIKING TECH CORPORATION

Opinion

We have audited the accompanying balance sheets of VIKING TECH CORPORATION (the "Company") as at December 31, 2018 and 2017, and the related statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2018 and 2017, and its financial performance and its cash flows for the years then ended in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers".

Basis for opinion

We conducted our audits in accordance with the "Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants" and generally accepted auditing standards in the Republic of China (ROC GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the parent company only Financial Statements section of our report. We are independent of the Company in accordance with the Code of Professional Ethics for Certified Public Accountants in the Republic of China (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

The key audit matters in relation to the parent company only financial statements for the year ended December 31, 2018 are outlined as follows:

Cut-off risk error of revenue recognistion

<u>Description</u>

Please refer to Note 4(24) for accounting policy on revenue recognition. The Company is primarily engaged in export and offers different credit terms to their customers. The credit terms for some customers are upon delivery to a specific location and the timing for transferring the control of goods is based on the customer confirmation documents. Given that the revenue recognition process relies on manual processes and the large volume of daily sales transactions which are to be material to the financial statements, we thus consider sales cut-off as a key audit matter.

How our audit addressed the matter

We performed the following audit procedures on the above key audit matter:

1. Assessed the reasonableness of the sales recognistion accounting policy.
2. Understood and tested the design and effectiveness of relevant internal control when recognising the sales revenues.
3. Sampled delivery orders and customer confirmation documents in a certain period before and after the balance sheet date to ensure the accuracy of cut-off of sales revenue.

Assessment of allowance for inventory valuation losses

Description

Please refer to Note 4(12) for accounting policies on inventory, Note 5 for significant accounting estimates and assumptions of inventory, and Note 6(6) for details of allowance for inventory valuation losses.

The Company manufactures and sells thick and thin film passive components products. Due to the competitive market in the industry and the fluctuating prices, there is a higher risk of inventory losing value or becoming obsolete. The inventories are stated at the lower of cost and net realisable value and the possible losses arising from aged and obsolete inventories are also assessed. Given that the evaluation on the aged and obsolete inventories involves subjective judgement which results in estimation uncertainty and the impact of aged inventories and allowance for inventory valuation losses are material to the financial statements, we thus consider assessment of allowance for inventory valuation losses as a key audit matter.

How our audit addressed the matter

We performed the following audit procedures on the above key audit matter:

1. Understood and assessed the reasonableness of allowance for inventory valuation losses policy including the historical sources of inventory clearance process.
2. Obtained the inventory assessment report prepared by the authority and checked the completeness of the information on the inventory aging report.
3. Verified the accuracy of the intervals and relevant information used on the inventory aging report, ensured that the allowance loss valuation and the provision policy are consistently applied and further assessed the reasonableness of the estimations of allowance for inventory valuation losses.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers”, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including the Audit Committee, are responsible for overseeing the Company’s financial reporting process.

Auditor’s responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ROC GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ROC GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting

estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Lin, Yu-Kuan　　　　　　　　　　　　Cheng, Ya-Huei

For and on behalf of PricewaterhouseCoopers, Taiwan

March 13, 2019

The accompanying parent company only financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying parent company only financial statements and report of independent accountants are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

VIKING TECH CORPORATION
PARENT COMPANY ONLY BALANCE SHEETS
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	Assets	Notes	December 31, 2018 AMOUNT	%	December 31, 2017 AMOUNT	%
	Current assets					
1100	Cash and cash equivalents	6(1)	$ 501,809	15	$ 603,083	20
1110	Financial assets at fair value through profit or loss - current	6(2)	49,656	2	40,856	1
1120	Current financial assets at fair value through other comprehensive income	6(3)	59,096	2	-	-
1125	Available-for-sale financial assets - current	12(4)	-	-	58,901	2
1136	Current financial assets at amortised cost, net	6(4)	50,000	2	-	-
1150	Notes receivable, net	6(5)	11,288	-	7,183	-
1170	Accounts receivable, net	6(5)	385,903	12	252,639	9
1180	Accounts receivable - related parties	6(5) and 7	210,517	6	132,792	5
1200	Other receivables		19,094	1	9,243	-
1210	Other receivables - related parties	7	19,568	1	3	-
1220	Current income tax assets		2,129	-	2,129	-
130X	Inventories	6(6)	468,824	14	349,821	12
1410	Prepayments		16,606	-	19,925	1
1479	Other current assets, others	8	1,008	-	845	-
11XX	**Total current assets**		1,795,498	55	1,477,420	50
	Non-current assets					
1550	Investments accounted for under equity method	6(7)	186,526	6	107,324	3
1600	Property, plant and equipment	6(8)(9)(26) and 8	1,107,238	34	1,278,452	43
1780	Intangible assets		3,608	-	1,947	-
1840	Deferred income tax assets	6(24)	46,510	1	24,387	1
1900	Other non-current assets	6(26)	122,221	4	88,300	3
15XX	**Total non-current assets**		1,466,103	45	1,500,410	50
1XXX	**Total assets**		$ 3,261,601	100	$ 2,977,830	100

(Continued)

VIKING TECH CORPORATION
PARENT COMPANY ONLY BALANCE SHEETS
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	Liabilities and Equity	Notes	December 31, 2018 AMOUNT	%	December 31, 2017 AMOUNT	%
	Current liabilities					
2100	Short-term borrowings	6(10)(27)	$ 20,000	1	$ 130,000	4
2150	Notes payable		3,154	-	5,253	-
2170	Accounts payable	7	204,200	6	137,110	5
2200	Other payables	6(11)(23)	218,834	7	196,121	7
2230	Current income tax liabilities	6(24)	57,319	2	12,593	-
2320	Long-term liabilities, current portion	6(12) and 8	29,076	1	22,319	1
2399	Other current liabilities, others		3,575	-	1,499	-
21XX	**Total current Liabilities**		536,158	17	504,895	17
	Non-current liabilities					
2540	Long-term borrowings	6(12)(27) and 8	171,673	5	147,816	5
2570	Deferred income tax liabilities	6(24)	209	-	247	-
2600	Other non-current liabilities		29,205	1	14,207	-
25XX	**Total non-current liabilities**		201,087	6	162,270	5
2XXX	**Total Liabilities**		737,245	23	667,165	22
	Equity					
	Share capital	6(14)				
3110	Share capital - common stock		1,173,408	36	1,173,408	40
	Capital surplus	6(15)				
3200	Capital surplus		730,121	22	730,121	24
	Retained earnings	6(16)(24)				
3310	Legal reserve		150,954	5	142,221	5
3320	Special reserve		3,510	-	5,105	-
3350	Unappropriated retained earnings		473,887	14	263,320	9
	Other equity interest	6(3)(17)				
3400	Other equity interest		(7,524)	-	(3,510)	-
3XXX	**Total equity**		2,524,356	77	2,310,665	78
	Significant Contingent Liabilities and Unrecognised Contract Commitments	9				
	Significant Events After the Balance Date	11				
3X2X	**Total liabilities and equity**		$ 3,261,601	100	$ 2,977,830	100

The accompanying notes are an integral part of these parent company only financial statements.

VIKING TECH CORPORATION
PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS, EXCEPT EARNINGS PER SHARE)

			Years ended December 31			
			2018		2017	
	Items	Notes	AMOUNT	%	AMOUNT	%
4000	**Operating revenue**	6(18) and 7	$ 2,165,515	100	$ 1,594,973	100
5000	**Operating costs**	6(6)(22)(23)	(1,459,800)	(67)	(1,206,221)	(75)
5900	**Net operating margin**		705,715	33	388,752	25
5910	Unrealized profit from sales		(25,650)	(1)	(10,762)	(1)
5920	Realized profit from sales		10,762	-	270	-
5950	**Net operating margin**		690,827	32	378,260	24
	Operating expenses	6(22)(23)				
6100	Selling expenses	7	(89,763)	(4)	(70,683)	(4)
6200	General and administrative expenses		(148,478)	(7)	(114,100)	(7)
6300	Research and development expenses		(50,754)	(2)	(55,898)	(4)
6000	**Total operating expenses**		(288,995)	(13)	(240,681)	(15)
6900	**Operating profit**		401,832	19	137,579	9
	Non-operating income and expenses					
7010	Other income	6(3)(19)	12,493	-	(21,715)	(1)
7020	Other gains and losses	6(2)(20)	(168,423)	(8)	(27,415)	(2)
7050	Finance costs	6(21)	(3,641)	-	(4,169)	-
7070	Share of profit of associates and joint ventures accounted for using equity method, net	6(7)	81,410	4	15,430	1
7000	**Total non-operating income and expenses**		(78,161)	(4)	(37,869)	(2)
7900	**Profit before income tax**		323,671	15	99,710	7
7950	Income tax expense	6(24)	(47,295)	(2)	(12,379)	(1)
8200	**Profit for the year**		$ 276,376	13	$ 87,331	6
	Other comprehensive income					
	Components of other comprehensive income that will be reclassified to profit or loss					
8361	Other comprehensive income, before tax, exchange differences on translation	6(17)	($ 2,208)	-	($ 1,317)	-
8362	Other comprehensive income, before tax, available-for-sale financial assets	6(17) and 12(4)	-	-	2,912	-
8367	Unrealised gains (losses) from investments in debt instruments measured at fair value through other comprehensive income	6(3)(17)	(1,806)	-	-	-
8500	**Total comprehensive income for the year**		$ 272,362	13	$ 88,926	6
	Basic earnings per share					
9750	**Total basic earnings per share**	6(25)	$ 2.36		$ 0.74	
	Diluted earnings per share					
9850	**Total diluted earnings per share**	6(25)	$ 2.33		$ 0.74	

The accompanying notes are an integral part of these parent company only financial statements.

VIKING TECH CORPORATION
PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

				Retained Earnings			Other equity interest			
	Notes	Share capital - common stock	Total capital surplus, additional paid-in capital	Legal reserve	Special reserve	Total unappropriated retained earnings (accumulated deficit)	Financial statements translation differences of foreign operations	Unrealised gains (losses) from financial assets measured at fair value through other comprehensive income	Unrealized gain or loss on available-for-sale financial assets	Total equity
Year ended December 31, 2017										
Balance at January 1, 2017		$1,173,408	$ 730,121	$ 134,179	$ -	$ 247,807	($ 2,541)	$ -	($ 2,564)	$2,280,410
Profit for the year		-	-	-	-	87,331	-	-	-	87,331
Other comprehensive income for the year	6(17) and 12(4)	-	-	-	-	-	(1,317)	-	2,912	1,595
Total comprehensive income		-	-	-	-	87,331	(1,317)	-	2,912	88,926
Distribution of retained earnings of 2016:(Note 1)										
Legal reserve	6(16)	-	-	8,042	-	(8,042)	-	-	-	-
Special reserve	6(16)	-	-	-	5,105	(5,105)	-	-	-	-
Cash dividends	6(16)	-	-	-	-	(58,671)	-	-	-	(58,671)
Balance at December 31, 2017		$1,173,408	$ 730,121	$ 142,221	$ 5,105	$ 263,320	($ 3,858)	$ -	$ 348	$2,310,665
Year ended December 31, 2018										
Balance at January 1, 2018		$1,173,408	$ 730,121	$ 142,221	$ 5,105	$ 263,320	($ 3,858)	$ -	$ 348	$2,310,665
Restrospective application and effect of restrospective restatement		-	-	-	-	-	-	348	(348)	-
Balance at 1 January after adjustments		1,173,408	730,121	142,221	5,105	263,320	(3,858)	348	-	2,310,665
Profit for the year		-	-	-	-	276,376	-	-	-	276,376
Other comprehensive loss for the year	6(3)(17)	-	-	-	-	-	(2,208)	(1,806)	-	(4,014)
Total comprehensive income		-	-	-	-	276,376	(2,208)	(1,806)	-	272,362
Distribution of retained earnings of 2017:(Note 2)										
Leagal reserve	6(16)	-	-	8,733	-	(8,733)	-	-	-	-
Special reserve	6(16)	-	-	-	(1,595)	1,595	-	-	-	-
Cash dividends	6(16)	-	-	-	-	(58,671)	-	-	-	(58,671)
Balance at December 31, 2018		$1,173,408	$ 730,121	$ 150,954	$ 3,510	$ 473,887	($ 6,066)	($ 1,458)	$ -	$2,524,356

Note 1: For 2016, the employees' compensation and directors' remuneration resolved by the Board of Directors amounted to $11,993 and $5,997, respectively. The difference of ($180) and ($90) between the amounts resolved by the Board of Directors and the am

Note 2: Employees' compensation and directors' remuneration of 2017, amounting to $11,699 and $5,849, respectively, as resolved by the Board of Directors were in agreement with those amounts recognised in the 2017 financial statements.

The accompanying notes are an integral part of these parent company only financial statements.

VIKING TECH CORPORATION
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	Notes	Years ended December 31, 2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		$ 323,671	$ 99,710
Adjustments			
Adjustments to reconcile profit (loss)			
Provision for expected credit loss	12(2)	1,172	-
Reversal for bad debt expense	12(4)	-	(1,262)
Depreciation	6(8)(22)	182,132	171,807
Amortisation of intangible assets	6(22)	2,976	3,166
Interest income	6(3)(19)	(3,483)	(6,049)
Interest expense	6(21)	3,641	4,169
Share of profit of assoicates and joint ventures accounted for under equity method	6(7)	(81,410)	(15,430)
Net loss (gain) on financial assets at fair value through profit or loss	6(2)(20)	4,372	(3,109)
Loss on disposal of property, plant and equipment	6(8)(20)	34,335	1,474
Impairment loss	6(8)(9)(20)	135,374	4,637
Value loss on available-for-sale financial assets	12(4)	-	4,901
Gain on foreign exchange remeasurement of financial assets at fair value through other comprehensive income	6(3)	(1,872)	-
Unrealized profit on sales		14,888	10,492
Changes in operating assets and liabilities			
Changes in operating assets			
Financial assets at fair value through profit or loss	6(2)	(13,172)	54,624
Notes receivable		(4,105)	289
Accounts receivable	6(5)	(134,436)	31,284
Accounts receivable - related parties	6(5) and 7	(77,725)	(42,317)
Other receivables		(9,895)	(2,920)
Other receivables - related parties		(19,565)	(3)
Inventories		(119,003)	(46,937)
Prepayments		3,319	(5,455)
Other current assets		(163)	411
Changes in operating liabilities			
Notes payable		(2,099)	(1,365)
Accounts payable	7	67,090	19,780
Other payables	6(11)	46,072	6,948
Other current liabilities		2,076	(683)
Cash inflow generated from operations		354,190	288,162
Interest received		3,398	6,244
Interest paid		(3,670)	(4,235)
Income tax paid		(24,730)	(12,530)
Net cash flows from operating activities		329,188	277,641

(Continued)

VIKING TECH CORPORATION
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	Notes	Years ended December 31, 2018	2017
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of financial assets at amortized cost		($ 50,000)	$ -
Increase in other current financial assets	8	-	(800)
Acquisition of property, plant and equipment	6(8)(26)	(299,913)	(174,471)
Proceeds from disposal of property, plant and equipment	6(8)	62,035	1,285
Acquisition of intangible assets		(4,637)	(2,819)
Increase in refundable deposits		-	(83)
Net cash flows used in investing activities		(292,515)	(176,888)
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase in short-term borrowings	6(10)	30,000	150,000
Repayment of short-term borrowings	6(10)	(140,000)	(330,000)
Increase in long-term borrowings	6(12)	57,380	95,000
Repayment of long-term borrowings	6(12)	(26,766)	(16,022)
Increase (decrease) in guarantee deposits received		110	(288)
Cash dividends paid	6(16)	(58,671)	(58,671)
Net cash flows used in financing activities		(137,947)	(159,981)
Net decrease in cash and cash equivalents		(101,274)	(59,228)
Cash and cash equivalents at beginning of year	6(1)	603,083	662,311
Cash and cash equivalents at end of year	6(1)	$ 501,809	$ 603,083

The accompanying notes are an integral part of these parent company only financial statements.

VIKING TECH CORPORATION

NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS,

EXCEPT AS OTHERWISE INDICATED)

(1)HISTORY AND ORGANISATION

VIKING TECH CORPORATION (the "Company") was incorporated as a company limited by shares under the provisions of the Company Act of the Republic of China (R.O.C.). The Company is primarily engaged in research and development, manufacturing and sale of thick and thin film passive components.

(2).THE DATE OF AUTHORISATION FOR ISSUANCE OF THE FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORISATION

These parent company only financial statements were authorised for issuance by the Board of Directors on March 13, 2019.

(3)APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

(1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards ("IFRS") as endorsed by the Financial Supervisory Commission ("FSC")

New standards, interpretations and amendments endorsed by FSC effective from 2018 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 2, ‘Classification and measurement of share-based payment transactions’	January 1, 2018
Amendments to IFRS 4, ‘Applying IFRS 9, Financial instruments with IFRS 4, Insurance contracts’	January 1, 2018
IFRS 9, ‘Financial instruments’	January 1, 2018
IFRS 15, ‘Revenue from contracts with customers’	January 1, 2018
Amendments to IFRS 15, ‘Clarifications to IFRS 15, Revenue from contracts with customers’	January 1, 2018
Amendments to IAS 7, ‘Disclosure initiative’	January 1, 2017
Amendments to IAS 12, ‘Recognition of deferred tax assets for unrealised losses ’	January 1, 2017
Amendments to IAS 40, ‘Transfers of investment property’	January 1, 2018
IFRIC 22, ‘Foreign currency transactions and advance consideration’	January 1, 2018
Annual improvements to IFRSs 2014-2016 cycle - Amendments to IFRS 1, ‘First-time adoption of International Financial Reporting Standards’	January 1, 2018
Annual improvements to IFRSs 2014-2016 cycle - Amendments to IFRS 12, ‘Disclosure of interests in other entities’	January 1, 2017
Annual improvements to IFRSs 2014-2016 cycle - Amendments to IAS 28, ‘Investments in associates and joint ventures’	January 1, 2018

Except for the following, the above standards and interpretations have no significant impact to the Company’s financial condition and financial performance based on the Company’s assessment.

IFRS 9, ‘Financial instruments’

Classification of debt instruments is driven by the entity’s business model and the contractual cash flow characteristics of the financial assets, which would be classified as financial asset at fair value through profit or loss, financial asset measured at fair value through other comprehensive income or financial asset at amortised cost. Equity instruments would be classified as financial asset at fair value through profit or loss, unless an entity makes an irrevocable election at inception to present subsequent changes in the fair value of an investment in an equity instrument that is not held for trading in other comprehensive income.

(2) Effect of new issuances of or amendments to IFRSs as endorsed by the FSC but not yet adopted by the Company

New standards, interpretations and amendments endorsed by the FSC effective from 2019 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 9, 'Prepayment features with negative	January 1, 2019
IFRS 16, 'Leases'	January 1, 2019
Amendments to IAS 19, 'Plan amendment, curtailment or settlement'	January 1, 2019
Amendments to IAS 28, 'Long-term interests in associates and joint	January 1, 2019
IFRIC 23, 'Uncertainty over income tax treatments'	January 1, 2019
Annual improvements to IFRSs 2015-2017 cycle	January 1, 2019

Except for the following, the above standards and interpretations have no significant impact to the Company's financial condition and financial performance based on the Company's assessment. The quantitative impact will be disclosed when the assessment is complete.

IFRS 16, 'Leases'

IFRS 16, 'Leases', replaces IAS 17, 'Leases' and related interpretations and SICs. The standard

requires lessees to recognise a 'right-of-use asset' and a lease liability (except for those leases withterms of 12 months or less and leases of low-value assets). The accounting stays the same for lessors, which is to classify their leases as either finance leases or operating leases and account for those two types of leases differently. IFRS 16 only requires enhanced disclosures to be provided by lessors.The Company expects to recognise the lease contract of lessees in line with IFRS 16 using the

modified retrospective approach. The Company expects that 'right-of-use asset' and lease liability will be increased by $8,978 on January 1, 2019.

(3) IFRSs issued by IASB but not yet endorsed by the FSC

New standards, interpretations and amendments issued by IASB but not yet included in the IFRSs as endorsed by the FSC are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendment to IAS 1 and IAS 8, 'Disclosure Initiative-Definition of Material'	January 1, 2020
Amendments to IFRS 3, 'Definition of a business'	January 1, 2020
Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture'	To be determined by International Accounting Standards Board
IFRS 17, 'Insurance contracts'	January 1, 2021

Except for the following, the above standards and interpretations have no significant impact to the Company's financial condition and financial performance based on the Company's assessment. The quantitative impact will be disclosed when the assessment is complete.

Amendment to IAS 1 and IAS 8, 'Disclosure Initiative-Definition of Material'

The amendments clarify the definition of material that information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

(4)SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these parent company only financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

The parent company only financial statements of the Company have been prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers".

(2) Basis of preparation

A. Except for the following items, the parent company only financial statements have been prepared under the historical cost convention:

(a)Financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

(b)Financial assets and liabilities at fair value through other comprehensive income/Available-for-sale financial assets measured at fair value.

(c)Liabilities on cash-settled share-based payment arrangements measured at fair value.

(d)Defined benefit liabilities recognised based on the net amount of pension fund assets less present value of defined benefit obligation.

B. The preparation of financial statements in conformity with International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the "IFRSs") requires the use of certain criticalaccounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant.

C. In adopting IFRS 9 and IFRS 15 effective January 1, 2018, the Company has elected to apply modified retrospective approach whereby the cumulative impact of the adoption was recognised as retained earnings or other equity as of January 1, 2018 and the financial statements for the year ended December 31, 2017 were not restated. The financial statements for the year ended December 31, 2017 were prepared in compliance with International Accounting Standard 39 ('IAS 39'), International Accounting Standard 18 ('IAS 18') and related financial reporting interpretations. Please refer to Notes 12(4) and (5) for details of significant accounting policies and details of significant accounts.

(3) Foreign currency translation

The parent company only financial statements are presented in New Taiwan dollars, which is the

Company’s functional currency.

A. Foreign currency transactions and balances

(a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in profit or loss in the period in which they arise.

(b) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognised in profit or loss.

(c) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.

(d) All other foreign exchange gains and losses based on the nature of those transactions are presented in the statement of comprehensive income within ‘other gains and losses’.

B. Translation of foreign operations

(a) The operating results and financial position of all the group entities, associates and joint arrangements that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

i. Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;

ii. Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and

iii. All resulting exchange differences are recognised in other comprehensive income.

(b) When the foreign operation partially disposed of or sold is a subsidiary, cumulative exchange differences that were recorded in other comprehensive income are proportionately transferred to the non-controlling interest in this foreign operation.

(4) Classification of current and non-current items

A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:

(a) Assets arising from operating activities that are expected to be realised, or are intended to be sold or consumed within the normal operating cycle;

(b) Assets held mainly for trading purposes;

(c) Assets that are expected to be realised within twelve months from the balance sheet date;

(d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to settle liabilities more than twelve months after the balance sheet date.

B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:

(a) Liabilities that are expected to be settled within the normal operating cycle;

(b) Liabilities arising mainly from trading activities;

(c) Liabilities that are to be settled within twelve months from the balance sheet date;

(d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(5) Cash equivalents

Cash equivalents refer to short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Time deposits that meet the definition above and are held for the purpose of meeting short-term cash commitments in operations are classified as cash equivalents.

(6) Financial assets at fair value through profit or loss

A. Financial assets at fair value through profit or loss are financial assets that are not measured at amortised cost or fair value through other comprehensive income.

B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognised and derecognised using settlement date accounting.

C. At initial recognition, the Group measures the financial assets at fair value and recognises the transaction costs in profit or loss. The Group subsequently measures the financial assets at fair value, and recognises the gain or loss in profit or loss.

D. The Group recognises the dividend income when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

(7) Financial assets at fair value through other comprehensive income

A. Financial assets at fair value through other comprehensive income comprise equity securities which are not held for trading, and for which the Company has made an irrevocable election at initial recognition to recognise changes in fair value in other comprehensive income and debt instruments which meet all of the following criteria:

(a) The objective of the Company’s business model is achieved both by collecting contractual cash flows and selling financial assets; and

(b) The assets’ contractual cash flows represent solely payments of principal and interest.

B. On a regular way purchase or sale basis, financial assets at fair value through other comprehensive income are recognised and derecognised using settlement date accounting.

C. At initial recognition, the Company measures the financial assets at fair value plus transaction costs. The Company subsequently measures the financial assets at fair value:

(a) The changes in fair value of equity investments that were recognised in other comprehensive income are reclassified to retained earnings and are not reclassified to profit or loss following the derecognition of the investment. Dividends are recognised as revenue when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Company and the amount of the dividend can be measured reliably.

(b) Except for the recognition of impairment loss, interest income and gain or loss on foreign exchange which are recognised in profit or loss, the changes in fair value of debt instruments are taken through other comprehensive income. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss.

(8) Financial assets at amortised cost

A. Financial assets at amortised cost are those that meet all of the following criteria:

(a) The objective of the Company's business model is achieved by collecting contractual cash flows.

(b) The assets' contractual cash flows represent solely payments of principal and interest.

B. On a regular way purchase or sale basis, financial assets at amortised cost are recognised and derecognised using settlement date accounting.

C. At initial recognition, the Company measures the financial assets at fair value plus transaction costs. Interest income from these financial assets is included in finance income using the effective interest method. A gain or loss is recognised in profit or loss when the asset is derecognised or impaired.

D. The Company's time deposits which do not fall under cash equivalents are those with a short maturity period and are measured at initial investment amount as the effect of discounting is immaterial.

(9) Accounts and notes receivable

A. Accounts and notes receivable entitle the Company a legal right to receive consideration in exchange for transferred goods or rendered services.

B. The short-term accounts and notes receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(10) Impairment of financial assets

For debt instruments measured at fair value through other comprehensive income and financial assets at amortised cost, at each reporting date, the Company recognises the impairment provision for 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition or recognises the impairment provision for the lifetime expected credit losses (ECLs) if such credit risk has increased since initial recognition after taking into consideration all reasonable and verifiable information that includes forecasts. On the other hand, for accounts receivable or contract assets that do not contain a significant financing component, the Group recognises the impairment provision for lifetime ECLs.

(11) Derecognition of financial assets

The Company derecognises a financial asset when one of the following conditions is met:

A. The contractual rights to receive the cash flows from the financial asset expire.

B. The contractual rights to receive cash flows of the financial asset have been transferred and the Company has transferred substantially all risks and rewards of ownership of the financial asset.

C. The contractual rights to receive cash flows of the financial asset have been transferred; however, the Company has not retained control of the financial asset.

(12) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted-average method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (allocated based on normal operating capacity). It excludes borrowing costs. The item by item approach is used in applying the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and applicable variable selling expenses.

(13) Investments accounted for using equity method / associates

A. Subsidiaries are all entities controlled by the Company. The Company controls an entity when the Company is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

B. Inter-company transactions, balances and unrealized gains or losses on transactions between companies within the Company are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Company.

C. The Company's share of its associates' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income. When the Company's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Company does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

D. In accordance with "Regulations Governing the Preparation of Financial Reports by Securities Issuers", the profit or loss and other comprehensive income or loss presented on the parent company only financial statements are consistent with those presented on the consolidated financial statements. In addition, owner's equity presented on the parent company only financial statements is consistent with equity attributable to owners of parent presented on the consolidated financial statements.

(14) Property, plant and equipment

A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalised.

B. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

C. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.

D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

Buildings and structures	20 ~ 50 years
Machinery and equipment	2 ~ 12 years
Other equipment	2 ~ 10 years

(15) Intangible assets

Computer software expenditures are stated at cost and amortized on a straight-line basis over its estimated useful life of 2 to 5 years.

(16) Impairment of non-financial assets

The Company assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognised for the amount by which the asset’s carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset’s fair value less costs to sell or value in use. When the circumstances or reasons for recognizing impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortised historical cost would have been if the impairment had not been recognised.

(17) Borrowings

Borrowings comprise long-term and short-term bank borrowings. Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

(18) Notes and accounts payable

Notes and accounts payable are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. They are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. However, short-term accounts payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(19) Derecognition of financial liabilities

A financial liability is derecognised when the obligation specified in the contract is either discharged or cancelled or expires.

(20) Employee benefits

A. Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in respect of service rendered by employees in a period and should be recognised as expenses in that period when the employees render service.

B. Pensions

Defined contribution plans

For defined contribution plans, the Company has no legal or constructive obligation to make additional contributions after a fixed amount is contributed to a public or privately managed and independent pension fund. The contributions are recognised as pension expenses when they are due on an accrual basis. Prepaid contributions are recognised as an asset to the extent of a cash refund or a reduction in the future payments.

D. Employees’ compensation and directors’ remuneration

Employees’ compensation and directors’ remuneration are recognised as expenses and liabilities, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates.

(21) Income tax

A. The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or items recognised directly in equity, in which cases the tax is recognised in other comprehensive income or equity.

B. An additional 10% tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.

C. Deferred tax is recognised, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet. However, the deferred tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

D. Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. At each balance sheet date, unrecognised and recognised deferred tax assets are reassessed.

(22) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or stock options are shown in equity as a deduction, net of tax, from the proceeds.

(23) Dividends

Dividends are recorded in the Company's financial statements in the period in which they are approved by the Company's shareholders. Cash dividends are recorded as liabilities; stock dividends are recorded as stock dividends to be distributed and are reclassified to ordinary shares on the effective date of new shares issuance.

(24) Revenue recognition

Sales of goods

A. The Company manufactures and sells thick and thin film passive components. Sales are recognised when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, or the Company has objective evidence that all criteria for acceptance have been satisfied.

B. A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

(5) CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND KEY SOURCES OF ASSUMPTION UNCERTAINTY

The preparation of these financial statements requires management to make critical judgements in applying the Company accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. Such assumptions and estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year; and the related information is addressed below:

Evaluation of inventories

As inventories are stated at the lower of cost and net realisable value, the Company must determine the net realisable value of inventories on balance sheet date using judgements and estimates. Due to the rapid technological innovation, the Company evaluates the amounts of normal inventory consumption, obsolete inventories or inventories without market selling value on balance sheet date, and writes down the cost of inventories to the net realisable value. Such an evaluation of inventories is principally based on the demand for the products within the specified period in the future. Therefore, there might be material changes to the evaluation.

As of December 31, 2018, the carrying amount of inventories was $468,824.

(6)DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	December 31, 2018		December 31, 2017	
Cash on hand and revolving funds	$	1,020	$	1,011
Checking accounts and demand deposits		480,789		512,792
Time deposits		20,000		89,280
	$	501,809	$	603,083

A. The Company transacts with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.

B. Cash and cash equivalents pledged to banks as collateral were classified as other current financial assets. Information is provided in Note 8.

(2) Financial assets at fair value through profit or loss

	December 31, 2018	December 31, 2017
Current items:		
Financial assets mandatorily measured at fair value through profit or loss		
Beneficiary certificates	$ 53,916	$ 40,291
Valuation adjustment	(4,260)	565
Total	$ 49,656	$ 40,856

A. The Company recognised net (loss) gain of ($4,372) and $3,109 for the years ended December 31, 2018 and 2017, respectively.

B. The Company has no financial assets at fair value through profit or loss pledged to others.

(3)Equity instruments at fair value through other comprehensive income

Items	December 31, 2018
Current items:	
Overseas corporate bonds	$ 60,554
Valuation adjustment	(1,458)
Total	$ 59,096

A. The Company recognised $1,806 in other comprehensive loss for fair value change for the year ended December 31, 2018.

B. The counterparties of the Company's investments in debt instruments have good credit quality.

C. The Company recognised interest income of $2,163 on debt instruments held for the year ended December 31, 2018.

D. The Company has no financial assets at fair value through other comprehensive income pledged to others as collateral.

E. Information on available-for-sale financial assets and financial assets at amortised cost as of December 31, 2017 is provided in Note 12(4).

(4)Financial assets at amortised cost

Items	December 31, 2018
Current items:	
Time deposits	$ 50,000

A. The Company recognised interest income of $53 for amortised cost in profit or loss for the year ended December 31, 2018.

B. No financial assets at amortised cost held by the Company were pledged to others.

C. The Company has no financial assets at amortised cost through other comprehensive income pledged to others as collateral.

(5) Notes and accounts receivable

	December 31, 2018		December 31, 2017	
Notes receivable	$	11,288	$	7,183
Less: Allowance for uncollectible accounts		-		-
	$	11,288	$	7,183
Accounts receivable	$	599,646	$	387,491
Less: Allowance for uncollectible accounts	(	3,226)	(	2,060)
	$	596,420	$	385,431

A. The ageing analysis of accounts receivable that was past due but not impaired is as follows:

	December 31, 2018		December 31, 2017	
Not past due	$	554,015	$	364,252
Up to 60 days		42,288		19,784
61 to 90 days		66		414
91 to 180 days		2,206		954
Over 180 days		1,071		2,087
	$	599,646	$	387,491

The above ageing analysis was based on past due date.

B. The Company does not hold any collateral as security.

C. As at December 31, 2018 and 2017, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the Company’s notes receivable were $11,288 and $7,183, and accounts receivable were $599,646 and $387,491, respectively.

D. Information relating to credit risk is provided in Note 12(2).

(6) Inventories

	December 31, 2018					
	Cost		Allowance for valuation loss		Book value	
Raw materials	$	213,249	($	7,266)	$	205,983
Work in progress		141,602	(	26,751)		114,851
Finished goods		134,617	(	20,010)		114,607
Merchandise		42,043	(	8,660)		33,383
	$	531,511	($	62,687)	$	468,824

	December 31, 2017		
	Cost	Allowance for valuation loss	Book value
Raw materials	$ 156,106	($ 10,351)	$ 145,755
Work in progress	136,691	(35,958)	100,733
Finished goods	155,023	(64,357)	90,666
Merchandise	13,539	(872)	12,667
	$ 461,359	($ 111,538)	$ 349,821

The cost of inventories recognised as expense for the year:

	Year ended December 31, 2018	Year ended December 31, 2017
Cost of goods sold	$ 1,514,616	$ 1,184,352
Loss on decline in market price and slow-moving inventories	12,497	36,183
Revenue from sale of scraps	(5,965)	(3,711)
Loss on physical inventory	(61,348)	(10,603)
	$ 1,459,800	$ 1,206,221

(7) Investments accounted for using equity method

	2018	2017
At January 1	$ 107,324	$ 93,211
Share of profit or loss of investments accounted for using equity method	81,410	15,430
Changes in other equity items (Note 6(17))	(2,208)	(1,317)
At December 31	$ 186,526	$ 107,324

	December 31, 2017	December 31, 2018
Viking Global Tech Co., Ltd.	$ 186,526	$ 107,324

Details of the Company’s subsidiaries are provided in Note 12(2) of the Company’s consolidated financial statements as of and for the year ended December 31, 2018.

(8) Property, plant and equipment

	Land	Buildings and structures	Machinery	Equipment under installation	Others	Total
At January 1, 2018						
Cost	$ 229,932	$ 494,517	$ 1,240,252	$ 411	$ 11,697	$ 1,976,809
Accumulated depreciation	-	(171,548)	(517,172)	-	(5,000)	(693,720)
Accumulated impairment	-	-	(4,637)	-	-	(4,637)
	$ 229,932	$ 322,969	$ 718,443	$ 411	$ 6,697	$ 1,278,452
2018						
Opening net book amount as at January 1	$ 229,932	$ 322,969	$ 718,443	$ 411	$ 6,697	$ 1,278,452
Additions	-	10,983	211,608	13,979	6,092	242,662
Disposals	-	-	(96,327)	-	(43)	(96,370)
Reclassifications	-	-	411	(411)	-	-
Depreciation charge	-	(36,369)	(142,144)	-	(3,619)	(182,132)
Impairment loss	-	-	(135,374)	-	-	(135,374)
Closing net book amount as at December 31	$ 229,932	$ 297,583	$ 556,617	$ 13,979	$ 9,127	$ 1,107,238
At December 31, 2018						
Cost	$ 229,932	$ 505,500	$ 1,236,129	$ 13,979	$ 15,654	$ 2,001,194
Accumulated depreciation	-	(207,917)	(544,138)	-	(6,527)	(758,582)
Accumulated impairment	-	-	(135,374)	-	-	(135,374)
	$ 229,932	$ 297,583	$ 556,617	$ 13,979	$ 9,127	$ 1,107,238

	Land	Buildings and structures	Machinery	Equipment under installation	Others	Total
At January 1, 2017						
Cost	$ 229,932	$ 457,194	$ 1,183,188	$ 3,955	$ 13,865	$ 1,888,134
Accumulated depreciation	-	(137,987)	(451,340)	-	(7,691)	(597,018)
	$ 229,932	$ 319,207	$ 731,848	$ 3,955	$ 6,174	$ 1,291,116
2017						
Opening net book amount as at January 1	$ 229,932	$ 319,207	$ 731,848	$ 3,955	$ 6,174	$ 1,291,116
Additions	-	37,323	125,279	411	3,526	166,539
Disposals	-	-	(2,759)	-	-	(2,759)
Reclassifications	-	-	3,955	(3,955)	-	-
Depreciation charge	-	(33,561)	(135,243)	-	(3,003)	(171,807)
Impairment loss	-	-	(4,637)	-	-	(4,637)
Closing net book amount as at December 31	$ 229,932	$ 322,969	$ 718,443	$ 411	$ 6,697	$ 1,278,452
At December 31, 2017						
Cost	$ 229,932	$ 494,517	$ 1,240,252	$ 411	$ 11,697	$ 1,976,809
Accumulated depreciation	-	(171,548)	(517,172)	-	(5,000)	(693,720)
Accumulated impairment	-	-	(4,637)	-	-	(4,637)
	$ 229,932	$ 322,969	$ 718,443	$ 411	$ 6,697	$ 1,278,452

A. The significant components of buildings are depreciated over 50 years.

B. Information about the property, plant and equipment that were pledged to others as collateral is provided in Note 8.

C. Impairment information about the property, plant and equipment is provided in Note 6(9).

(9) Impairment of non-financial assets

A. The Company recognised impairment loss for the years ended December 31, 2018 and 2017 amounting to $135,374 and $4,637, respectively. Details of such loss are as follows:

	Year ended December 31, 2018	
	Recognised in profit or loss	Recognised in other comprehensive income
Impairment loss－machinery	($ 135,374)	$ -

	Year ended December 31, 2017	
	Recognised in profit or loss	Recognised in other comprehensive income
Impairment loss－machinery	($ 4,637)	$ -

B. The Company assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount.

(10) Short-term borrowings

Type of borrowings	December 31, 2018	Interest rate range	Collateral
Bank borrowings			
Unsecured borrowings	$ 20,000	1.18%～1.2%	None

Type of borrowings	December 31, 2017	Interest rate range	Collateral
Bank borrowings			
Unsecured borrowings	$ 130,000	1.16%～1.32%	None

(11) Other payables

	December 31, 2018	December 31, 2017
Payable on employees' compensation	$ 38,079	$ 11,699
Payable on machinery and equipment	36,179	59,509
Bonus payable	31,985	31,338
Salary payable	29,980	26,616
Payable on directors' remuneration	19,039	5,849
Others	63,572	61,110
	$ 218,834	$ 196,121

(12) Long-term borrowings

Type of borrowings	Borrowing period and repayment term	Interest rate range	Collateral	December 31, 2018
Long-term bank borrowings				
Secured borrowings	Borrowing period is from September 27, 2013 to January 19, 2014, interest is repayable monthly; From January 20, 2014 to January 19, 2027; principal and interest are repayable monthly.	1.36%	Note 1	$ 74,055
Secured borrowings	Borrowing period is from February 20, 2017 to January 15, 2022; interest is repayable quarterly.	1.40%	Note 2	29,250
Secured borrowings	Borrowing period is from October 25, 2017 to October 25, 2027; principal and interest are repayable monthly.	1.36%	Note 1	44,511
Secured borrowings	Borrowing period is from February 7, 2018 to October 25, 2022; principal and interest are repayable monthly.	1.36%	Note 1	45,553
Secured borrowings	Borrowing period is from February 7, 2018 to January 15, 2023, interest is repayable monthly for the first year. From February 15, 2019 to January 15, 2023; principal and interest are repayable monthly.	1.40%	Note 2	7,380
				200,749
Less: Current portion				(29,076)
				$ 171,673

Type of borrowings	Borrowing period and repayment term	Interest rate range	Collateral	December 31, 2017
Long-term bank borrowings				
Secured borrowings	Borrowing period is from September 27, 2013 to January 19, 2014; interest is repayable monthly. Borrowing period is from January 20, 2014 to January 19, 2027; principal and interest are repayable monthly.	1.36%	Note 1	$ 82,664
Secured borrowings	Borrowing period is from February 20, 2017 to January 15, 2022; interest is repayable quarterly.	1.40%	Note 2	38,250
Secured borrowings	Borrowing period is from February 7, 2018 to October 25, 2022; principal and interest are repayable monthly.	1.36%	Note 1	49,221
				170,135
Less: Current portion				(22,319)
				$ 147,816

Note 1: Information about the land, buildings and structures and machinery and equipment that were pledged to others as collaterals is provided in Note 8.

Note 2: Information about the machinery and equipment that were pledged to others as collaterals is provided in Note 8.

(13) Pensions

Effective July 1, 2005, the Company has established a defined contribution pension plan (the "New Plan") under the Labor Pension Act (the "Act"), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company contributes monthly an amount based on 6% of the employees' monthly salaries and wages to the employees' individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.

The pension costs under the defined contribution pension plans of the Company for the years ended December 31, 2018 and 2017 were $13,583 and $13,051, respectively.

(14) Share capital

As of December 31, 2018, the Company's authorised capital was $1,500,000, consisting of 150 million shares of ordinary stock (including 15 million shares reserved for employee stock options and convertible bonds issued by the Company), and the amount issued was 654,262 thousand shares with a par value of $10 (in dollars) per share. All proceeds from shares issued have been collected.

There is no change in the number of shares for the years ended December 31, 2018 and 2017. Details of the balances at the end of the year are as follows:

Unit: in thousand shares

	2018	2017
At December 31	117,341	117,341

(15) Capital surplus

Pursuant to the R.O.C. Company Act, capital surplus arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficit. Further, the R.O.C. Securities and Exchange Act requires that the amount of capital surplus to be capitalised mentioned above should not exceed 10% of the paid-in capital each year. Capital surplus should not be used to cover accumulated deficit unless the legal reserve is insufficient.

	2018				
	Share premium	Recognition of changes in the subsidiary's equity	Donated assets received	Consolidation excess	Total
At January 1(and at December 31)	$ 423,367	$ 1,482	$ 700	$ 304,572	$ 730,121

	2017				
	Share premium	Recognition of changes in the subsidiary's equity	Donated assets received	Consolidation excess	Total
At January 1(and at December 31)	$ 423,367	$ 1,482	$ 700	$ 304,572	$ 730,121

(16) Retained earnings

A. Under the Company's Articles of Incorporation, the current year's earnings, if any, shall offset prior years' operating losses. The remaining amount shall be set aside as legal reserve in accordance with the regulations and the special reserve shall be set aside or reversed, if necessary. The remainder along with the previous years' unappropriated retained earnings, if any, to be appropriated shall be proposed by the Board of Directors at its meeting and then resolved by the stockholders at their meeting.

B. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the balance of the reserve exceeds 25% of the Company's paid-in capital.

C. In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.

D. Under the Company's Articles of Incorporation, dividends to the shareholders can be distributed in cash or share dividends. However, the cash dividends shall not be less than 20% of the total distribution.

E. (a) The appropriations of 2017 and 2016 earnings had been resolved at the Board of Directors' and stockholders' meeting on February 26, 2019 and June 22, 2018, respectively. Details are summarized below:

	2017		2016	
	Amount	Dividends per share (in dollars)	Amount	Dividends per share (in dollars)
Legal reserve	$ 8,733		$ 8,042	
Special reserve	1,595		5,105	
Cash dividends	58,671	$ 0.50	58,671	$ 0.50
Total	$ 68,999		$ 71,818	

The appropriations of 2017 and 2016 earnings are in agreement with the Board of Directors' proposals on March 14, 2018 and March 8, 2017, respectively.

(b)The appropriations of 2018 earnings had been resolved at the Board of Directors' and stockholders' meeting on March 13, 2019. Details are summarized below:

	2018	
	Amount	Dividends per share (in dollars)
Legal reserve	$ 27,638	
Special reserve	4,014	
Cash dividends	140,809	$ 1.20
Total	$ 172,461	

(一)

(二)As of March 13, 2019, the appropriations of 2018 earnings had not been approved by the stockholders.

F. Information about employees' compensation and directors' and supervisors' remuneration are provided in Note 6(23).

(17) Other equity items

	2018			
	Available-for-sale investment	Measured at fair value through other comprehensive income under unrealized gain or loss on financial instrument	Currency translation	Total
At January 1	$ 348	$ -	($ 3,858)	($ 3,510)
Retrospective application	(348)	348	-	-
Revaluation	-	(1,806)	-	(1,806)
Currency translation differences:				
–Subsidiary	-	-	(2,208)	(2,208)
At December 31	$ -	($ 1,458)	($ 6,066)	($ 7,524)

	2017		
	Available-for-sale investment	Currency translation	Total
At January 1	($ 2,564)	($ 2,541)	($ 5,105)
Revaluation	2,912	-	2,912
Currency translation differences:			
–Subsidiary	-	(1,317)	(1,317)
At December 31	$ 348	($ 3,858)	($ 3,510)

(18) Operating revenue

	Year ended December 31, 2018
Revenue from contracts with customers	$ 2,165,515

Revenue from contracts with customers

A. The Company derives revenue from the transfer of goods at a point in time. Revenue is mainly from single passive components.

B. Related disclosures for 2017 operating revenue are provided in Note 12(5) .

(19) Other income

	Year ended December 31, 2018	Year ended December 31, 2017
Interest income：		
Interest income from bank deposits	$ 1,267	$ 3,879
Interest income from financial assets at fair value through other comprehensive income	2,163	-
Interest income from available-for-sale financial assets	-	2,169
Interest income from financial assets measured at amortised cost	53	-
Interest income from investments in debt instrument without active market	-	1
Net currency exchange gain(losses)	1,725	(29,979)
Other income, others	7,285	2,215
	$ 12,493	($ 21,715)

(20) Other gains and losses

	Year ended December 31, 2018	Year ended December 31, 2017
Gains (losses) on financial assets at fair value through profit or loss	($ 4,372)	$ 3,109
Foreign exchange gains (losses)	5,673	(24,067)
Gains on disposals of property, plant and equipment	(34,335)	(1,474)
Impairment loss on property, plant and equipment	(135,374)	(4,637)
Miscellaneous disbursements	(15)	(346)
	($ 168,423)	($ 27,415)

(21) Finance costs

	Year ended December 31, 2018	Year ended December 31, 2017
Bank interest expense	$ 3,641	$ 4,169

(22) Expenses by nature

	Year ended December 31, 2018	Year ended December 31, 2017
Employee benefit expense	$ 478,481	$ 415,561
Depreciation charges on property, plant and equipment	182,132	171,807
Amortisation charges on intangible assets	2,976	3,166
	$ 663,589	$ 590,534

(23) Employee benefit expense

	Year ended December 31, 2018	Year ended December 31, 2017
Wages and salaries	$ 412,374	$ 351,721
Labour and health insurance fees	33,051	31,493
Pension costs	13,583	13,051
Other personnel expenses	19,473	19,296
	$ 478,481	$ 415,561

A. In accordance with the Articles of Incorporation of the Company, a ratio of distributable profit of the current year, after covering accumulated losses, shall be distributed as employees' compensation and directors' and supervisors' remuneration. The ratio shall be 10% for employees' compensation and shall be 5% for directors' and supervisors' remuneration. However, annual net income should be firstly reserved to offset the Company's accumulated deficit prior to the distribution of compensation and remuneration.

B. For the years ended December 31, 2018 and 2017, employees' compensation was accrued at $38,079 and $11,699, respectively; while directors' and supervisors' remuneration was accrued at $19,039 and $5,849, respectively. The aforementioned amounts were recognised in salary expenses.

The employees' compensation and directors' and supervisors' remuneration were estimated and accrued based on 10% and 5% of distributable profit of current year.

Information about employees' compensation and directors' and supervisors' remuneration of the Company as resolved by the Board of Directors will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(24) Income tax

A. Income tax expense

(a) Components of income tax expense:

	Year ended December 31, 2018	Year ended December 31, 2017
Current tax:		
Current tax on profits for the year	$ 67,227	$ 22,115
Tax on undistributed surplus earnings	2,152	860
Prior year income tax (over) underestimation	77	(2,280)
Total current tax	69,456	20,695
Deferred tax:		
Origination and reversal of temporary differences	(17,901)	(8,316)
Impact of change in tax rate	(4,260)	-
Total deferred tax	(22,161)	(8,316)
Income tax expense	$ 47,295	$ 12,379

(三)

(b) The income tax (charge)/credit relating to components of other comprehensive income is as follows: None

(c) The income tax charged/(credited) to equity during the period is as follows: None

B. Reconciliation between income tax expense and accounting profit

	Year ended December 31, 2018	Year ended December 31, 2017
Tax calculated based on profit before tax and statutory tax rate (note)	$ 64,734	$ 16,951
Expenses disallowed by tax regulation	(15,408)	(3,152)
Separate taxation	2,152	860
Prior year income tax (over) underestimation	77	(2,280)
Effect from changes in tax regulation	(4,260)	-
Income tax expense	$ 47,295	$ 12,379

C. Amounts of deferred tax assets or liabilities as a result of temporary differences, tax losses and investment tax credits are as follows:

	2018		
	January 1	Recognised in profit or loss	December 31
Temporary differences:			
—Deferred tax assets:			
Unrealised loss on market value decline and obsolete inventory	$ 18,962	($ 6,424)	$ 12,538
Unrealised exchange loss	2,370	(1,034)	1,336
Unused vacation time bonus	437	(6)	431
Unused gross margin	1,830	3,300	5,130
Unused impairment loss	788	26,287	27,075
Subtotal	$ 24,387	$ 22,123	$ 46,510
—Deferred tax liabilities:			
Unrealised exchange gain	($ 247)	$ 38	($ 209)
Subtotal	($ 247)	$ 38	($ 209)
Total	$ 24,140	$ 22,161	$ 46,301

	2017		
	January 1	Recognised in profit or loss	December 31
Temporary differences:			
—Deferred tax assets:			
Unrealised loss on market value decline and obsolete inventory	$ 14,613	$ 4,349	$ 18,962
Unrealised exchange loss	1,726	644	2,370
Unused vacation time bonus	663	(226)	437
Unused gross margin	46	1,784	1,830
Unused impairment loss	-	788	788
Subtotal	$ 17,048	$ 7,339	$ 24,387
—Deferred tax liabilities:	-	-	-
Unrealised exchange gain	($ 1,244)	$ 977	($ 247)
Subtotal	($ 1,244)	$ 977	($ 247)
Total	$ 15,804	$ 8,316	$ 24,140

D. The amounts of deductible temporary difference that are not recognised as deferred tax assets are as follows:

	December 31, 2018	December 31, 2017
Deductible temporary differences	$ 74,909	$ 4,292

E. The Company's income tax returns through 2016 have been assessed and approved by the Tax Authority.

F. Under the amendments to the Income Tax Act which was promulgated by the President of the Republic of China in February, 2018, the Company's applicable income tax rate was raised from 17% to 20% effective from January 1, 2018. The Group has assessed the impact of the change in income tax rate.

(25) Earnings per share

	Year ended December 31, 2018		
	Amount after tax	Weighted average number of ordinary shares outstanding (share in thousands)	Earnings per share (in dollars)
Basic earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 276,376	117,341	$ 2.36
Diluted earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 276,376	117,341	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	1,303	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	$ 276,376	118,644	$ 2.33

	Year ended December 31, 2017		
	Amount after tax	Weighted average number of ordinary shares outstanding (share in thousands)	Earnings per share (in dollars)
Basic earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 87,331	117,341	$ 0.74
Diluted earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 87,331	117,341	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	532	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	$ 87,331	117,873	$ 0.74

(26) Supplemental cash flow information

Investing activities with partial cash payments

	Year ended December 31, 2018	Year ended December 31, 2017
Purchase of property, plant and equipment	$ 242,662	$ 166,539
Add: Opening balance of payable on equipment	59,509	35,166
Ending balance of prepayment for equipment	121,414	87,493
Less: Ending balance of payable on equipment	(36,179)	(59,509)
Opening balance of prepayment on equipment	(87,493)	(55,218)
Cash paid during the year	$ 299,913	$ 174,471

(27) Changes in liabilities from financing activities

	Short-term borrowings	Long-term borrowings	Liabilities from financing activities-gross
At January 1, 2018	$ 130,000	$ 170,135	$ 300,135
Changes in cash flow from financing activities	(110,000)	30,614	(79,386)
At December 31, 2018	$ 20,000	$ 200,749	$ 220,749

(7)RELATED PARTY TRANSACTIONS

(1) Parent and ultimate controlling party

Names of related parties	Relationship with the Company
Guangdong Fenghua Advanced Technology (Holding) Co.,Ltd.	Entity having significant influence on the Company
Viking Electronics (WUXI) CO., LTD.	A second-tier subsidiary under equity method (Note)
Lead Brand Co., Ltd.	A second-tier subsidiary under equity method
Viking Tech America Corporation	A second-tier subsidiary under equity method

Note: The Company's subsidiary, Wuxi TMTEC Electronics Co., Ltd., was renamed Viking Electronics (WUXI) CO., LTD. on May 30, 2018.

(2) Significant related party transactions

A. Operating revenue:

	Year ended December 31, 2018	Year ended December 31, 2017
Sales of goods:		
Subsidiaries	$ 398,956	$ 280,023

The above sales were based on the sales prices and terms that were available to the third parties. There was no significant difference in sales price between related parties and the third parties. The credit terms were approximately 60~150 days and were 60~90 days after monthly billings for related parties and the third parties, respectively, and the difference was due to the adjustment in credit term of the subsidiary's ultimate customers.

B. Purchases

	Year ended December 31, 2018	Year ended December 31, 2017
Purchases of goods:		
Subsidiaries	$ 61	$ -
Entities having significant influence on the Company	16,957	387
Total	$ 17,018	$ 387

The above purchases were based on the purchase prices and terms that were available to the third parties. The payment terms were approximately 90 days and were 60~90 days after monthly billings for related parties and the third parties, respectively. There was no significant difference in purchase price between related parties and the third parties.

C. Receivables from related parties

	December 31, 2018	December 31, 2017
Accounts receivable:		
Subsidiaries	$ 210,517	$ 132,792
Other receivables－sale of property, plant and equipment:		
Subsidiaries	17,987	-
Other receivables:		
Entities having significant influence on the Company	1,581	-
Total	$ 230,085	$ 132,792

D. Payables to related parties

	December 31, 2018	December 31, 2017
Accounts payable:		
Subsidiaries	$ 61	$ 383
Entities having significant influence on the Company	12,433	-
Total	$ 12,494	$ 383

E. Others

	December 31, 2018	December 31, 2017
Commissions Expense:		
Subsidiaries	$ 2,526	$ 2,317

F. Property transactions

	Year ended December 31, 2018		Year ended December 31, 2017	
	Disposal proceeds	Gain (loss) on disposal	Disposal proceeds	Gain (loss) on disposal
Subsidiaries	$ 17,897	$ 1,158	$ -	$ -

(3) Key management compensation

	Year ended December 31, 2018	Year ended December 31, 2017
Salaries and other short-term employee benefits	$ 41,462	$ 22,682

(8)PLEDGED ASSETS

	Book value		
Pledged asset	December 31, 2018	December 31, 2017	Purpose
Land	$ 229,932	$ 229,932	Bank loan(Note 1)
Buildings and structures	177,147	183,550	Bank loan(Note 1)
Machinery	38,798	61,423	Bank loan(Note 2)
Time deposits(shown as other current assets-others)	800	800	Customs security deposit for importing raw materials
	$ 446,677	$ 475,705	

Note 1: Pledged to HSINGONG BRANCH of Land Bank of Taiwan and Hsinchu Branch of Chang Hwa Bank as collateral for long-term borrowings.

Note 2: Pledged to The Shanghai Commercial & Savings Bank, Ltd. and Chu Tung Branch of Taiwan Business Bank as collateral for long-term borrowings.

(9)SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

(1) Contingencies: None.

(2) Commitments:

Capital expenditure contracted for at the balance sheet date but not yet incurred is as follows:

	December 31, 2018	December 31, 2017
Machinery	$ 74,132	$ 38,313

(10)SIGNIFICANT DISASTER LOSS

None.

(11)SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

The information regarding the appropriations of 2018 earnings is provided in Note 6(16).

(12)OTHERS

(1).Capital management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. The Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital.

(2).Fiancial instruments

A. Financial instruments by category

	December 31, 2018	December 31, 2017
Financial assets		
Financial assets at fair value through profit or loss		
Financial assets mandatorily measured at fair value through profit or loss	$ 49,656	$ -
Financial assets held for trading	-	40,856
Financial assets at fair value through other comprehensive income		
Qualifying equity instrument	59,096	-
Available-for-sale financial assets		58,901
Financial assets at amortised cost/Loans and receivables		
Cash and cash equivalents	501,809	603,083
Financial assets at amortised cost	20,000	-
Notes receivable	11,288	7,183
Accounts receivable (including related parties)	596,420	385,431
Other receivables (including related parties)	38,662	9,246
Guarantee deposits paid	807	807
Other financial assets	800	800
	$ 1,278,538	$ 1,106,307
Financial liabilities		
Financial liabilities at amortised cost		
Short-term borrowings	$ 20,000	$ 130,000
Notes payable	3,154	5,253
Accounts payable(including related parties)	204,200	137,110
Other accounts payable	218,834	196,121
Long-term borrowings (including current portion)	200,749	170,135
Guarantee deposits received	3,555	3,445
	$ 650,492	$ 642,064

B. Financial risk management policies

(a) The Company's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk.

(b) Risk management is carried out by a finance department (Company finance) under policies approved by the Board of Directors. Company finance identifies, evaluates and hedges financial risks in close cooperation with the Company's operating units.

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

ii. The Company operates internationally and is exposed to foreign exchange risk arising from the transactions of the Company and its subsidiaries used in various functional currency, primarily with respect to the USD and RMB. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

iii. Management has set up a policy to require company subsidiaries to manage their foreign exchange risk against their functional currency. The company subsidiaries are required to hedge their entire foreign exchange risk exposure with the Company treasury. Foreign exchange risk arises when future commercial transactions or recognized assets or liabilities are denominated in a currency that is not the entity's functional currency.

iv. The Company's businesses involve some non-functional currency operations. The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

	December 31, 2018			
	Foreign currency amount (In thousands)		Exchange rate	Book value (NTD)
(Foreign currency: functional currency)				
Financial assets				
Monetary items				
EUR:NTD	EUR	1,172	35.20	$ 41,242
USD:NTD	USD	14,119	30.72	433,674
HKD:NTD	HKD	4,244	3.92	16,643
RMB:NTD	RMB	44,728	4.47	200,022
Non-Monetary items				
USD:NTD	USD	6,072	30.72	$ 186,526
Financial liabilities				
Monetary items				
EUR:NTD	EUR	337	35.20	$ 11,880
USD:NTD	USD	1,731	30.72	53,152
Non-Monetary items: None				

	December 31, 2017			
	Foreign currency amount (In thousands)		Exchange rate	Book value (NTD)
(Foreign currency: functional currency)				
Financial assets				
Monetary items				
EUR:NTD	EUR	889	35.57	$ 31,635
USD:NTD	USD	22,806	29.76	678,704
HKD:NTD	HKD	3,844	3.81	14,633
RMB:NTD	RMB	27,539	4.57	125,713
Non-Monetary items: None				
Financial liabilities				
Monetary items				
USD:NTD	USD	1,158	29.76	$ 34,473
Non-Monetary items: None				

v. Please refer to the following table for the details of exchange gain (loss), including realised and unrealised, arising from significant foreign exchange variation on the monetary items held by the Company：

	December 31, 2018		
	Foreign exchange gains (losses)		
	Foreign currency amount (In thousands)	Exchange rate	Book value
(Foreign currency: functional currency)			
Financial assets			
Monetary items			
EUR:NTD	-	35.61	$ 145
USD:NTD	-	30.15	12,598
HKD:NTD	-	3.85	398
RMB:NTD	-	4.56	(6,563)
Financial liabilities			
Monetary items			
EUR:NTD	-	35.61	$ 305
USD:NTD	-	30.15	238

	December 31, 2017		
	Foreign exchange gains (losses)		
	Foreign currency amount (In thousands)	Exchange rate	Book value
(Foreign currency: functional currency)			
Financial assets			
Monetary items			
EUR:NTD	-	33.62	$ 2,709
USD:NTD	-	30.43	(40,469)
HKD:NTD	-	3.92	(1,208)
RMB:NTD	-	4.53	(3,040)
Financial liabilities			
Monetary items			
USD:NTD	-	30.43	($ 11,339)

vi. Analysis of foreign currency market risk arising from significant foreign exchange variation:

	December 31, 2018		
	Sensitivity analysis		
	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)			
Financial assets			
Monetary items			
EUR:NTD	1%	$ 412	$ -
USD:NTD	1%	4,337	-
HKD:NTD	1%	166	-
RMB:NTD	1%	2,000	-
Non-Monetary items			
USD:NTD	1%	-	$ 1,865
Financial liabilities			
Monetary items			
EUR:NTD	1%	($ 119)	$ -
USD:NTD	1%	(532)	-

	December 31, 2017		
	Sensitivity analysis		
	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)			
Financial assets			
Monetary items			
EUR:NTD	1%	$ 316	$ -
USD:NTD	1%	6,787	-
HKD:NTD	1%	146	-
RMB:NTD	1%	1,257	-
Financial liabilities			
Monetary items			
USD:NTD	1%	($ 345)	$ -

Price risk

i. The Company's equity securities, which are exposed to price risk, are the held financial assets at fair value through other comprehensive income and available-for-sale financial assets. To manage its price risk arising from investments in equity securities, the Company diversifies its portfolio.

ii. The Company's investments in equity securities comprise domestic and foreign stocks. The prices of equity securities would change due to the change of the future value of investee companies. If the prices of these equity securities had increased/decreased by 1% with all other variables held constant, other components of equity for the years ended December 31, 2018 and 2017 would have increased/decreased by $397 and $339, respectively, as a result of other comprehensive income classified as available-for-sale equity investment and equity investment at fair value through other comprehensive income.

Cash flow and fair value interest rate risk

iii. The Company's interest rate risk arises from short-term and long-term borrowings. Borrowings issued at variable rates expose the Company to cash flow interest rate risk which is partially offset by cash and cash equivalents held at variable rates.

iv. Based on the simulations performed, the impact on post-tax profit of a 1% shift would be a maximum increase or decrease of $1,766 and $2,491 for the years ended December 31, 2018 and 2017, respectively. The simulation is done on a quarterly basis to verify that the maximum loss potential is within the limit given by the management.

(b) Credit risk

i. Credit risk refers to the risk of financial loss to the Company arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms, and the contract cash flows of debt instruments stated at amortised cost, at fair value through profit or loss and at fair value through other comprehensive income.

ii. The Company manages their credit risk taking into consideration the entire Company's concern. According to the Company's credit policy, each local entity in the Group is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilisation of credit limits is regularly monitored.

v. The Company adopts the assumptions under IFRS 9, the default occurs when the contract payments are past due over 90 days.

iv. The Company adopts following assumptions under IFRS 9 to assess whether there has been a significant increase in credit risk on that instrument since initial recognition:

If the contract payments were past due over 30 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition.

v. The Company classifies customers' accounts receivable in accordance with credit rating of customer. The Company applies the modified approach using loss rate methodology to estimate expected credit loss.

vi. The following indicators are used to determine whether the credit impairment of debt instruments has occurred:

(i) It becomes probable that the issuer will enter bankruptcy or other financial reorganization due to their financial difficulties;

(ii) The disappearance of an active market for that financial asset because of financial difficulties;

(iii) Default or delinquency in interest or principal repayments;

(iv) Adverse changes in national or regional economic conditions that are expected to cause a default.

vii. The Company wrote-off the financial assets, which cannot be reasonably expected to be recovered, after initiating recourse procedures. However, the Company will continue executing the recourse procedures to secure their rights.

viii. The Company used the forecastability to adjust historical and timely information to assess the default possibility of accounts receivable. On December 31, 2018, the loss rate methodology is as follows:

	Not past due	60 days past due	61~90 days past due	91~180 days past due	Over 180 days past due	Total
December 31, 2018						
Expected loss rate	0%	3.50%	20.00%	30.00%	99.94%	
Total book value	$ 554,015	$ 42,288	$ 66	$ 2,206	$ 1,071	$ 599,646
Loss allowance	-	(1,480)	(13)	(662)	(1,071)	(3,226)

ix. Movements in relation to the Company applying the simplified approach to provide loss allowance for accounts and notes receivable are as follows:

	December 31, 2018	
	Accounts receivable	Notes receivable
At January 1_IAS 39	$ 2,060	$ -
Adjustments under new standards	-	-
At January 1_IAS 9	-	-
Provision for impairment	1,172	-
Written-offs during the year	(6)	-
Effect of foreign exchange	-	-
At December 31	$ 3,226	$ -

x. Credit risk information of 2017 is provided in Note 12(4).

(C) Liquidity risk

i. Cash flow forecasting is performed in the operating entities of the Company and aggregated by Company treasury. Company treasury monitors rolling forecasts of the Company's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Company does not breach borrowing limits or covenants on any of its borrowing facilities. Such forecasting takes into consideration the Company's debt financing plans, covenant compliance, compliance with internal balance sheet ratio targets and, if applicable external regulatory or legal requirements, for example, currency restrictions.

ii. Surplus cash over and above balance required for working capital management are invested in interest bearing current accounts, time deposits, money market deposits and marketable securities. The chosen instruments have appropriate maturities or sufficient liquidity to provide sufficient headroom as determined by the abovementioned forecasts.

iii. The table below analyses the Company's non-derivative financial liabilities based on the remaining period at the balance sheet date to the contractual maturity date for nonderivative financial liabilities and to the expected maturity date for derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows.

Non-derivative financial liabilities

December 31, 2018	Less then 60 days	Between 61 days and 90 days	Between 91 days and 180 days	Between 181 days and 360 days	Over 361 days	Total
Short-term borrowings	$ 40	$ 20,015	$ -	$ -	$ -	$ 20,055
Notes payable	1,419	1,644	91	-	-	3,154
Accounts payable (including related parties)	144,213	35,312	24,675	-	-	204,200
Other payables	133,650	14,398	10,710	60,076	-	218,834
Long-term borrowings (including current portion)	5,905	1,903	7,951	15,882	180,395	212,036

Non-derivative financial liabilities

December 31, 2017	Less then 60 days	61 days and 90 days	91 days and 180 days	181 days and 360 days	Over 361 days	Total
Short-term borrowings	$ 70,158	$ 50,054	$ 33	$ 10,042	$ -	$ 130,287
Notes payable	3,082	1,830	341	-	-	5,253
Accounts payable (including related parties)	83,132	31,059	22,919	-	-	137,110
Other payables	140,473	24,463	10,656	20,529	-	196,121
Long-term borrowings (including current portion)	4,841	1,294	6,128	12,232	155,742	180,237

(3)Fair value information

A. The different levels that the inputs to valuation techniques are used to measure fair value of financial and non-financial instruments have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The fair value of the Company's investment in beneficiary certificates is included in Level 1

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability.

B. Financial instruments not measured at fair value

The carrying amounts of cash and cash equivalents, notes receivable, accounts receivable, other receivables, short-term borrowings, notes payable, accounts payable and other payables are approximate to their fair values.

C. Financial instruments not measured at fair value

The related information of financial and non-financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities is as follows:

(a) The Company's financial assets and liabilities measured at fair value are as follows:

December 31, 2018	Level 1	Level 2	Level 3	Total
Assets:				
Recurring fair value measurements				
Financial assets at fair value through profit or loss				
Equity securities	$ 49,656	$ -	$ -	$ 49,656
Financial assets at fair value through other comprehensive income				
Liability securities	$ 590,096	$ -	$ -	$ 590,096

December 31, 2017	Level 1	Level 2	Level 3	Total
Assets:				
Recurring fair value measurements				
Financial assets at fair value through profit or loss				
Equity securities	$ 40,856	$ -	$ -	$ 40,856
Available- for-sale financial assets				
Liability securities	$ 58,901	$ -	$ -	$ 58,901

(b) The methods and assumptions the Company used to measure fair value are as follows:

	Open-end fund	Corporate bond
Market quoted price	Net asset value	Weighted average quoted price

D. For the years ended December 31, 2018 and 2017, there was no transfer between Level 1 and Level 2.

E. For the years ended December 31, 2018 and 2017, there was no transfer into or out from Level 3.

(4)Effects on initial application of IFRS 9 and information on application of IAS 39 in 2017

A. Summary of significant accounting policies adopted in 2017:

(a) Financial assets at fair value through profit or loss

i. They are financial assets held for trading. Financial assets are classified in this category of held for trading if acquired principally for the purpose of selling in the short-term. Derivatives are also categorized as financial assets held for trading unless they are designated as hedges.

ii. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognised and derecognised using settlement date accounting.

iii. Financial liabilities at fair value through profit or loss are initially recognised at fair value. Related transaction costs are expensed in profit or loss. These financial liabilities are subsequently remeasured and stated at fair value, and any changes in the fair value of these financial liabilities are recognised in profit or loss.

(b) Loans and receivables

i. Accounts receivable

Accounts receivable are loans and receivables originated by the entity. They are created by the entity by selling goods or providing services to customers in the ordinary course of business. They are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. However, short-term accounts receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

ii. Investment in debt instrument without active market

(i)Investments in debt instrument without active market are loans and receivables not originated by the entity. They are bond investments with fixed or determinable payments that are not quoted in an active market, and also meet all of the following conditions:

a. Not designated on initial recognition as at fair value through profit or loss;

b.Not designated on initial recognition as available-for-sale;

c. Not for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration.

(ii) On a regular way purchase or sale basis, investments in debt instrument without active market are recognised and derecognised using settlement date accounting.

(iii) They are initially recognised at fair value on the trade date plus transaction costs and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Amortisation of a premium or a discount on such assets is recognised in profit or loss.

(iv) Investments in debt instrument without active market held by the Group are those time deposits with a short maturity period but do not qualify as cash equivalents, and they are measured at initial investment amount as the effect of discounting is immaterial.

(c) Impairment of financial assets

i. The Company assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

ii. The criteria that the Company uses to determine whether there is objective evidence of an impairment loss is as follows:

(i) Significant financial difficulty of the issuer or debtor;

(ii) A breach of contract, such as a default or delinquency in interest or principal payments;

(iii) The Company, for economic or legal reasons relating to the borrower's financial difficulty, granted the borrower a concession that a lender would not otherwise consider;

(iv) It becomes probable that the borrower will enter bankruptcy or other financial reorganisation;

(v) The disappearance of an active market for that financial asset because of financial difficulties;

(vi) Observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial asset in the group, including adverse changes in the payment status of borrowers in the group or national or local economic conditions that correlate with defaults on the assets in the group;

(vii) Information about significant changes with an adverse effect that have taken place in the technology, market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment in the equity instrument may not be recovered;

(viii) A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

iii. When the Company assesses that there has been objective evidence of impairment and an impairment loss has occurred, accounting for impairment is made as follows according to the category of financial assets:

(i)Financial assets at amortised cost

The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate, and is recognised in profit or loss. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset does not exceed its amortised cost that would have been at the date of reversal had the impairment loss not been recognised previously. Impairment loss is recognised and reversed by adjusting the carrying amount of the asset through the use of an impairment allowance account.

(ii)Financial assets at cost

The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at current market return rate of similar financial asset, and is recognised in profit or loss. Impairment loss recognised for this category shall not be reversed subsequently. Impairment loss is recognised by adjusting the carrying amount of the asset through the use of an impairment allowance account.

(iii)Available-for-sale financial assets

The amount of the impairment loss is measured as the difference between the asset's acquisition cost (less any principal repayment and amortisation) and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss, and is reclassified from 'other comprehensive income' to 'profit or loss'. If, in a subsequent period, the fair value of an investment in a debt instrument increases, and the increase can be related objectively to an event occurring after the impairment loss was recognised, such impairment loss is reversed through profit or loss. Impairment loss of an investment in an equity instrument recognised in profit or loss shall not be reversed through profit or loss. Impairment loss is recognised and reversed by adjusting the carrying amount of the asset through the use of an impairment allowance account.

(d) Available-for-sale financial assets

i. They are non-derivatives that are either designated in this category or not classified in any of the other categories.

ii. On a regular way purchase or sale basis, available-for-sale financial assets are recognised and derecognised using settlement date accounting.

iii. They are initially recognised at fair value plus transaction costs. These financial assets are subsequently remeasured and stated at fair value, and any changes in the fair value of these financial assets are recognised in other comprehensive income.

B. The reconciliations of carrying amount of financial assets transfered from December 31, 2017, IAS 39, to January 1, IFRS 9, were as follows:

				Effects	
	Measured at fair value through other comprehensive income	available for- sale financial assets	Total	Retained earnings	Other equity
IAS 39	$ -	$ 58,901	$ 58,901	$ -	$ -
Transferred into and measured at fair value through other comprehensive income-liability	58,901	(58,901)	-	-	-
Transferred into and measured at amortised cost	-	-	-	-	-
IFRS 9	$ 58,901	$ -	$ 58,901	$ -	$ -

Under IAS 39, because the equity instruments, which were classified as: available-for-sale financial assets amounting to $58,901, were not held for the purpose of trading, they were reclassified as 'financial assets at fair value through other comprehensive income' (equity instruments) on initial application of IFRS 9.

C. The significant accounts as of December 31, 2017 are as follows:

Available-for-sale financial assets

Items	December 31, 2017	
Current items:		
Overseas corporate bonds	$	58,553
Valuation adjustment		348
Total	$	58,901

i. The Company recognised $2,912 in other comprehensive income for fair value change for the year ended December 31, 2017.

ii. The counterparties of the Company's investments in debt instruments have good credit quality.

iii. The Company recognised interest income of $2,169 on debt instruments held for the year ended December 31, 2017.

iv. The Company has no available-for-sale financial assets pledged to others.

D. Credit risk information for the year ended December 2017 are as follows:

(a) Credit risk refers to the risk of financial loss to the Company arising from default by the clients or counterparties of financial instruments on the contract obligations. According to the Company's credit policy, each operating entities manages individual customer and analyse its credit risk, in particular evaluation of factors undermine the customers' repayment such as the customers' financial status and historical transactions as well as monitoring the usage of credit facilities on a regular basis. Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables. The Company transacts with banks and financial institutions with good credit quality.

(b) For the year ended December 31, 2017, no credit limits were exceeded during the reporting periods, and management does not expect any significant losses from non-performance by these counterparties.

	December 31, 2017	
Group 1	$	363,364
Group 2		888
	$	364,252

Group 1: Medium to low risk customers, which refer to customers with good operation and the Company's approved credit control.

Group 2: General risk customers, which refer to customers other than Group 1.

(d) The ageing analysis of financial assets that were past due but not impaired is as follows:

		December 31, 2017
Accounts receivable		
Up to 60 days	$	19,668
61 to 90 days		331
91 to 180 days		667
Over 181 days		513
	$	21,179

(e) The movement in impaired financial assets is as follows: ：

	Year ended December 31, 2017		
	Individual provision	Group provision	Total
At January 1	$ -	$ 3,325	$ 3,325
Reversal of impairment	-	(1,262)	(1,262)
Write-offs during the year	-	(3)	(3)
At December 31	$ -	$ 2,060	$ 2,060

(5)Effects of initial application of IFRS 15 and information on application of IAS 11 and IAS 18 in 2017

A. The significant accounting policies applied on revenue recognition for the year ended December 31, 2017 are set out below.

Sales of goods

The Company manufactures and sells thick and thin film passive components. Revenue is measured at the fair value of the consideration received or receivable taking into account of business tax, returns, rebates and discounts for the sale of goods to external customers in the ordinary course of the Company's activities. Revenue arising from the sales of goods is recognised when the Group has delivered the goods to the customer, the amount of sales revenue can be measured reliably and it is probable that the future economic benefits associated with the transaction will flow to the entity. The delivery of goods is completed when the significant risks and rewards of ownership have been transferred to the customer, the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold, and the customer has accepted the goods based on the sales contract or there is objective evidence showing that all acceptance provisions have been satisfied.

B. The revenue recognised by using above accounting policies for the year ended December 31, 2017 are as follows:

		Year ended December 31, 2017
Sales revenue	$	1,594,909
Other operating revenue		64
Total	$	1,594,973

C. The continuous application of the aforementioned accounting policies during the year ended December 31, 2018 has no significant effect on the Company's balance sheet and statement of comprehensive income for the year then ended.

(13)SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

A. Loans to others: None.

B. Provision of endorsements and guarantees to others: None.

C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to table 1.

D. Acquisition or sale of the same security with the accumulated cost exceeding $300 million or 20% of the Company's paid-in capital: None.

E. Acquisition of real estate reaching $300 million or 20% of paid-in capital or more:None.

F. Disposal of real estate reaching $300 million or 20% of paid-in capital or more: None.

G. Purchases or sales of goods from or to related parties reaching $100 million or 20% of paid-in capital or more: Please refer to table 2.

H. Receivables from related parties reaching $100 million or 20% of paid-in capital or more: Please refer to table 3.

I. Trading in derivative instruments undertaken during the reporting periods: None.

J. Significant inter-company transactions during the reporting periods: Please refer to table 4.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China)：Please refer to table 5.

(3) Information on investments in Mainland China

A. Basic information: Please refer to table 6.

B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: Please refer to table 7

(14)SEGMENT INFORMATION

Not applicable.

VIKING TECH CORPORATION

Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures)

December 31, 2018

Table 1

Expressed in thousands of NTD

				As of December 31, 2018				
Securities held by	Marketable securities and securities	Relationship with the securities issuer	General ledger account	Number of shares	Book value	Ownership	Fair value	Footnote
VIKING TECH CORPORATION	Franklin Templeton SinoAm China A Shares Equity Fund-TWD	None	Financial asset at fair value through profit or loss－current	661,998	$ 4,627	N/A	$ 4,627	
VIKING TECH CORPORATION	FSITC RMB Money Market Fund-TWD	None	Financial asset at fair value through profit or loss－current	500,000	4,944	N/A	4,944	
VIKING TECH CORPORATION	Union Global ETF Fund of Funds-TWD	None	Financial asset at fair value through profit or loss－current	100,000	953	N/A	953	
VIKING TECH CORPORATION	Jih Sun Asian High Yield Bond Fund-TWD	None	Financial asset at fair value through profit or loss－current	168,491	2,016	N/A	2,016	
VIKING TECH CORPORATION	Union Asia High Yield Bond Fund	None	Financial asset at fair value through profit or loss－current	10,000	3,369	N/A	3,369	
VIKING TECH CORPORATION	Franklin Templeton SinoAm Multi-Asset Income Fund-Accu.-USD	None	Financial asset at fair value through profit or loss－current	10,000	3,007	N/A	3,007	
VIKING TECH CORPORATION	Franklin Templeton SinoAm Asia Pacific Balanced Fund-Accu.-USD	None	Financial asset at fair value through profit or loss－current	10,000	2,967	N/A	2,967	
VIKING TECH CORPORATION	Union Global Balanced Fund-USD	None	Financial asset at fair value through profit or loss－current	5,000	1,598	N/A	1,598	
VIKING TECH CORPORATION	Jih Sun China Harvest Balanced Fund-USD	None	Financial asset at fair value through profit or loss－current	9,517	2,745	N/A	2,745	
VIKING TECH CORPORATION	Jih Sun Global Smart Car Fund-USD	None	Financial asset at fair value through profit or loss－current	4,996	1,533	N/A	1,533	
VIKING TECH CORPORATION	Nomura Global Short Duration Bond Fund-USD	None	Financial asset at fair value through profit or loss－current	5,972	1,896	N/A	1,896	
VIKING TECH CORPORATION	Union Money Market Fund	None	Financial asset at fair value through profit or loss－current	1,517,111	20,001	N/A	20,001	
VIKING TECH CORPORATION	FORMOSA GROUP (CAYMAN) LIMITED	None	Financial asset measured at fair value through other comprehensive income－current	N/A	59,096	N/A	59,096	
					$ 108,752		$ 108,752	

VIKING TECH CORPORATION

Purchases or sales of goods from or to related parties reaching NT$100 million or 20% of paid-in capital or more

Year ended December 31, 2018

Table 2

Expressed in thousands of NTD

(Except as otherwise indicated)

			Transaction				Differences in transaction(Note 2)		Notes/accounts receivable (payable)		
Purchaser/seller	Counterparty（Note1）	Relationship with the counterparty	Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	Footnote（Note 3）
VIKING TECH CORPORATION	Viking Electronics (WUXI) CO., LTD.	Subsidiary	Sales	$ 228,915	8.63%	150 days payment	N/A	N/A	$ 154,779	24.28%	N/A
VIKING TECH CORPORATION	Lead Brand Co., Ltd.	Subsidiary	Sales	115,781	4.36%	150 days payment	N/A	N/A	39,357	6.17%	N/A
Lead Brand Co., Ltd.	Viking Electronics (WUXI) CO., LTD.	Affiliates	Sales	131,845	4.97%	150 days payment	N/A	N/A	45,774	7.18%	N/A

Note 1 : The Company’s subsidiary, Wuxi TMTEC Electronics Co., Ltd., was renamed Viking Electronics (WUXI) CO., LTD. on May 30, 2018.

Note 2 : Goods are sold at the same prices with those for the third parties. Transaction terms vary depending on the terms of the subsidiaries’ end customers.

Note 3 : In case related-party transaction terms involve advance receipts (prepayments) transactions, explain in the footnote the reasons, contractual provisions, related amounts, and differences in types of transactions compared to third-party transactions.

VIKING TECH CORPORATION

Receivables from related parties reaching NT$100 million or 20% of paid-in capital or more

Year ended December 31, 2018

Table 3

Expressed in thousands of NTD

(Except as otherwise indicated)

Creditor	Counterparty（Note 1）	Relationship with the counterparty	Balance as at December 31, 2018 （Note 2）	Turnover rate	Overdue receivables Amount	Overdue receivables Action taken	Amount collected subsequent to the balance sheet date	Allowance for Creditor Counterparty doubtful accounts
VIKING TECH CORPORATION	Viking Electronics (WUXI) CO.,LTD.	Subsidiary	$ 154,779	1.78	$ -	N/A	$ 45,473	$ -

Note 1 : The Company’s subsidiary, Wuxi TMTEC Electronics Co., Ltd., was renamed Viking Electronics (WUXI) CO., LTD. on May 30, 2018.

VIKING TECH CORPORATION

Significant inter-company transactions during the reporting period

Year ended December 31, 2018

Table 4

Expressed in thousands of NTD

Number (Note1)	Company name	Counterparty(Note 2)	Relationship (Note 3)	Transaction			
				General ledger account	Amount	Transaction terms	Percentage of consolidated total operating revenues or total assets (Note 4)
0	VIKING TECH CORPORATION	Lead Brand Co., Ltd.	1	Accounts receivable	$ 39,357	150 days payment	1%
0	VIKING TECH CORPORATION	Lead Brand Co., Ltd.	1	Sales	115,781	"	4%
0	VIKING TECH CORPORATION	Viking Electronics (WUXI) CO., LTD.	1	Accounts receivable	154,779	"	5%
0	VIKING TECH CORPORATION	Viking Electronics (WUXI) CO., LTD.	1	Sales	228,915	"	9%
0	VIKING TECH CORPORATION	Viking Electronics (WUXI) CO., LTD.	1	Other receivables	17,987	"	1%
0	VIKING TECH CORPORATION	Viking Tech America Corporation	1	Accounts receivable	16,381	60 days payment	-
0	VIKING TECH CORPORATION	Viking Tech America Corporation	1	Sales	54,260	"	2%
1	Lead Brand Co., Ltd.	Viking Electronics (WUXI) CO., LTD.	3	Accounts receivable	45,774	150 days payment	1%
1	Lead Brand Co., Ltd.	Viking Electronics (WUXI) CO., LTD.	3	Sales	131,845	"	5%

Note 1: The numbers filled in for the transaction company in respect of inter-company transactions are as follows:

1.Parent company is‘0’.

2.The subsidiaries are numbered in order starting from‘1’.

Note 2 : The Company’s subsidiary, Wuxi TMTEC Electronics Co., Ltd., was renamed Viking Electronics (WUXI) CO., LTD. on May 30, 2018.

Note 3： Relationship between transaction company and counterparty is classified into the following categories:

1.Parent company to subsidiary.

2.Subsidiary to parent company.

3.Subsidiary to subsidiary.

Note 4： Regarding percentage of transaction amount to consolidated total operating revenues or total assets, it is computed based on period-end balance of transaction to consolidated total assets for balance sheet accounts and based onaccumulated transaction amount for the period to consolidated total operating revenues for income statement accounts.

VIKING TECH CORPORATION

Information on investees(not including investees in Mainland China)

Year ended December 31, 2018

Table 5

Expressed in thousands of NTD

				Initial investment amount		Shares held as at December 31, 2018					
Investor	Investee	Location	Main business activities	Balance as at December 31,2018	Balance as at December 31,2017	Number of shares	Ownership	Book value	Net profit (loss) of the investee for the year ended December 31, 2018	Investment income (loss) recognised by the Company for the year ended December 31, 2018	Footnote
VIKING TECH CORPORATION	Viking Global Tech Co., Ltd.	British Virgin Islands	Broad businesses and investments	$ 111,311	$ 111,311	7,000	100	186,526	81,410	81,410	Note1
Viking Global Tech Co., Ltd.	Lead Brand Co., Ltd.	St. Vincent	Sale of thin film passive components	-	-	1,000,000	100	41,750	12,005	12,005	
Viking Global Tech Co., Ltd.	Viking Tech Electronics Limited	Hong Kong	Manufacturing and sale of passive	74,411	74,411	46,800,000	100	128,708	64,203	64,203	
Viking Global Tech Co., Ltd.	Grand Barry International Limited	British Virgin Islands	Manufacturing and sale of passive	23,766	23,766	31,400	100	16,068	5,202	5,202	
Grand Barry International Limited	Viking Tech America Corporation	United States of America	Sale of thin film passive components	22,680	22,680	750,000	76	14,990	6,807	5,156	Note2

Note 1 : VIKING TECH CORPORATION invested in Viking Global Tech Co., Ltd. with its ownership in Viking Tech Group L.L.C. and Taitec Technology (Samoa) Co., Ltd. as capital contribution amounting to $91,196.

Note 2 : In July 2013, Grand Barry International Limited increased its investments by $3,001 in Viking Tech America Corporation. Its ownership of the investee declined to 76% since it did not participate the investee's capital increase proportion to its previous ownership. Yet it did not lose its control over the subsidiaries. The difference between the book value and net assets acquired has been adjusted in equity by $1,482.

VIKING TECH CORPORATION

Information on investments in Mainland China

Year ended December 31, 2018

Table 6

Expressed in thousands of NTD

Investee in Mainland China(Note1)	Main business activities	Paid-in capital (Note2)	Investment method （Note 3）	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2018	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2018: Remitted to Mainland China	Remitted back to Taiwan	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2018	Net income of investee for the year ended December 31, 2018	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2018 （Note6.(2).B）	Book value of investments in Mainland China as of December 31, 2018	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2018	Footnote
Viking Electronics (WUXI) CO., LTD.	Manufacturing and sale of passive	$ 184,290	（3）	$ 184,290	$ -	$ -	$ 184,290	$ 64,203	100	$ 64,203	$ 128,708	$ -	

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2018	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA
Viking Electronics (WUXI) CO., LTD.	$ 184,290	$ 184,290	$ 1,517,492

Note 1 : The Company's subsidiary, Wuxi TMTEC Electronics Co., Ltd., was renamed Viking Electronics (WUXI) CO., LTD. on May 30, 2018.

Note 2: The paid-in capital was translated into NTD from USD 6,000 at the exchange rate on reporting date.

Note 3：Investment methods are classified into the following four categories; fill in the number of category each case belongs to:

(1)Invested in the investee in Mainland China through remitting to the third area.

(2)Through investing in an existing company in the third area, which then invested in the investee in Mainland China.

(3)Through investing in an existing company in the third area, which then invested in the investee in Mainland China.

(4)Others.

Note 4: Viking Tech Electronics Limited acquired a subsidiary accounted for using equity method, Wuxi TMTEC Electronics Co., Ltd., from Taitec Electronics (Samoa) Co., Ltd. on July 1, 2009. The original investments approved by the Investment Commission of MOEA were USD 6,000 thousand. The acquiree became a subsidiary of the Company thereafter.

Note 5: Viking Electronics (WUXI) CO., LTD. became an indirect investee of the Company after surviving the merger with Wuxi TMTEC Electronics Co., Ltd. on the merger effective date. The original investments by Viking Tech Wuxi TMTEC Electronics Co., Ltd. approved by the Investment Commission of MOEA were USD 6,000 thousand.

Note 6：Recognition methods of investment income (loss) are classified into two categories as follows:

(1)It should be indicated if the company is in the process of incorporation and have no profit or loss yet.

(2)Indicate the basis for investment income (loss) recognition in the number of one of the following three categories

A.The financial statements that are audited and attested by international accounting firm which has cooperative relationship with accounting firm in R.O.C.

B.The financial statements that are audited and attested by R.O.C. parent company’ s CPA.

C.Others.

VIKING TECH CORPORATION

Significant transactions conducted with investees in Mainland China directly or indirectly through other companies in the third areas

Year ended December 31, 2018

Table 7

Expressed in thousands of NTD

	Sale (purchase)		Property transaction		Accounts receivable (payable)		Provision of endorsements/guarantees or collaterals		Financing				
Investee in Mainland China（Note1）	Amount	%	Amount	%	Balance at December 31, 2018	%	Balance at December 31, 2018	Purpose	Maximum balance during the year ended December 31, 2018	Balance at December 31, 2018	Interest rate	Interest during the year ended December 31, 2018	Others
Viking Electronics (WUXI) CO.LTD.	$ 360,760	14%	$ -	-	$ 200,553	32%	$ -	-	$ -	$ -	-	$ -	-

Note 1 : The Company's subsidiary, Wuxi TMTEC Electronics Co., Ltd., was renamed Viking Electronics (WUXI) CO., LTD. on May 30, 2018.

VIKING TECH CORPORATION
CASH AND CASH EQUIVALENTS
DECEMBER 31, 2018
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Statement 1

Item	Description		Amount
Cash：			
Cash on hand			$ 1,020
Cash in banks			
Checking accounts deposits			25
Time deposits(Notes)			
—TWD			20,000
Demand deposits			
—TWD			319,233
—RMB	RMB 1,316,169.57	at exchange rate of 4.472	5,886
—USD	USD 3,993,656.3	at exchange rate of 30.715	122,665
—HKD	HKD 3,743,669.03	at exchange rate of 3.921	14,679
—EUR	EUR 519,913.11	at exchange rate of 35.20	18,301
			$ 501,809

(Notes) Expiration date：108/1/10，interest rate：0.6%

VIKING TECH CORPORATION
ACCOUNTS RECEIVABLE
DECEMBER 31, 2018
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Statement 2

Customer name	Description	Amount	Footnote
General customers：			
A		$ 31,614	
B		24,951	
C		24,198	
D		24,113	
E		21,919	
Others		262,334	None of the balances of each remaining item is greater than 5% of this account balance.
		389,129	The amount of over a year past due was $1,061.
Less: Allowance for bad debts		(3,226)	
		385,903	
Related parties：			
Viking Electronics (WUXI) CO., LTD.		154,779	
Lead Brand Co., Ltd.		39,357	
Viking Tech America Corporation		16,381	
		210,517	
		$ 596,420	

VIKING TECH CORPORATION
INVENTORIES
DECEMBER 31, 2018
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Statement 3

Item	Description	Amount		Footnote
		Cost	Net realisable value	
Raw materials		$ 213,249	$ 209,317	
Work in progress		141,602	160,757	
Finished goods		134,617	189,057	
Merchandise		42,043	40,750	
		531,511	$ 599,881	
Less: Allowance for valuation loss and obsolete and slow-moving inventories		(62,687)		
		$ 468,824		

Statement 3, Page 1

VIKING TECH CORPORATION
CHANGES IN INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD
YEAR ENDED DECEMBER 31, 2018
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Statement 4

	Balance at January 1, 2018		Additions		Deductions		Balance at December 31, 2018			Market value or net equity value		
Investee	Shares	Amount	Shares	Amount(Note 1)	Shares	Amount(Note 2)	Shares	Ownership	Amount	Unit	Total	Collateral
Viking Global Tech Co., Ltd.	7,000	$ 107,324	-	$ 81,410	-	($ 2,208)	7,000	100%	$ 186,526	$ 26.647	$ 186,526	None

Note 1: Share of profit of subsidiaries accounted for using equity method.

Note 2：The ending balance includes investment gain or loss recognised during the year and exchange differences on translation of foreign financial statements.

VIKING TECH CORPORATION
MOVEMENT ON PROPERTY, PLANT AND EQUIPMENT
YEAR ENDED DECEMBER 31, 2018
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Statement 5

Item	Balance at January 1, 2018	Additions	Deductions	Reclassifications	Balance at December 31, 2018	Collateral	Footnote
Land	$ 229,932	$ -	$ -	$ -	$ 229,932	Note 1	
Buildings and structures	494,517	10,983	-	-	505,500	Note 1	
Machinery	1,240,252	211,608	(216,142)	411	1,236,129	Note 2	
Equipment under installation	411	13,979	-	(411)	13,979		
Others	11,697	6,092	(2,135)	-	15,654		
	$ 1,976,809	$ 242,662	($ 218,277)	$ -	$ 2,001,194		

Note 1: Land, buildings and structures amounting to $407,079 at book value were pledged to Land Bank of Taiwan and Chang Hwa Bank as collateral for the borrowings.

Note 2: Machinery and equipment amounting to $38,798 at book value were pledged to The Shanghai Commercial & Savings Bank, Ltd.

VIKING TECH CORPORATION
MOVEMENT ON ACCUMULATED DEPRECIATION OF PROPERTY, PLANT AND EQUIPMENT
DECEMBER 31, 2018
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Statement 6

Item	Balance at January 1, 2018	Additions	Deductions	Reclassifications	December 31, 2018	Footnote
Buildings and structures	$ 171,548	$ 36,369	$ -	$ -	$ 207,917	
Machinery	517,172	142,144	(115,178)	-	544,138	
Others	5,000	3,619	(2,092)	-	6,527	
	$ 693,720	$ 182,132	($ 117,270)	$ -	$ 758,582	

Statement 6, Page 1

VIKING TECH CORPORATION
SHORT-TERM BORROWINGS
YEAR ENDED DECEMBER 31, 2018
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Statement 7

Type of borrowings	Description	Balance at December 31, 2018	Term	Interest rate range	Loan Commitments	Collateral
Unsecured borrowings	E.SUN COMMERCIAL	$ 10,000	107.8.3~108.8.3	1.18%	$ 80,000	None
Unsecured borrowings	Shin Kong Commercial Bank Co., Ltd.	10,000	107.9.12~108.9.12	1.20%	100,000	None
		$ 20,000				

VIKING TECH CORPORATION
LONG-TERM BORROWINGS
YEAR ENDED DECEMBER 31, 2018
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Statement 8

Creditor	Description	Amount	Borrowing period	Interest rate range	Collateral	Footnote
Land Bank of Taiwan		$ 74,055	102.9.27~116.1.19	1.36%	Land、Buildings	
The Shanghai Commercial & Savings Bank, Ltd.		29,250	106.2.20~111.1.15	1.40%	Machinery	
Chang Hwa Commercial Bank		44,511	106.10.25~116.10.25	1.36%	Land、Buildings	
Chang Hwa Commercial Bank		45,553	107.2.7~116.10.25	1.36%	Land、Buildings	
TAIWAN BUSINESS BANK,LTD.		7,380	107.2.7~112.1.15	1.40%	Machinery	
Subtotal		200,749				
Less: Current portion		(29,076)				
		$ 171,673				

VIKING TECH CORPORATION
OPERATING REVENUE
YEAR ENDED DECEMBER 31, 2018
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Statement 9

Items	Quantity	Amount	Footnote
Sale Revenue：			
Thick and thin film passive components	17,091,461 thousand pieces	$ 2,173,891	
Others		4,359	
Less: Sales returns, discounts, and allowances	38,288 thousand pieces	(12,735)	
		$ 2,165,515	

VIKING TECH CORPORATION
OPERATING COSTS
YEAR ENDED DECEMBER 31, 2018
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Statement 10

Items	Description	Amount
The cost of sales		
Beginning merchandise		$ 13,539
Add: Purchased during the year		359,266
Less: Ending balance of merchandise at December 31		(42,043)
Reclassified to Finished goods		(78)
Merchandise scrapped		(862)
Reclassified to expense		(12,673)
Cost of sales		317,149
Cost of goods sold		
Beginning raw materials		156,106
Add: Purchased during the year		514,750
Less: Ending balance of raw materials at December 31		(213,249)
Reclassified to expense		(105,141)
Work in progress transferred to returns		(18,431)
Raw materials scrapped		(1,790)
Direct materials used		332,245
Direct labour		184,610
Manufacturing expense		630,506
Manufacturing costs		1,147,361
Add: Work in progress at beginning of year		136,691
Transfers to raw material return		18,431
Less: Work in progress at end of year		(141,602)
Work in progress scrapped		(13,898)
Work in progress sold		(21,679)
Transfers from expenses		(2,394)
Finished goods cost		1,122,910
Add: Finished goods at beginning of year		155,023
Transfers from merchandise		78
Transfers from expenses		9,500
Less: Finished goods at end of year		(134,617)
Finished goods scrapped		(44,798)
Cost of goods sold		1,108,096
Work in progress sold		21,679
Inventory valuation loss		12,497
Revenue from sale of scraps		(5,965)
Other operating costs		6,344
Total operating costs		$ 1,459,800

VIKING TECH CORPORATION
MANUFACTURING EXPENSE
YEAR ENDED DECEMBER 31, 2018
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Statement 11

Item	Description	Amount	Footnote
Depreciation expense		$ 140,197	
Indirect material		101,248	
Wages and salaries		100,503	
Repair fee		54,333	
Utilities expense		48,730	
Professional service fees		33,202	
Other expenses		152,293	None of the balances of each remaining item is greater than 5% of this account balance.
		$ 630,506	

VIKING TECH CORPORATION
SELLING EXPENSE
YEAR ENDED DECEMBER 31, 2018
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Statement 12

Item	Description	Amount	Footnote
Wages and salaries		$ 37,812	
Import / export (customs) expense		19,562	
Advertising fee		5,377	
Other expenses		27,012	None of the balances of each remaining item is greater than 5% of this account balance.
		$ 89,763	

Statement 12, Page 1

VIKING TECH CORPORATION
ADMINISTRATIVE EXPENSES
YEAR ENDED DECEMBER 31, 2018
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Statement 13

Item	Description	Amount	Footnote
Wages and salaries		$ 77,261	
Depreciation expense		33,476	
Other expenses		37,741	None of the balances of each remaining item is greater than 5% of this account balance.
		$ 148,478	

Statement 13, Page 1

VIKING TECH CORPORATION
RESEARCH AND DEVELOPMENT EXPENSES
YEAR ENDED DECEMBER 31, 2018
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Statement 14

Item	Description	Amount	Footnote
Wages and salaries		$ 25,771	
Depreciation expense		8,445	
Laboratory fee		4,324	
Repairs expense		3,928	
Other expenses		8,286	None of the balances of each remaining item is greater than 5% of this account balance.
		$ 50,754	

VIKING TECH CORPORATION
DETAILS OF EMPLOYEE BENEFITS EXPENSES, DEPRECIATION AND AMORTISATION BY FUNCTION
YEARS ENDED DECEMBER 31, 2018 AND 2017
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Statement 15

By function / By nature	2018			2017		
	Classified as operating costs	Classified as operating expenses	Total	Classified as operating costs	Classified as operating expenses	Total
Employee benefit expense						
Wages and salaries	$ 275,602	$ 111,964	$ 387,566	$ 250,747	$ 89,557	$ 340,304
Labour and health insurance fees	25,116	7,935	33,051	23,566	7,927	31,493
Pension costs	9,511	4,072	13,583	8,992	4,059	13,051
Directors' remuneration	-	24,808	24,808	-	11,417	11,417
Others	15,527	3,946	19,473	15,466	3,830	19,296
Depreciation	140,197	41,935	182,132	132,642	39,165	171,807
Amortisation	-	2,976	2,976	-	3,166	3,166

As of December 31, 2018 and 2017, the Company had 656 and 618 employees, including 9 and 9 directors, respectively.

Viking Tech Corporation

Chairman Tsai, Kao-Ming