



Stock Code: 3624

# Viking Tech Corporation

## 2020 Annual Report

Taiwan Stock Exchange Market Observation Post System:

<http://mops.twse.com.tw>

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

Printed on April 30, 2021

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None.

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## I. Report to the Shareholders

### 1. 2020 Business Report

#### (1) Accomplishments in 2020

Looking back at 2020, after the business plan was implemented on schedule, revenue for 2020 was 97% higher than expected, an less of 1% from the previous year. There is an estimated shortage of passive components worldwide as 5G, IOT, automotive and high-tech industries will gradually be mature. The Company has expanded production of high-level passive components and expected an increase in revenue in the future, indicating that the business policy was in line with market demand.

According to the 2020 business plan, target revenue and income before tax were NT\$2,200,000 thousand and NT\$220,000 thousand. After the 2020 business plan was implemented, revenue and income before tax reached NT\$2,126,186 thousand and NT\$192,150 thousand, respectively.

#### (2) Budget implementation

Unit: NT\$1,000

Item	Budget	Balanced Budget	Achievement Rate (%)
Operating revenue	2,200,000	2,126,186	97%
Operating costs	(1,645,600)	(1,612,577)	98%
Gross profit	554,400	513,609	93%
Operating expenses	(338,692)	(312,050)	92%
Operating income	215,708	201,559	93%
Non-operating income	4,292	(9,409)	-219%
Income before tax	220,000	192,150	87%

#### (3) Analysis of receipts, expenditures, and profitability

Financial structure	Debt to asset ratio (%)	18.34
	Long-term capital to property, plant and equipment (%)	241.90
Solvency	Current ratio (%)	431.97
	Quick ratio (%)	292.70
	Interest coverage ratio	79.46
Profitability	Return on assets (%)	5.51
	Return on equity (%)	6.66
	Ratio of income before tax to paid-in capital (%)	16.37
	Profit margin (%)	8.06
	Earnings per share (NT\$)	1.44

#### (4) Research and development work

1. Aluminum nitride CRP 2512 ultra-high power thick film resistors
2. PWR anti-surge automotive thick film resistors
3. SWR anti-surge automotive thick film resistors
4. HVR High voltage automotive thick film resistors
5. CSRF high-frequency thin film MELF resistors
6. CR..A 0612 automotive wide termination thick film resistors
7. CSR series low TCR thin film MELF resistors
8. LRP 2512 low TCR metal Strip resistors
9. Aluminum Nitride Ultra-high power ARN 2512 thin film resistors
10. TaN TAR 0402/0603/0805/1206 thin film resistors
11. High-power AR small size of 0201 thin film resistors
12. RAM thin film resistors for electric meters
13. High-power 0402/0603/0805/1206 RAM thin film resistors for electric meters
14. High-temperature ART 0603 thin film resistors for vehicles
15. High-temperature and high-power ARTP 0805 thin film resistors for vehicles
16. Aluminum Nitride High-power ARP 1206 thin film resistors for vehicles
17. High-voltage ARHV 1210 thin film resistors

## 2. Summary of 2021 Business Plan

### (1) Business policy

#### Current Economy:

The global economy was in turmoil in 2020 due to the lockdown in response to the outbreak of the COVID-19 pandemic that quickly affected the economy and hindered economic activity and caused unprecedented demand disruption. In the prospect of 2021, economic recovery will become the consensus of the world, but it will also encounter various variables, such as the back and forth of the raging pandemic, worsening USA-China trade competition, and national debt risks. The pattern of the international division of labor will change in the long run. The supply chains of each country will partially overlap in production to avoid supply chain interruption. Horizontal trade and intra-industry trade will become more conspicuous. The division of the supply chain will be mainly referring to the short-chain of supply. In addition, the role of a country will be more enhanced.

First of all, regarding the impact of the pandemic, the global economic recovery in 2021 may not be as optimistic as expected due to the outbreak of the raging pandemic for the second time. Although many countries are loosening their pandemic control measures and lifting the lockdown command, the global economy is gradually recovering but with high uncertainty. The effect of economic recovery depends on the future development of the pandemic, the control measures adopted by many countries, and the effectiveness of the government's financial measures. The impact of the pandemic in all aspects is expected to continue for three to five years.

Secondly, the bilateral economy and trade relationship between China and the United States that are the leaders of the global economy is the most important factor that affects global economic growth. Authoritative international organizations, such as The International Monetary Fund and The Organization for Economic Cooperation and Development (OECD), predict that China will be the only country that maintains positive economic growth this year. The OECD forecasts that China's economic growth rate will reach 8% in 2021, which stands for a contribution to more than 1/3 of the global economic growth. On the other hand, the USA remains the largest economy in the world despite its economy declined as a result of the COVID-19 pandemic. While the China-US trade and technology competition is intensifying, the question is whether the new US government administration will change its unilateral international trade policy and will such change have a profound impact on the global economy.

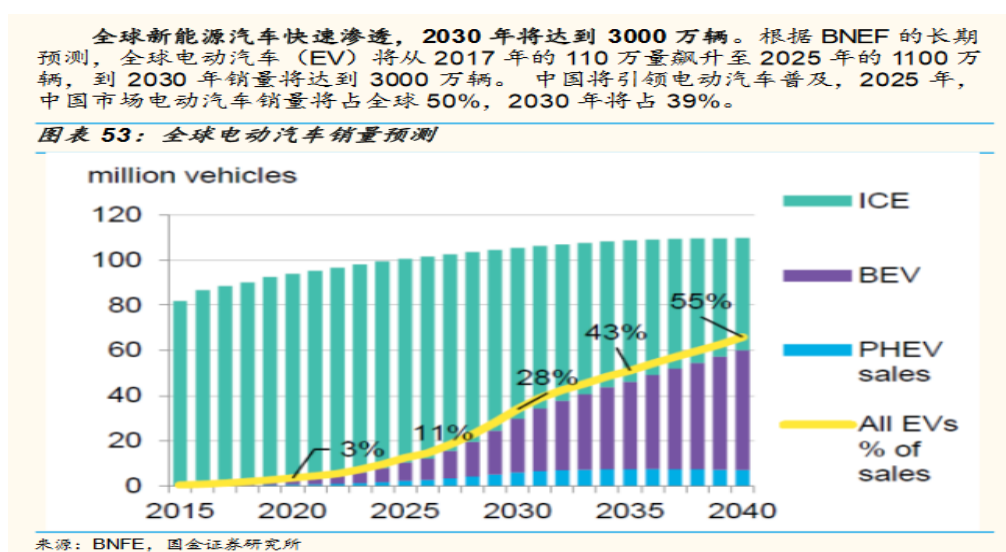
In terms of domestic production, benefited from the demand for medical treatment and home economy in 2020, and the extensive shipments made by the factories in China before the US ban took effect, the production capacity of relevant domestic supply chains was activated to go up, and the export of electronic components, information and communication, and audio-visual products continued to grow, which contributed to the growth of the manufacturing industry extensively. The electronics industry remains facing uncertainty although the impact of the pandemic is easing and the global supply chain is reorganizing in 2021.

Specializing in thin film technologies, the Company focus on the automotive, industrial control, and high-end electronics industries in European and American markets.

First of all, regarding automotive, the penetration of alternative fuel vehicles is accelerating worldwide. Such development has helped accelerate the major automakers moving towards self-driving cars and vehicle-to-everything (V2X), including Nissan, BMW, Daimler, Ford, and other major automakers



demonstrating their own R&D achievements in V2X. Toyota has announced that it will launch the “Woven City” plan to build an experimental city in Susono City, Shizuoka-Ken, Japan to facilitate testing and verification of self-driving cars, vehicle electrification, and vehicle sharing. According to the data of the China Association of Automobile Manufacturers, 22.47 million cars were sold in January ~ November 2020, a year-on-year decrease of 2.9%. Also, 1.109 million alternative fuel vehicles were sold during the same period, a year-on-year increase of 3.9%. In November, 2.081 million passenger cars were sold, a year-on-year increase of 8%, achieved the highest growth rate in the past two years of around 8% for five consecutive months. Of which, a wholesale of 180,000 alternative fuel passenger cars was achieved, a year-on-year increase of 128.6% and a period-on-period increase of 24.8%, and a retail sale of 169,000 alternative fuel cars was achieved, a year-on-year increase of 136.5% and the retail market penetration rate of alternative fuel passenger cars was 8%, which had become the core driving force for the growth of passenger car retail sales. The growth curve of alternative fuel car is shown as follows:



(Figure 53 Global electric vehicle sales forecast: The penetration of alternative fuel vehicles is accelerating worldwide and it will reach 30 million cars in 2030. According to BNEF long-term forecast, global electric vehicle (EV) sales will increase dramatically from 1.1 million cars in 2017 to 11 million cars in 2025, and then to 30 million cars in 2030. China will lead the popularization of electric vehicles and the sales of electric vehicles in China will take up 50% of the global market in 2025 and then 39% in 2030.)

Second, in industrial control and high-end consumer electronics markets, the international electronics industry has shown a change since the third quarter. Although Asian manufacturers experienced destocking in the second and third

quarters, economic growth remained at a low level. Due to the ongoing China-U.S. trade war, increased tariff barriers in Europe and America, the Brexit and the Iranian nuclear crisis, industrial control and high-end manufacturing in the Americas and Europe have continued to decline since the third quarter. In terms of South Korea, an economic conflict with Japan took a toll on the consumer electronics industry, leading to a downward trend. In the first three quarters of 2020, the growth rate of wireless communication equipment and home appliances ranged from 2.1% to 0.4%, far below expectations, while that of semiconductors, computers, and monitors dropped by double digits.

#### Market Outlook:

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.

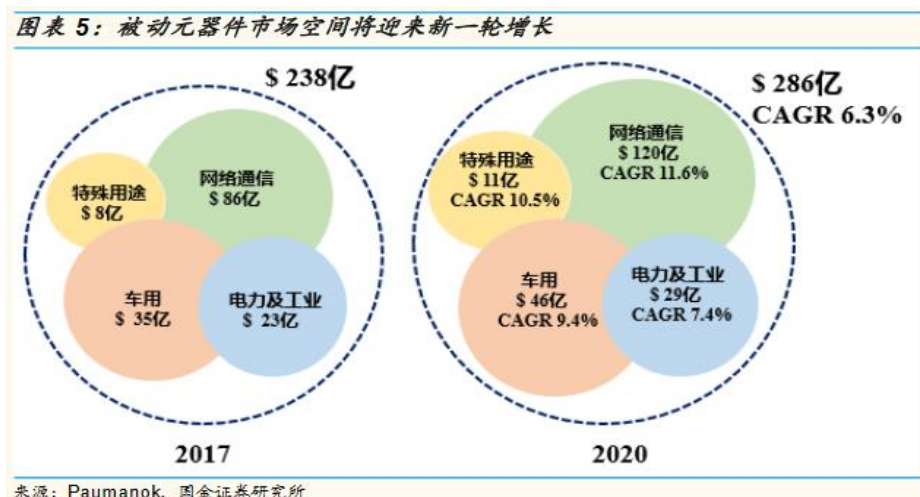
The adopted millimeter wave technology in the 5G era is with the three major characteristics: “broad bandwidth ,” “low latency,” and “high transmission rate” that are summarized as follows:

The problem of millimeter waves is on physical characteristics, short wavelength, high transmission loss, and poor penetration, resulting in low coverage. Therefore, the industry has developed large-scale array antenna technology and small base stations to enhance the energy and directivity of millimeter waves; and also, improve the coverage of 5G networks. The MLCC and resistors and inductors of smallest 0201 sizes, high efficiency and miniaturization, the technology research and development of miniaturized high-packaging density power modules passive components, 01005 miniaturized resistors and inductors, and small Molding-Power (integrated inductor) are all important components in the era of 5G. The consumption of MLCC has increased dramatically; therefore, Fenghua, the parent company of Viking, has supported Viking to enter the international market. The demand for 5G base stations is twice of 4G; therefore, the consumption of mobile phones and electric vehicles has increased significantly. The demand for RF components and power inductors will grow by 2 to 3 times. Viking’s AL, WL, CL series high-frequency inductors will also be needed for 5G applications.

Power supply and management are very important to mobile phones, base stations, and even electric vehicles. The current multi-core CPUs and modules need multi-phase power management to extend battery life. Under the circumstance, high-efficiency and miniaturization, and high-packaging density

power modules are extremely important and it directly activates the development of passive components towards miniaturization, reduction of equivalent series resistance (ESR), and equivalent series inductance (ESL), and high voltage and high current resistance. The demand for automotive power passive components will continue to increase along with the emerging of electric vehicles and self-driving applications, which will activate the development of advanced new passive components.

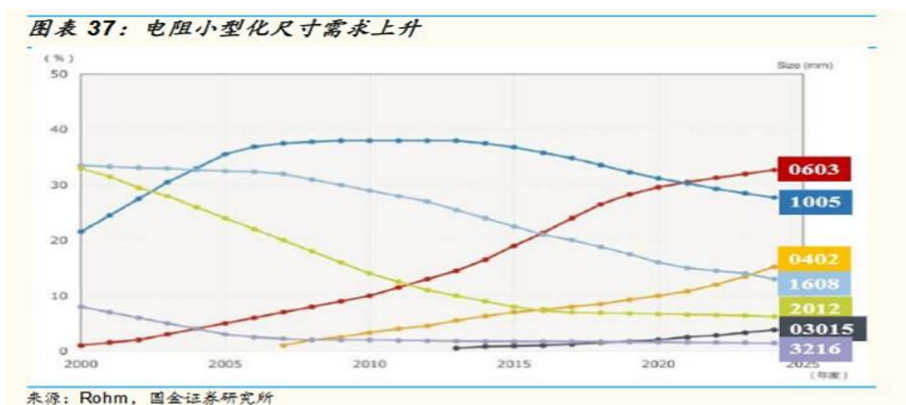
As shown in the graphic below, the consumption of passive components has been continuously increasing, no matter it is for network, automotive, or industrial control; also, the market trend is moving towards miniaturized the size of products.



(Fig. 5: Passive components market will grow again

2017: NT\$23.8 billion, network communications for NT\$8.6 billion, the automotive for NT\$3.5 billion, power and industry for NT\$2.3 billion, and special application for NT\$800 million.

2020: NT\$28.6 billion (CAGR6.3%), network communications for NT\$12 billion (CAGR11.6%), the automotive for NT\$4.6 billion (CAGR9.4%), power and industry for NT\$2.9 billion (CAGR7.4%), and special application for NT\$1.1 billion (CAGR10.5%))



下游需求增长带动电阻市场规模持续扩大，2020年将达到57亿美元。根据Cision的研究报告，随着消费电子、汽车电子、5G、物联网的快速发展，全球电阻市场2020年将达到57亿美元。预计2016-2020年年复合增速6.47%。

(Fig. 37: Increase in demand for miniaturized resistors

The downstream demand growth drives the continuing expansion of the resistors market, which will reach US\$5.7 billion in 2020. According to Cision research report, the global resistors market will reach US\$5.7 billion in 2020 along with the rapid development of consumer electronics, automotive electronics, 5G, and the IoT that is with an expected annual compound growth rate of 6.47% in 2016-2020.)

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. 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. A batch of new major manufacturers of automobiles and medical electronics are urging on product testing and certification, which will drive our sales growth next year.

1、Automotive: The relative low wages in Eastern Europe and the Made-in-Europe image have attracted many manufacturers to set up new factories in Eastern Europe in recent years. Central and South America/North Africa are also important areas for the original equipment manufacturing (OEM) business. Cooperate with international manufacturers to promote the automotive parts business. The purchase orders from Korean automakers are continuing to grow. All renowned brands in China are gradually expanding their store-owner automobile business. Automakers and their OEM customers are Viking's key customers. Southeast Asia, Vietnam, and India are the main motorcycle markets; also, Vietnam is actively expanding its own branded cars with necessary materials introduced for the major local car brands.

2、Medical and consumer electronics industry: The Company's qualification for ISO13485 certification has won the approval of the customers, especially while the COVID-19 pandemic is raging worldwide. The substantial growth in the number of medical customers in 2020 will continue in the year 2021. The company has focused on and entered the

well-known home appliance market in Japan.

In the prospect of 2021, the quarterly demand for passive components is expected to fluctuate. Due to the raging COVID-19 pandemic and the economic development after the US Presidential election, the market forecast is difficult to make, but the overall demand growth is likely. Especially, China as the world factory needed massive passive components for 5G and electric vehicles in 2020. It is estimated that the demand for passive components in China will account for 50-55% of the global market value within ten years. The United States due to the China-US trade war may shift procurement from China to Taiwan. But, the main OEM suppliers of US manufacturers will mainly in China, Taiwan, and Southeast Asia; also, the market demand in China will continue to grow steadily in the future.

The Company will enhance profitability and stay ahead in technology and competition through the following strategies: (1) deepen strategic collaboration with Guangdong Fenghua Advanced Technology (Holding) Co., Ltd. and expand large electronic terminal manufacturers, especially 5G-related customer segments ; (2) develop the high end customer base in Europe and the U.S. and improve the use ratio; (3) develop customized and high margin product portfolios for existing high end customers; and (4) develop and promote micro, high-reliability precision components and high-end applications and introduce downstream key component module design. 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 2021.

(2) Research and development plans for below products

1. ARFC 0402~1206 high-frequency thin film resistors
2. ARHV 1206 high-voltage thin film resistor
3. ARTR 0805 thin film laser-dicing resistor
4. High-power metal strip resistors LRP series (down sizes of 0805/2010)
5. Anti-sulfur automotive array AS..A thick film resistor (AS42..A/43..A)
6. Low Cost of current sensing resistors CSN series (0805/1206/2010/2512)
7. Flat type array resistor CNF series (CNF22/42/43)
8. Lead-free automotive thick film /Array resistors (CRG..A/CNG..A)

(3) Sales volume forecast

Category	Sales Volume
Precision resistor (in thousands)	4,253,000

High frequency inductor (in thousands)	708,000
General resistor (in thousands)	32,881,000
Others	580,000
Total	38,422,000

- (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. Observe the development direction of 5G, electric vehicles and automotive electronics, home appliances, and IOT, and meet the market product demand.

### 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

Although the COVID-19 pandemic affects the global economy and the China-US trade war also affects global development, and also the economy in Europe and the United States have slowed down, 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, 5G, 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. The future is optimistic.

(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	Hukou Branch Office founded in Hsinchu Industrial Park in Hukou Township.
October 2000	ISO-9001 system certified by Entela.
April 2002	Reduced capital by NT\$319 million and increased capital by NT\$200 million in cash.
February 2003	QS-9000 system certified by SGS.
August 2003	Changed the product strategy to mass production of thin film, RF components and disposed of original silicon electronics production equipment.
April 2004	Reduced capital by NT\$295 million and increased capital by NT\$99 million in cash, and introduced domestic institutional investors.
June 2005	Headquarters relocated to the Hsinchu Industrial Park in Hukou Township.
August 2005	Hit the break-even point and made a profit every month.
August 2006	Increased capital by NT\$100 million in cash, with the premium per share at NT\$18, and introduced foreign institutional investors.
March 2008	Public offering approved by the Financial Supervisory Commission (FSC).
May 2008	Listed on TPEX.
December 2008	Merged Tmtec Co., Ltd.
March 2009	TS16949 certified.
March 2011	Stocks traded on TPEX.
February 2014	Increased capital by NT\$300 million in cash and paid-in capital reached NT\$1,173,408,420.

Date	Milestones
June 2015	Reelected the Board of Directors and established the Audit Committee.
July 2016	Guangdong Fenghua Advanced Technology Holding Co., Ltd. publicly acquired 40% of the Company's shares and became the largest shareholder.
December 2017	Passed the ISO system transition (ISO 14001:2015).
March 2018	<ol style="list-style-type: none"> <li>1. Passed the ISO system transition (IATF16949:2016).</li> <li>2. Passed the ISO system transition (ISO 9001:2015).</li> </ol>
July 2019	Pass the ISO13485:2016 certification.

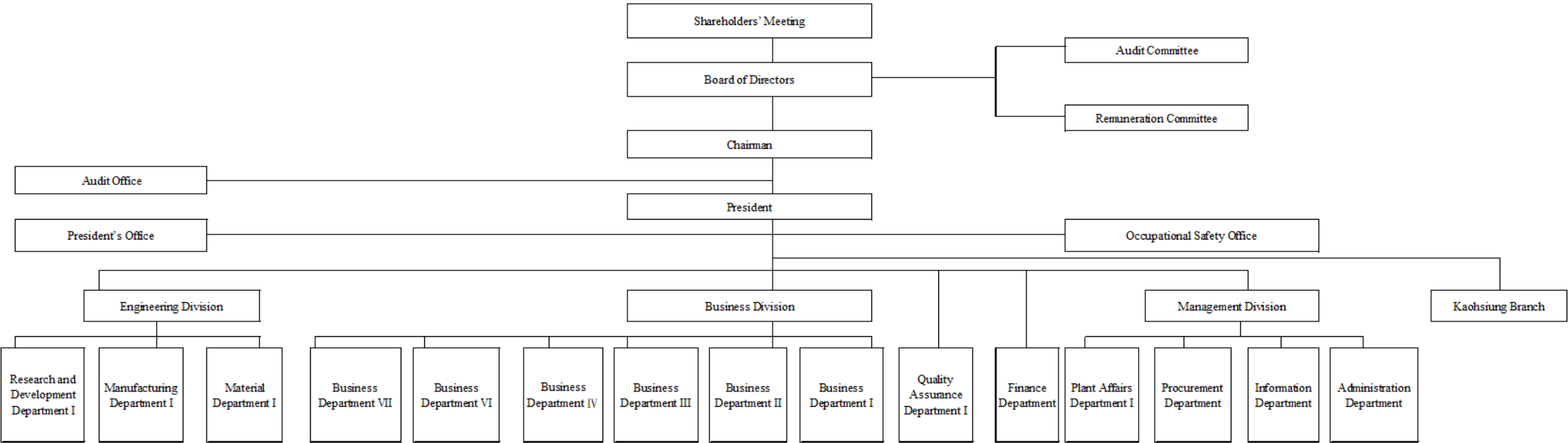


### III. Corporate Governance Report

#### 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 ; handle non-litigation civil and criminal cases, contractual terms, and related legal affairsand tasks.
Occupational Safety Office	Develop occupational safety and health 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, information security and assist in production equipment automation and AI introduction; 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; apply for and maintain trademarks and patent rights; 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	Huajie Investment Limited Company Representative: Tsai, Kao-Ming	Male	2019.06.24	3 years	2019.06.24	200,000	0.17	200,000	0.17	0	0.00	0	0.00	Bachelor of Accounting and Statistics, National Cheng Kung University President of China Bills Finance Corporation	(Note 1)	None	None	None
							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. Representative: Hu, Chuan-Ping	Male	2019.06.24	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.	None	None	None
							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. Representative: Liang, Yao-Ming	Male	2019.06.24	3 years	2019.06.24	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
							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. Representative: Liao, Wei-Qiang	Male	2019.06.24	3 years	2019.06.24	46,936,337	40.00	46,936,337	40.00	0	0.00	0	0.00	Master of Business Administration, Southwest Jiaotong University	Staff Supervisor and Director of Operations Management of Guangdong Fenghua Advanced Technology (Holding) Co., Ltd. Executive Director of Director of Guangdong Fenghua Semiconductor	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
							0	0.00	0	0.00	0	0.00	0	0.00	Technology Co., Ltd. Director of Naidian Soft Science and Technology (Zhuhai) Co., Ltd. Director of Siping Jihua Advanced Technology Co., Ltd.				
Director	Republic of China	Thai Wey Industrial Co., Ltd. Representative: Chen, Li-Ming	Male	2019.06.24	3 years	2019.06.24	2,427,000	2.07	2,427,000	2.07	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
							0	0.00	0	0.00	0	0.00	0	0.00					
Director	Republic of China	Thai Wey Industrial Co., Ltd. Representative: Li, Mao-Sheng	Male	2019.06.24	3 years	2019.06.24	2,427,000	2.07	2,427,000	2.07	0	0.00	0	0.00	Bachelor of Business Administration, Fortune Institute of Technology President of Thye Ming Industrial Co., Ltd.	(Note 2)	None	None	None
							0	0.00	0	0.00	0	0.00	0	0.00					
Independent Director	Republic of China	Li, Yi-Wen	Male	2019.06.24	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	2019.06.24	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 XTRUE Inc. Supervisor of Johnpro Biotech Inc. Supervisor of Provalids Bio Inc. Supervisor of Lead U Education	None	None	None
Independent Director	Republic of China	Huang, Shih-Pin	Male	2019.06.24	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 April 30, 2021.

Note:

- (1) Chairman of Eastern Realty Co., Ltd., Chairman of Eastern Enterprise Development Co., Ltd., Chairman of Eastern International Lease-Finance Co., Ltd., Chairman of Tung kai Lease Co., Ltd., Director of Eastern Media International Corporation, Independent Director of United Radiant Technology Corporation, and Independent Director of Opto Tech Corporation.
- (2) Director & President of Thyé 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 (%)
Huajie Investment Limited Company	Lin, Yen-Chen	51.26
	Tsai, Yi-Chun	48.74
Guangdong Fenghua Advanced Technology Holding Co., Ltd. (as of December 31, 2020)	Guangdong Rising Assets Management Co., Ltd. (GRAM)	20.03
	Industrial and Commercial Bank of China Limited (ICBC) – Fullkuo Innovation and Technology Hybrid Securities Investment Fund	3.00
	Bank of China Limited - Fullkuo Innovation and Technology Hybrid Securities Investment Fund	2.92
	Taikang Life Insurance Company Limited - Investment Linked - Industry Configuration	1.82
	China Guangfa Bank Company Limited - Cathay Pacific Juxin Value Advantage Flexible Allocation of Hybrid Securities Investment Fund	1.28
	Industrial and Commercial Bank of China Limited (ICBC) - Fullkuo High-tech Industry Hybrid Securities Investment Fund	1.26
	National Social Security Fund 118 Portfolio	1.12
	Shanghai Perseverance Asset Management Partnership (Limited Partnership) - Perseverance Linshan No. 1 Yuanwang Fund	1.12
	UBS AG	0.90
	Jingyu Zhao	0.90
Thai Wey Industrial Co., Ltd.. (as of June 20, 2006)	Thye Ming Industrial Co., Ltd.	88.00
	Tailin Investment Co., Ltd.	8.00
	Jinjun Investment Co., Ltd.	2.00
	Maosheng Investment Co., Ltd.	2.00

B. Ultimate owners of major shareholders of institutional shareholders

Major Shareholder	Ultimate Owner	Shareholding Percentage (%)
Industrial and Commercial Bank of China Limited (ICBC) – Fullkuo Innovation and Technology Hybrid Securities Investment	Central Huijin Investment Limited	34.71
	Ministry of Finance, PRC	31.14
	HKSCC Nominees Limited	24.18

Major Shareholder	Ultimate Owner	Shareholding Percentage (%)
Fund		
Bank of China Limited - Fullkuo Innovation and Technology Hybrid Securities Investment Fund	Central Huijin Investment Limited	64.02
	HKSCC Nominees Limited	27.82
	China Securities Finance Corporation Limited	2.92
Taikang Life Insurance Company Limited - Investment Linked - Industry Configuration	Taikang Insurance Group Co., Ltd.	100.00
China Guangfa Bank Company Limited - Cathay Pacific Juxin Value Advantage Flexible Allocation of Hybrid Securities Investment Fund	China Life Insurance Company Limited	43.68
Industrial and Commercial Bank of China Limited (ICBC) - Fullkuo High-tech Industry Hybrid Securities Investment Fund	Central Huijin Investment Limited	34.71
	Ministry of Finance, PRC	31.14
	HKSCC Nominees Limited	24.18
National Social Security Fund 118 Portfolio	Ministry of Finance, PRC	100.00
Shanghai Perseverance Asset Management Partnership (Limited Partnership) - Perseverance Linshan No. 1 Yuanwang Fund	Linzhi Tencent Investment Management Limited	64.59
	Zhuhai Gaocheng Management Consulting Partnership (Limited Partnership)	25.91
UBS AG	Chase Nominees Ltd, London	10.39
	Nortrust Nominees Ltd, London	5.15
	DTC (Cede & Co.), New York	4.99
Thye Ming Industrial Co., Ltd.	Tailin Investment Co., Ltd.	15.61
	Maosheng Investment Co., Ltd.	9.81
	Investment account of SinoPac (Asia) Nominees Ltd. (SinoPac Securities (Asia) Limited's customer) under trusteeship of Bank SinoPac	5.63
	Jinjun Investment Co., Ltd.	5.46



Major Shareholder	Ultimate Owner	Shareholding Percentage (%)
	Taiyung Investment Co., Ltd.	5.05
	Taiying Investment Co., Ltd.	2.53
	Investment account of Capital Securities Nominee Ltd., Capital Securities / Futures (HK) Ltd.'s customer	2.15
	Lin, Jung-Tien	0.71
	Chen, Mei-Tan	0.64
	Li, Chin-Teng	0.61
Tailin Investment Co., Ltd.	Luyeyuan Foundation	70.08
	Taiying Investment Co., Ltd.	18.70
	Chen, Chang-Hao	11.22
Maosheng Investment Co., Ltd.	Li, Mao-Sheng	100.00
Jinjun Investment Co., Ltd.	Li, Chun-Hsien	45.00
	Li, Hui-Chu	25.00
	Li, Hui-Chu	20.00
	Li, Chin-Teng	5.00

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	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	11	12	
Name																
Huajie Investment Limited Company Representative: Tsai, Kao-Ming			✓	✓	✓	✓	✓	✓	✓		✓	✓	✓	✓		2
Guangdong Fenghua Advanced Technology (Holding) Co., Ltd. Representative: Hu, Chuan-Ping			✓	✓	✓	✓	✓		✓		✓	✓	✓	✓		0
Guangdong Fenghua Advanced Technology (Holding) Co., Ltd. Representative: Liang, Yao-Ming			✓	✓	✓	✓	✓		✓	✓	✓	✓	✓	✓		0
Guangdong Fenghua Advanced Technology (Holding) Co., Ltd. Representative: Liao, Wei-Qiang			✓	✓	✓	✓	✓		✓	✓	✓	✓	✓	✓		0
Thai Wey Industrial Co., Ltd. Representative: Chen, Li-Ming			✓	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓		0
Thai Wey 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.

- Has not been an employee of the Company or any of its affiliated companies.
- 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.
- 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.
- Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship of any of the managerial officers in the first subparagraph or the persons in the second and third subparagraphs.
- Not a director, supervisor, or employee of a corporate shareholder that directly holds 5% or more of the total number of issued shares of the Company, of a corporate shareholder that ranks among the top five in shareholdings, or of a corporate shareholder that elects its authorized representative as a director or supervisor of the Company in accordance with Paragraph 1 or 2, Article 27 of the Company Act. This restriction does not apply to cases where the person is concurrently an independent director of the Company and its parent company or subsidiary or any subsidiary of the same parent company as appointed in accordance with the Securities and Exchange Act or the laws of the country of the said company.
- Not a director, supervisor, or employee of a company who is a director of the Company or holds the majority of the voting shares. These restrictions do not apply to cases where the person is concurrently an independent director of the Company and its parent company or subsidiary or any subsidiary of the same parent company as appointed in accordance with the Securities and Exchange Act or the laws of the country of the said company.
- Not a director, supervisor, or employee of a company or institution who is the chairman, general manager or a person with an equivalent position of the Company or a spouse thereof. This restriction does not apply to cases where the person is concurrently an independent director of the Company and its parent company or subsidiary or any subsidiary of the same parent company as appointed in accordance

with the Securities and Exchange Act or the laws of the country of the said company.

8. Not 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. This restriction does not apply to cases where the specified company or institution holds more than 20% but less than 50% of the shares of the Company and the person is concurrently an independent director of the Company and its parent company or subsidiary or any subsidiary of the same parent company as appointed in accordance with the Securities and Exchange Act or the laws of the country of the said company.
9. Not a professional individual who is an owner, partner, director, supervisor, or managerial officer of a sole proprietorship, partnership, company, or institution that offers audit services or offers commercial, legal, financial, or accounting services for which he/she has received the total remuneration of less than NT\$500,000 over the past two years to the Company or its affiliate, nor a spouse thereof. This restriction does not apply to any member of the remuneration committee, public tender offer review committee or merger and acquisition special committee who exercises powers pursuant to the Securities and Exchange Act or Business Mergers And Acquisitions Act.
10. Has not been a spouse or relative within the second degree of kinship of another director or supervisor.
11. Has not been subjected to any of the circumstances in the subparagraphs of Article 30 of the Company Act.
12. 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	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.	Director of Viking Electronics (WUXI) 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	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 Executive of Audit, Guangdong Fenghua Advanced Technology Holding Co., Ltd. Finance Manager of Sun Power Electric Wire Co., Ltd.	Supervisor of Viking Electronics (Wuxi) Co., Ltd.	None	None	None

The number of shares currently held refers to the number of shares held as of April 30, 2021.



### 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 (H)	The Company	All Companies in Financial Statements (I)
Less than NT\$1 million	Tsai, Kao-Ming, , Hu, Chuan-Ping, Liang, Yao-Ming, Liao, Wei-Qiang	Tsai, Kao-Ming, Hu, Chuan-Ping, Liang, Yao-Ming, Liao, Wei-Qiang	Tsai, Kao-Ming, Hu, Chuan-Ping, Liang, Yao-Ming, Liao, Wei-Qiang	Tsai, Kao-Ming, Hu, Chuan-Ping, Liang, Yao-Ming, Liao, Wei-Qiang
NT\$1 million (inclusive)~NT\$2 million (exclusive)	Shen, Po-Ting, Huang, Shih-Pin, Li, Yi-Wen	Shen, Po-Ting, Huang, Shih-Pin, Li, Yi-Wen	Shen, Po-Ting, Huang, Shih-Pin, Li, Yi-Wen	Shen, Po-Ting, Huang, Shih-Pin, Li, Yi-Wen
NT\$2 million (inclusive)~NT\$3.5 million (exclusive)	Guangdong Fenghua Advanced Technology (Holding) Co., Ltd Thai Wey Industrial Co., Ltd.,	Guangdong Fenghua Advanced Technology (Holding) Co., Ltd Thai Wey Industrial Co., Ltd.,	Guangdong Fenghua Advanced Technology (Holding) Co., Ltd Thai Wey Industrial Co., Ltd.,	Guangdong Fenghua Advanced Technology (Holding) Co., Ltd Thai Wey Industrial Co., Ltd.,
NT\$3.5 million (inclusive)~NT\$55 million (exclusive)				
NT\$5 million (inclusive)~NT\$10 million (exclusive)	Huajie Investment Limited Company	Huajie Investment Limited Company	Huajie Investment Limited Company	Huajie Investment Limited Company
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	10	10	10	10

B. Remuneration paid to supervisors: None.

### C. Remuneration paid to presidents and vice presidents

December 31, 2020; Unit: NT\$1,000

Title	Name	Salary (A)		Retirement Pension (B) (Note 2)		Bonus and Special Expenses (C)		Employee Remuneration (D) (Note 1)				Ratio of Total Remuneration (A, B, C, and D) to Income after Tax (%)		Compensation Paid to Directors from an Investee Company Other than the Company's Subsidiary or from Parent Company
		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 Statement		The Company	All Companies in Financial Statements	
								Cash Amount	Stock Amount	Cash Amount	Stock Amount			
President	Hu, Chuan-Ping (Note 3)	4,750	4,750	108	108	3,010	3,010	2,110	0	2,110	0	5.90	5.82	None
Vice President	Li, Shun-He													
Vice President	Lu, Chi-You													
VicePresident	Liang, Yao-Ming (Note )													

Note 1: The 2020 earnings distribution is yet to be adopted in the 2021 annual shareholders' meeting.

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

Note 3: 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\$1 million	Hu, Chuan-Ping, Liang, Yao-Ming	Hu, Chuan-Ping, Liang, Yao-Ming
NT\$1million (inclusive)~NT\$2 million (exclusive)		
NT\$2 million (inclusive)~NT\$3.5 million (exclusive)		
NT\$3.5million (inclusive)~NT\$5 million (exclusive)	Li, Shun-He. Lu, Chi-You	Li, Shun-He. Lu, Chi-You
NT\$5 million (inclusive)~NT\$10 million (exclusive)		
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	4	4

#### 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	Vice President & Finance and Accounting Manager	Li, Shun-He	0	2,110	2,110	1.23
	Vice President	Lu, Chi-You				

Note: The 2020 earnings distribution is yet to be adopted in the shareholders' meeting. The amount shown in the table is an estimate.

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

December 31, 2020; Unit: NT\$1,000

Item  Title	Ratio of Total Amount to Income after Tax (%)				Variation (%)	
	2020		2019			
	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	8.00	9.87	12.18	14.36	(18.44)	(17.81)
Supervisors	0	0	0	0	0	0
Presidents and Vice Presidents	5.90	5.82	8.97	8.93	(34.18)	(34.88)

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.



#### 4. State of Implementation of Corporate Governance

##### (1) State of operations of the Board of Directors

A. total of seven meetings(A) of the Board of Directors were held in the most recent year (six in 20 and one in 2021). The attendance of directors is as follows:

Title	Name	Times of Attendance in Person (B)	Times of Attendance by Proxy	Attendance Rate (%) (B/A)	Remark
Chairman	Huajie Investment Limited Company Representative: Tsai, Kao-Ming	7	0	100	
Director	Thai Wey Industrial Co., Ltd. Representative: Chen, Li-Ming	7	0	100	
Director	Thai Wey Industrial Co., Ltd. Representative: Li, Mao-Sheng	7	0	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: Liang, Yao-Ming	7	0	100	
Director	Guangdong Fenghua Advanced Technology (Holding) Co., Ltd. Representative: Liao, Wei-Qiang	5	2	71	
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:

- 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:
  - Items listed in Article 14-3 of the Securities and Exchange Act: Refer to Pages 62~63 for the major resolutions of the Board of Directors.
  - 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.
- 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:
  - Date of Board meeting: June 22, 2020

Proposal: The distribution of the 2019 employee remuneration and director remuneration..

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. Evaluation of the Board performance:

Cycle	Period	Scope	Method	Result
From the end of each year to the end of the first quarter of the following year	January 1, 2020~December 31, 2020	Board of Directors, individual Board members, and functional committees	Respective self-evaluations of the Board of Directors, individual Board members, and functional committees	Report on the Evaluation of Board Performance

Report on the Evaluation of Board Performance

(1). To implement corporate governance and enhance the Company's Board functions, the Company formulated the "Regulations Governing the Evaluation of the Board of Directors," stipulating that the Board of Directors shall conduct the internal evaluation of the Board performance at least once every year. The evaluation shall be conducted according to the procedures and criteria set forth in Articles 6 and 8 of the Regulations Governing the Evaluation of the Board of Directors from the end of each year to the end of the first quarter of the following year.

The scope of evaluation includes the Board of Directors, individual Board members, and functional committees.

The methods of evaluation include the internal evaluation of the Board, self-evaluation by individual Board members, peer evaluation, and evaluation by appointed external professional institutions or experts.

The criteria for evaluation are divided into five grades, namely Excellent (5), Good (4), Fair (3), Poor (2), and Very Poor (1), based on performance in each aspect.

(2). The results of internal evaluation in 2020 are as follows :

1.Aspects

The criteria for evaluating the performance of the Board include the following five aspects:

- (1) Participation in the operation of the Company
- (2) Improvement of the quality of the Board' decision making
- (3) Composition and structure of the Board
- (4) Election and continuing education of the Directors
- (5) Internal control

The criteria for evaluating the performance of the Board members include the following six aspects:

- (1) Alignment of the goals and missions of the Company
- (2) Awareness of the duties of a director
- (3) Participation in the operation of the Company
- (4) Management of internal relationship and communication
- (5) The Director's professionalism and continuing education
- (6) Internal control

The criteria for evaluating the performance of functional committees include the following five aspects:

- (1) Participation in the operation of the Company
- (2) Awareness of the duties of the functional committee
- (3) Improvement of quality of decisions made by the functional committee
- (4) Makeup of the functional committee and election of its members
- (5) Internal control

The indexes of the Board performance evaluation shall be determined based on the operation and needs of the Company and suitable and appropriate for evaluations by the Company.

2.Period: January 1, 2020~December 31, 2020.

3.Results: The board of directors has been operating well throughout the evaluation period. The board directors and functional committees members recognize their responsibilities, are familiar with the operation of the company, grasp the operation of the management team, and effectively improve the overall decision-making quality of the board of directors; also,

fulfill the responsibility of the board of directors in supervising the compliance with relevant law and regulations and risks control (audit matters).

The result of the Board evaluation in 2020, which was graded Good (4), was reported to the Board of Directors on February 26, 2021.

4. 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:

The Board of Directors met six times in 2020, which met the requirements under the "Rules of Procedure for Board of Directors Meetings" for the Board to meet at least once a quarter. To improve information transparency, important proposals have been announced in accordance with the law on the Market Observation Post System ; 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.

The Company has set up a sound Board governance system with enhanced supervision and management mechanisms in accordance with the "Rules of Procedure for Board of Directors Meetings." According to the "Regulations Governing the Evaluation of the Board of Directors," the result of the Board evaluation in 2020, which was graded Good (4), was reported to the 13th meeting of the 9th-term Board of Directors on February 26, 2021.

- (2) The Audit Committee or State of operations of supervisors

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 3rd Audit Committee was established on June 24, 2019 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(A)of the Audit Committee were held in the most recent year (five in 2020 and one in 2021). The attendance of independent directors is as follows:

Title	Name	Times of Attendance in Person(B)	Times of Attendance by Proxy	Attendance Rate (%) (B/A)	Remark
Independent Director	Li, Yi-Wen	6	0	100	
Independent Director	Shen, Po-Ting	6	0	100	

Independent Director	Huang, Shih-Pin	6	0	100	
<p>1. Other items to be recorded:  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 60~62 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.</p> <p>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.</p> <p>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):  (I) The internal audit officer and independent directors communicate with one another through the board meetings, Audit Committee meetings, and seminars. The internal audit officer reports the company's internal audit performance to the independent directors at least once every quarter. Independent directors and the internal audit officer have a direct communication channel with each other, including e-mail, telephone, or meeting as needed.  (II) The independent auditor reports the company's financial status and internal control audit implementation to the independent directors; also, fully communicates whether there are major adjustments made to the accounting entries or legal amendments that have a significant impact on the company. The independent auditor also communicates with the Audit Committee regarding the audit plan, the plan implementation, and implementation results before and after the financial statement audit period. Also, invites the independent auditor to present at the time of reviewing the financial report. The independent directors discuss the relevant financial and business issues in the financial report with the independent auditor and have their important opinions recorded in the meeting minutes.  (III) Please refer to the company's website at <a href="http://www.viking.com/tw/">http://www.viking.com/tw/</a> for the communication among the independent directors, internal audit officer, and independent auditor.</p>					

(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 <a href="http://www.viking.com.tw">http://www.viking.com.tw</a> .	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? (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? (3) Does the Company establish and enforce risk control and firewall systems with its affiliated companies? (4) Does the Company establish internal rules to prohibit insiders from trading in securities using information not disclosed to the market?	✓  ✓  ✓  ✓		(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. (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. (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. (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? (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? (3) Does the Company establish a standard	✓  ✓  ✓		(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. (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. (3) The Company formulated the "Regulations Governing the Evaluation of the Board of Directors" in the 6th meeting of the 9th-term Board of	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	
to measure the performance of the Board, and implement it annually and report the results of evaluation to the Board of Directors and refer to the said results when determining each director's compensation and reelection?			<p>Directors and reported the result of the Board evaluation in 2020, which was graded Good (4), to the 13th meeting of the 9th-term Board of Directors.</p> <p>The criteria for evaluating the performance of the Board include the following five aspects:</p> <ol style="list-style-type: none"> <li>(1).Participation in the operation of the Company</li> <li>(2).Improvement of the quality of the Board' decision making</li> <li>(3).Composition and structure of the Board</li> <li>(4).Election and continuing education of the Directors</li> <li>(5).Internal control</li> </ol> <p>The criteria for evaluating the performance of the Board members include the following six aspects:</p> <ol style="list-style-type: none"> <li>(1).Alignment of the goals and missions of the Company</li> <li>(2). Awareness of the duties of a director</li> <li>(3).Participation in the operation of the Company</li> <li>(4).Management of internal relationship and communication</li> <li>(5).The Director's professionalism and continuing education</li> <li>(6).Internal control</li> </ol> <p>The criteria for evaluating the performance of functional committees include the following five aspects:</p> <ol style="list-style-type: none"> <li>(1).Participation in the operation of the Company</li> <li>(2).Awareness of the duties of the functional committee</li> <li>(3).Improvement of quality of decisions made by the functional committee</li> <li>(4).Makeup of the functional committee and election of its members</li> <li>(5).Internal control</li> </ol> <p>The indexes of the Board performance evaluation shall be determined based on the operation and needs of the Company and suitable and appropriate for evaluations by the Company.</p> <p>2.Period: January 1, 2020~December 31, 2020.</p> <p>3.Results:The board of directors has been operating well throughout the evaluation period. The board directors and functional committees members recognize their responsibilities, are familiar with the operation of the company, grasp the operation of the management team, and effectively improve the overall</p>	

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	
(4) Does the Company evaluate the independence of CPAs on a regular basis?	✓		<p>decision-making quality of the board of directors; also, fulfill the responsibility of the board of directors in supervising the compliance with relevant law and regulations and risks control (audit matters).</p> <p>(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 43.</p>	
4. Does the Company set up adequate personnel and a corporate governance officer to be in charge of corporate governance affairs (including but not limited to furnishing information required for business execution by directors and supervisors, helping directors and supervisors comply with laws and regulations, handling matters relating to Board meetings and shareholders meetings according to laws, and producing minutes of Board meetings and shareholders' meetings)?	✓		The Finance Department is in charge of corporate governance affairs (including but not limited to furnishing information required for business execution by directors and supervisors, helping directors and supervisors comply with laws and regulations, handling matters relating to Board meetings and shareholders meetings according to laws, and producing minutes of Board meetings and shareholders' meetings).	None
5. Does the Company set up channels of communication with stakeholders (including but not limited to its shareholders, employees, clients, and suppliers), designate a stakeholders section on its website, and properly reply to any major issues which stakeholders are concerned about regarding the 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

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	
<p>7. Information disclosure</p> <p>(1) Does the Company establish a company website to disclose information on its finances, business, and corporate governance?</p> <p>(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)?</p> <p>(3) Does the Company announce and register the annual financial statements within two months after the close of each fiscal year and the quarterly financial statements and the monthly operating status within the given time limits?</p>	<p>✓</p> <p>✓</p> <p>✓</p>		<p>(1) The Company has established its company website at <a href="http://www.viking.com.tw">http://www.viking.com.tw</a> to disclose and update information on its finances, business, and corporate governance.</p> <p>(2) The Company has appointed responsible employees to collect and disclose information and established a spokesperson according to related laws and regulations.</p> <p>(3) Currently, the Company registers the financial statements and the monthly operating status within the given time limits in accordance with the Securities and Exchange Act; however, the Company has not announced and registered the annual financial statements within two months after the close of the fiscal year.</p>	None
<p>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)?</p>	<p>✓</p>		<p>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:</p> <p>(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.</p> <p>(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.</p> <p>(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</p>	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	
			<p>sustainable development and green operations together with suppliers.</p> <p>(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.</p> <p>(5) Continuing education of directors and supervisors: Please refer to Page 43~44..</p> <p>(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 Funds to Others for the responsible departments and Audit Office to follow in the process of risk management and risk measurement.</p> <p>(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.</p> <p>(8) The Company has purchase liability insurance for directors and managerial officers.</p> <p>(9) Other significant information that provides better understanding of the state of implementation of corporate governance:</p> <p>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 <a href="http://www.viking.com.tw">www.viking.com.tw</a> (investor relations/company profile and corporate governance/internal policies/Guidelines for Ethical Corporate Management).</p> <p>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 <a href="http://www.viking.com.tw">www.viking.com.tw</a> (investor relations/company profile and corporate governance/internal policies/Regulations Governing the Handling of Material Inside Information).</p>	
<p>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):</p> <p>(1) According to the results of the 5th Corporate Governance Evaluation, the Company was ranked top 36%~50%. The results of the 6th Corporate Governance Evaluation are yet to be announced.</p>				



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	2020.06.22	Taiwan Corporate Governance Association	The "Securities Exchange Act" for the knowledge of Directors and Recent Cases Analysis	3H
		2020.06.22	Taiwan Corporate Governance Association	The 2020 Key Fiscal and Tax Subjects	3H
		2020.08.07	Taiwan Investor Relations Institute	Business Operation and Public Opinion/Crisis Management Strategies	
		2020.09.10	Taiwan Corporate Governance Association	Employee Welfare Trust for Stabilizing Business Policy	
		2020.11.05	Taiwan Investor Relations Institute	Enterprise Crisis Case Analysis and Image Management	3H
		2020.11.06	Taiwan Corporate Governance Association	Risks related to the disposal of real estate & equity transaction in China and Case Study	3H
Director	Chen, Li-Ming	2020.06.22	Taiwan Corporate Governance Association	The "Securities Exchange Act" for the knowledge of Directors and Recent Cases Analysis	3H
		2020.06.22	Taiwan Corporate Governance Association	The 2020 Key Fiscal and Tax Subjects	3H
Director	Li, Mao-Sheng	2020.06.22	Taiwan Corporate Governance Association	The "Securities Exchange Act" for the knowledge of Directors and Recent Cases Analysis	3H
		2020.06.22	Taiwan Corporate Governance Association	The 2020 Key Fiscal and Tax Subjects	3H
Director	Hu, Chuan-Ping	2020.06.22	Taiwan Corporate Governance Association	The "Securities Exchange Act" for the knowledge of Directors and Recent Cases Analysis	3H
		2020.06.22	Taiwan Corporate Governance Association	The 2020 Key Fiscal and Tax Subjects	3H

Title	Name	Date of Training	Training Institution	Course Name	Training Hour
Director	Liang Yao-Ming	2020.06.22	Taiwan Corporate Governance Association	The "Securities Exchange Act" for the knowledge of Directors and Recent Cases Analysis	3H
		2020.06.22	Taiwan Corporate Governance Association	The 2020 Key Fiscal and Tax Subjects	3H
Director	Liao Wei-Qiang	2020.06.22	Taiwan Corporate Governance Association	The "Securities Exchange Act" for the knowledge of Directors and Recent Cases Analysis	3H
		2020.06.22	Taiwan Corporate Governance Association	The 2020 Key Fiscal and Tax Subjects	3H
Independent Director	Li, Yi-Wen	2020.06.22	Taiwan Corporate Governance Association	The "Securities Exchange Act" for the knowledge of Directors and Recent Cases Analysis	3H
		2020.06.22	Taiwan Corporate Governance Association	The 2020 Key Fiscal and Tax Subjects	3H
Independent Director	Shen, Po-Ting	2020.06.22	Taiwan Corporate Governance Association	The "Securities Exchange Act" for the knowledge of Directors and Recent Cases Analysis	3H
		2020.06.22	Taiwan Corporate Governance Association	The 2020 Key Fiscal and Tax Subjects	3H
Independent Director	Huang, Shih-Pin	2020.06.22	Taiwan Corporate Governance Association	The "Securities Exchange Act" for the knowledge of Directors and Recent Cases Analysis	3H
		2020.06.22	Taiwan Corporate Governance Association	The 2020 Key Fiscal and Tax Subjects	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	9	10		
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) Not a director or supervisor of the Company or its affiliate. This restriction does not apply to where the person is concurrently an independent director of the Company and its parent company or subsidiary or any subsidiary of the same parent company as appointed in accordance with the Securities and Exchange Act or the laws of the country of the said company.
- (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) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship of any of the managerial officers in the first subparagraph or the persons in the second and third subparagraphs.
- (5) Not a director, supervisor, or employee of a corporate shareholder that directly holds 5% or more of the total number of issued shares of the Company, of a corporate shareholder that ranks among the top five in shareholdings, or of a corporate shareholder that elects its authorized representative as a director or supervisor of the Company in accordance with Paragraph 1 or 2, Article 27 of the Company Act. This restriction does not apply to cases where the person is concurrently an independent director of the Company and its parent company or subsidiary or any subsidiary of the same parent company as appointed in accordance with the Securities and Exchange Act or the laws of the country of the said company.
- (6) Not a director, supervisor, or employee of a company who is a director of the Company or holds the majority of the voting shares. These restrictions do not apply to cases where the person is concurrently an independent director of the Company and its parent company or subsidiary or any subsidiary of the same parent company as appointed in accordance with the Securities and Exchange Act or the laws of the country of the said company.
- (7) Not a director, supervisor, or employee of a company or institution who is the chairman, general manager or a person with an equivalent position of the Company or a spouse thereof. This restriction does not apply to cases where the person is concurrently an independent director of the Company and its parent company or subsidiary or any subsidiary of the same parent company as appointed in accordance with the Securities and Exchange Act or the laws of the country of the said company.
- (8) Not a director, supervisor, officer, or shareholder holding 5% or more of the shares of a specified company or institution which has a financial or business relationship with the Company. This restriction does not apply to cases where the specified company or institution holds more than 20% but less than 50% of the shares of the Company and the person is concurrently an independent director of the Company and its parent company or subsidiary or any subsidiary of the same parent company as appointed in accordance with the Securities and Exchange Act or the laws of the country of the said company.
- (9) Not a professional individual who is an owner, partner, director, supervisor, or managerial officer of a sole proprietorship, partnership, company, or institution that offers audit services or offers commercial, legal, financial, or accounting services for which he/she has received the total remuneration of less than NT\$500,000 over the past two years to the Company or its affiliate, nor a spouse thereof. This restriction does not apply to any member of the remuneration committee, public tender offer review committee or merger and acquisition special committee who exercises powers pursuant to the Securities and Exchange Act or Business Mergers And Acquisitions Act.
- (10) 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: June 24, 2019~June 23, 2022. A total of four meetings(A) of the Remuneration Committee were held in the most recent year (three in 2020 and one in 2021). The qualifications for the members of the Remuneration Committee and their attendance are as follows

Title	Name	Times of Attendance in Person (B)	Times of Attendance by Proxy	Attendance Rate (%) (Note) (B/A)	Remark
Convener	Huang, Shih-Pin	4	0	100	
Member	Li, Yi-Wen	4	0	100	
Member	Shen, Po-Ting	4	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, any departure from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies, and the reason for such departure

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. Does the Company conduct risk assessments on environmental, social, or corporate governance issues related to the Company's operations in accordance with the principle of materiality and formulate relevant risk management policies or strategies?	✓		<p>The Company has a dedicated unit in charge of environmental management, which is responsible to guide relevant departments to obtain required licenses in accordance with laws and regulations. The Company has also introduced the ISO 14001 Environmental Management System to increase relevant departments' environmental awareness.</p> <p>The Company has introduced the ISO9001 Quality Management System, ISO 13485 Medical Devices Quality Management System, and ISO14001 Environmental Management System to control and immediately respond to operational risks in terms of the environment, customers, and suppliers.</p> <p>In recent years, business activities have been increasingly dependent on information. To implement information security management, the Company has formulated the "Regulations Governing Information Systems," which stipulate how the internal information security policy should be executed and followed, along with internal/external information security protections. The Company also conducts the disaster recovery drills every year to protect business operations from external factors.</p>	None
2. 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?	✓		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
3. Environmental issues (1) Does the Company establish a suitable environmental management system based on its industrial characteristics? (2) Is the Company dedicated to improving the utilization	✓ ✓		(1) The Company has obtained the ISO14001 environmental management system certification, which proves that stationary pollution sources, wastewater or sewage, and industrial waste	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
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<p>efficiency of various resources and using recycled materials with minimal adverse impact on the environment?</p> <p>(3) the Company assess the potential risks and opportunities arising from climate change at present and in the future and take related countermeasures?</p> <p>(4) Company calculate the greenhouse gas emissions, water consumption, and total weight of waste over the past two years and establish the policies with regard to energy conservation and carbon reduction, greenhouse gas reductions, water consumption, and waste management?</p>	<p>✓</p> <p>✓</p>		<p>generated from production of the Company have been managed and disposed of in accordance with the environmental laws and regulations.</p> <p>(2) 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.</p> <p>(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. (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.</p> <p>(4) Measures taken by the Company are as follows:  GHG emissions: The Company does not fall within the industries required by the Environmental Protection Administration to conduct GHG inventories; however, the Company has conducted preliminary GHG inventories to control the source of GHG. The achievements and specific measures in energy saving, carbon reduction, and water conservation are detailed on the following page.</p> <p>Waste management: The Company sets the KPI for waste management every year and reviews progress in the quarterly KPI meeting.</p>	



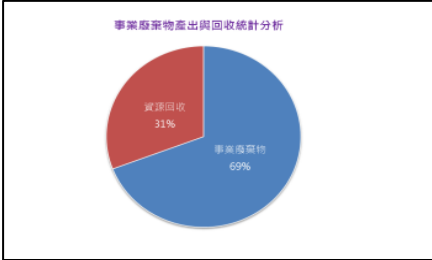
Item for Evaluation	State of Operations (Note 1)			Any Departure from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX-Listed Companies and the Reason for Such Departure
	Yes	No	Summary (Note 2)	
<p>4.Social issues</p> <p>(1) Does the Company formulate relevant management policies and procedures in accordance with related laws and regulations and international human rights conventions?</p> <p>(2) Does the Company establish and offer proper employee benefits (including compensation, leave, and other benefits) and reflect the business performance or results in employee compensation appropriately?</p> <p>(3) Does the Company provide a safe and healthy work environment for employees and regularly organize health and safety training for employees?</p> <p>(4) Does the Company establish an effective career development training program for employees?</p> <p>(5) Does the Company follow relevant laws, regulations and international guidelines for the customer health and safety, customer privacy, and marketing and labeling of its products and services and establish related consumer protection policies and grievance procedures?</p> <p>(6) Does the Company establish the supplier management policies requesting suppliers to comply with laws and regulations related to environmental protection, occupational safety and health or labor rights and supervise their compliance?</p>	<p>✓</p> <p>✓</p> <p>✓</p> <p>✓</p> <p>✓</p> <p>✓</p>		<p>(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.</p> <p>(2) The Company has various employee benefits and a retirement policy in line with the laws and regulations; a sound performance evaluation system as a standard for salary adjustment and bonus distribution; and employee stock options and employee bonus to strengthen cohesion among employees. With these employee benefits in place, employees are prompted to participate in business operations actively and share business results with the Company. For employees choosing to apply the new pension system, we allocate 6% of employees' monthly salaries to their personal accounts at the Bureau of Labor Insurance in accordance with the laws and regulations.</p> <p>(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 work environment.</p> <p>(4) 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.</p>	None

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	Yes	No	Summary (Note 2)	
			<p>(5) To ensure our customers' health and safety and quality of customer service, we regularly convene the Quality Management Committee meetings, sales and production meetings, and business meetings. The Company has the "Stakeholders" session in place on the website, where contact information including telephone number, mail address, and e-mail address, is available for consumers to contact us in case of any complaints.</p> <p>(6) The Company has formulated relevant supplier evaluation and management regulations, requesting suppliers to cooperate closely and sign the Supplier Corporate Social Responsibility Survey (covering labor rights, health and safety, and environmental laws and regulations). We also conduct supplier evaluations on a regular basis.</p>	
5. Does the Company refer to the guidelines for the preparation of internationally accepted reports and prepare corporate social responsibility reports that disclose its non-financial information? Does the Company receive assurance or certification of the aforesaid reports from a third party accreditation institution?	✓		The Company has disclosed the state of CSR on the website and in the prospectus and the annual report (under the "Shareholders' Meeting" section on the website).	None
6. 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.				
7. Other important information that helps to understand the performance of corporate social responsibilities:				
<p>(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.</p> <p>(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.</p> <p>(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</p>				

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<p>consumption to the environment and further evaluate the feasible energy conservation and carbon reduction initiatives.</p> <p>The statistics on the effectiveness of water conservation measures in the last three years and the water consumption unit are as follows:</p> <table border="1"> <thead> <tr> <th>Electricity consumption</th> <th>2018</th> <th>2019</th> <th>2020</th> </tr> </thead> <tbody> <tr> <td>Kea unit electricity consumption (kilowatt-hours)</td> <td>3.08</td> <td>4.41</td> <td>3.02</td> </tr> </tbody> </table> <p>To control energy efficiency effectively and achieve the goal of energy conservation and carbon reduction, the Company has taken the following improvement plans:</p> <table border="1"> <thead> <tr> <th>No.</th> <th>Improvement Plan</th> <th>Results</th> </tr> </thead> <tbody> <tr> <td>1</td> <td>Air conditioning system integration and energy-saving improvement: The 3 independent PKG air-conditioning boxes were replaced with ice-water air-conditioning boxes to increase the constant temperature and humidity automatic control, and to reduce the power consumption of cooling water pumps and fans.</td> <td>Reduce the average power consumption by about NT\$291,964/year.</td> </tr> <tr> <td>2</td> <td>Replacement of the electric valve set of the air-conditioning blower in the office building: Replaced with a more stable electric valve set to reduce the air conditioner ice water consumption and to achieve stable temperature control.</td> <td>After the improvement, the air-conditioning power consumption rate was reduced by 12%, reducing the average electricity cost by NT\$60,000/year.</td> </tr> <tr> <td>3</td> <td>Replacement of blower and lighting in meeting rooms and office areas: Replaced the outdated and inefficient fans</td> <td>(1)Lighting power consumption was reduced by 52%, saving the average power consumption by about NT\$16,679/year (2)The area of the cold room was reduced by about 20% and the efficiency</td> </tr> </tbody> </table>					Electricity consumption	2018	2019	2020	Kea unit electricity consumption (kilowatt-hours)	3.08	4.41	3.02	No.	Improvement Plan	Results	1	Air conditioning system integration and energy-saving improvement: The 3 independent PKG air-conditioning boxes were replaced with ice-water air-conditioning boxes to increase the constant temperature and humidity automatic control, and to reduce the power consumption of cooling water pumps and fans.	Reduce the average power consumption by about NT\$291,964/year.	2	Replacement of the electric valve set of the air-conditioning blower in the office building: Replaced with a more stable electric valve set to reduce the air conditioner ice water consumption and to achieve stable temperature control.	After the improvement, the air-conditioning power consumption rate was reduced by 12%, reducing the average electricity cost by NT\$60,000/year.	3	Replacement of blower and lighting in meeting rooms and office areas: Replaced the outdated and inefficient fans	(1)Lighting power consumption was reduced by 52%, saving the average power consumption by about NT\$16,679/year (2)The area of the cold room was reduced by about 20% and the efficiency
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		and T9 lighting fixtures.	increased by 12%, reducing the average electricity cost by NT\$18,339/year.									
4		Air conditioning ice water system improvement: Modified the PLC program and the ice water pipeline to avoid the false demand for ice water and to reduce the electricity consumption of the chiller.	The load of the chiller is reduced by about 5%, and the annual electricity consumption was reduced by 97,755 kilowatt-hours for an amount of NT\$312,818.									
5		Pickling of air-conditioning ice water coils	Efficiency increased by about 10% and power consumption of the chiller was reduced by about 3%, saving the power cost by about NT\$188,206/year.									
6		Energy-saving improvement of air conditioning cooling water system: The two air conditioning cooling water towers were integrated into one single set. Discontinued the use of one 250RT cooling water tower, one sand filter, and three sets of cooling water circulating pumps to reduce power consumption.	The annual electricity consumption was reduced by 142,815 kilowatt-hours for an amount of NT\$357,037.									
<p>(4) Water resources</p> <p>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.</p> <p>The annual water consumption of the plant increases and decreases along with the production capacity. In response to the water shortage problem nationwide, the company aims to reduce the water consumption per production unit. The R&amp;D is designated to evaluate the electroplating wastewater that takes up the highest water consumption continuously and update the production process with less water consumption.</p> <p>The statistics on the effectiveness of water conservation measures in the last three years and the water consumption unit are as follows:</p> <table border="1"> <thead> <tr> <th>Water consumption</th> <th>2018</th> <th>2019</th> <th>2020</th> </tr> </thead> <tbody> <tr> <td>Kea unit water</td> <td>0.06</td> <td>0.08</td> <td>0.05</td> </tr> </tbody> </table>					Water consumption	2018	2019	2020	Kea unit water	0.06	0.08	0.05
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<p>The specific water saving measures and energy saving performance are summarized in the table below:</p> <table border="1"> <thead> <tr> <th>No.</th> <th>Specific water saving measures</th> <th>Specific energy saving performance</th> </tr> </thead> <tbody> <tr> <td>1</td> <td>Improvement of electroplating cleaning water consumption: The electroplating water washing tank was originally overflowed for 24 hours. It is now regularly cleaned with water after the material is fed through the plated cage in order to reduce the water consumption for cleaning.</td> <td>The saving of cleaning water per bag is by more than 30% after the said improvement, which is equivalent to 7,322 tons of water resources each year for an amount of NT\$1,540 thousand per year.</td> </tr> <tr> <td>2</td> <td>Improvement in energy saving of air conditioning cooling water system: The two air conditioning cooling water towers were integrated into one single set. Discontinued the use of one 250RT cooling water tower, one sand filter, and three sets of cooling water circulating pumps to reduce power consumption.</td> <td>The water resource is saved by 7,300 tons for an amount of NT\$357 thousand per year.</td> </tr> </tbody> </table>					No.	Specific water saving measures	Specific energy saving performance	1	Improvement of electroplating cleaning water consumption: The electroplating water washing tank was originally overflowed for 24 hours. It is now regularly cleaned with water after the material is fed through the plated cage in order to reduce the water consumption for cleaning.	The saving of cleaning water per bag is by more than 30% after the said improvement, which is equivalent to 7,322 tons of water resources each year for an amount of NT\$1,540 thousand per year.	2	Improvement in energy saving of air conditioning cooling water system: The two air conditioning cooling water towers were integrated into one single set. Discontinued the use of one 250RT cooling water tower, one sand filter, and three sets of cooling water circulating pumps to reduce power consumption.	The water resource is saved by 7,300 tons for an amount of NT\$357 thousand per year.
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<p>(5) Waste management</p> <p>Viking is committed to the recycling and reuse of industrial waste. According to the statistics of the average output and recycling of the industrial waste in the last three years (2017~2020), the recycled resource accounted for 31% of the total industrial waste, about one third (1/3).</p>													

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 <p>The statistical analysis of industrial waste outputs and recycles, including 31% resources recycle and 69% industrial waste recycle.</p> <table border="1"> <thead> <tr> <th>Statistics items</th> <th>2018</th> <th>2019</th> <th>2020</th> </tr> </thead> <tbody> <tr> <td>Waste output (tons)</td> <td>85.2</td> <td>80.2</td> <td>86.4</td> </tr> <tr> <td>Waste expense (NTD)</td> <td>2,516,887</td> <td>1,908,929</td> <td>2,497,781</td> </tr> <tr> <td>Waste output (%)</td> <td>64.6%</td> <td>71.0%</td> <td>72.0%</td> </tr> <tr> <td>Recycled resources (tons)</td> <td>46.7</td> <td>32.8</td> <td>33.6</td> </tr> <tr> <td>Recycled expense (NTD)</td> <td>2,945,687</td> <td>1,379,201</td> <td>1,757,929</td> </tr> <tr> <td>Recycled resources (%)</td> <td>35.4%</td> <td>29.0%</td> <td>28.0%</td> </tr> </tbody> </table> <p>The specific measures adopted to reduce industrial waste are described as follows:</p> <p>(1) Waste recycling Foam whiteboard erasers: After our employees' brainstorming, foam was reused to make whiteboard erasers that have a better effect than that of whiteboard erasers sold on the market.</p> <p>(2) Paperless operations a. E-invoice: Since December 2017, invoices have been replaced with electronic invoices, saving 2,300 pieces of paper (23 boxes) per year. b. E-file archives : To retain evidence of business tax exemption for exports for the revenue service office's audit, a written report containing 100 pages has been replaced with an e-file since May 2019 to save about 30,000 pieces of paper (6 boxes) per year.</p>	Statistics items	2018	2019	2020	Waste output (tons)	85.2	80.2	86.4	Waste expense (NTD)	2,516,887	1,908,929	2,497,781	Waste output (%)	64.6%	71.0%	72.0%	Recycled resources (tons)	46.7	32.8	33.6	Recycled expense (NTD)	2,945,687	1,379,201	1,757,929	Recycled resources (%)	35.4%	29.0%	28.0%				
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<p>c. Waste paper recycling: Single-sided waste print paper is reused. The Company's Document Guide also stipulates that the blank side of print paper whose invalid side is crossed out ("X") are deemed an official record.</p> <p>(6). The achievement in promoting environmental safety and health and good deeds:</p> <p>(1) Awarded with the "One Million Disaster-Free Working Hours" record Viking has promoted the "Disaster-Free Working Hours" activity since the year 2018 with the disaster-free billboard setup, which is reviewed by the Occupational Safety Committee on a quarterly basis to realize the occupational safety and disaster-free policy. The company has achieved the target of one million working hours through the efforts of all employees for nearly two years with the "One Million Disaster-Free Working Hours Record" certificate received from the Industrial Safety and Health Association in January 2021.</p> <p>(2) Trend analysis of the "Total Injury Index" of the last three years Viking has actively promoted occupational hazards prevention training and activities, and analyzed the trend of the "Total Injury Index" of the last three years, from 0.62 to 0.04, which was much lower than the 0.11 of the average three-year total injury index of the passive component manufacturing industry announced by the Occupational Safety and Health Administration, Ministry of Labor.</p> <p>(3) The 6S activity within the plant – General mobilization Viking has actively promoted the 6S activity within the plant, encouraged the general mobilization of the employees, and reviewed and improved the 6S inspection tour in the plant every month. The department of the quarter is awarded a trophy and bonus according to the cumulative evaluation score. The 6S activity helps Viking employ positive employees, secure efficient productions, and construct a safe working environment.</p> <p>(4) Environmental safety and health education and training - supervisors at all levels In order to establish an "Occupational Safety and Health Culture" for all employees, the company has arranged the "Occupational Safety and Health – Supervisor on-job education and training" regularly; also, invited occupational safety and health technicians or experts to educate the supervisors at all levels through activities in order to enhance their safety and health knowledge, professionalism, and management.</p> <p>(5) Environmental safety and health culture - Organizing the "Environmental safety and health Month" activities In order to form the consensus of all employees on environmental safety and health culture, and to activate the participation of all employees in environmental safety and health activities, the company has arranged the annual "Environmental safety and health Month" activity, including a series of environmental safety and health activities to help employees gradually build up a sense of safety through teaching exercises and activities.</p> <p>(6) Values the health of employees - Occupational health nurses shall care for the health of employees The company provides the employees with 1-year free physical checkups that are better than the requirements of the law. The company also provides special</p>				

Item for Evaluation	State of Operations (Note 1)		Summary (Note 2)	Any Departure from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX-Listed Companies and the Reason for Such Departure
	Yes	No		
<p>health check-ups to the employees who perform special tasks. Occupational health doctors and nurses are contracted to provide free on-site health consultations to employees.</p> <p>(7) Values the health of employees - arranging aerobic exercise for employees The employees actively promote aerobic exercise activities and participate enthusiastically. The Welfare Committee provides subsidies to encourage employees to participate</p> <p>(8) Certified friendly breastfeeding room at the workplace</p>				



(6) State of performance of ethical corporate management, any departure from the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies, and the reason for such departure

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	
<p>1. Establishing ethical corporate management policies and measures</p> <p>(1) Does the Company establish the ethical corporate management policies approved by the Board of Directors, and declare its ethical corporate management policies and procedures in its guidelines and external documents, as well as the commitment from its board and senior management to implement the policies?</p> <p>(2) Whether the company has established an assessment mechanism for the risk of dishonesty, regularly analyzes and evaluates business activities with a high risk of dishonesty in the business scope, and accordingly formulates a plan to prevent dishonesty, and at least cover the preventive measures for the conduct of the second paragraph of Article 7 of the "Code of Integrity Management of Listed OTC Companies"</p> <p>(3) Does the Company specify in its prevention programs the operating procedures, guidelines, punishments for violations, and a grievance system and implement them and review the prevention programs on a regular basis?</p>	<p>✓</p> <p>✓</p> <p>✓</p>		<p>(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.</p> <p>(2) The Company has formulated the "Ethical Corporate Management Best Practice Principles" in accordance with the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies," stipulating the prevention measures, punishments for violations, reporting and grievance systems for unethical conduct. An effective "internal control system" is also in place to review the above measures at any time to ensure the sound ethical corporate management.</p> <p>(3) The Company has established the Rules for the Enforcement of the Code of Ethics, which specify</p>	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	
			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.	
<p>2. Implementing ethical corporate management</p> <p>(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?</p> <p>(2) Does the Company establish an exclusively (or concurrently) dedicated unit supervised by the Board to be in charge of corporate integrity and regularly (at least once every year) report to the Board of Directors the implementation of the ethical corporate management policies and prevention programs against unethical conduct?</p> <p>(3) Does the Company adopt policies to prevent conflict of interest and provide a proper appeal system and implement them thoroughly?</p> <p>(4) Company establish effective systems for both accounting and internal control to facilitate ethical corporate management and have its internal audit unit, based on the results of assessment of the risk of involvement in unethical conduct, devise relevant audit plans and audit the compliance with the prevention programs accordingly or entrust a CPA to conduct the audit?</p> <p>(5) Does the Company organize internal and external training on ethical corporate management on a regular basis?</p>	<p>✓</p> <p>✓</p> <p>✓</p> <p>✓</p> <p>✓</p>		<p>(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.</p> <p>(2) The President's Office is responsible to formulate the policies and preventive programs for ethical corporate management and supervise the 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.</p> <p>(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.</p> <p>(4) The Company always attaches great importance to</p>	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	
			<p>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.</p> <p>(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.</p>	
<p>3. Implementing the whistle-blowing system</p> <p>(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?</p> <p>(2) Does the Company establish the standard operating procedures for investigating reported misconduct, follow-up measures to be adopted after the investigation, and related confidentiality mechanisms?</p> <p>(3) Does the Company take measures to protect whistle-blowers from inappropriate disciplinary actions?</p>	<p>✓</p> <p>✓</p> <p>✓</p>		<p>(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.</p> <p>(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.</p> <p>(3) The Company keeps the information of whistle-blowers strictly confidential. If anyone leaks the information of whistle-blowers, which</p>	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	
			leads to the harassment or retaliation against the whistle-blowers, the Company will take severe disciplinary action against the leaker.	
4. Enhancing disclosure of information 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 public on the company website at <a href="http://www.viking.com.tw">http://www.viking.com.tw</a> (the annual report is also available on the MOPS).	None
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.				
6. Other significant information that helps to understand the implementation of ethical corporate management (e.g. amendments to the ethical corporate management principles): None.				

(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	2020.06.22	Taiwan Corporate Governance Association	The "Securities Exchange Act" for the knowledge of Directors and Recent Cases Analysis	3H
		2020.06.22	Taiwan Corporate Governance Association	The 2020 Key Fiscal and Tax Subjects	3H
		2020.10.15~2020.10.16	Accounting Research and Development Foundation	Continuing Education for Principal Accounting Officers of Issuers, Securities Firms, and Securities Exchanges	12H
Vice President	Lu, Chi-You	2020.06.22	Taiwan Corporate Governance Association	The "Securities Exchange Act" for the knowledge of Directors and Recent Cases Analysis	3H
		2020.06.22	Taiwan Corporate Governance Association	The 2020 Key Fiscal and Tax Subjects	3H
Vice President	Liang, Yao-Ming	2020.06.22	Taiwan Corporate Governance Association	The "Securities Exchange Act" for the knowledge of Directors and Recent Cases Analysis	3H
		2020.06.22	Taiwan Corporate Governance Association	The 2020 Key Fiscal and Tax Subjects	3H
Audit Manager	Yang, Chan-Chen	2020.10.26	Institute of Internal Auditors-Chinese Taiwan		6H
		2019.11.12	Institute of Internal Auditors-Chinese Taiwan		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 64)

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

(10) **In the most recent year and as of the annual report publication date, if the company and internal personnel have been punished by law or the internal personnel have been disciplined by the company for violating the internal control system that may have a significant impact on shareholders' equity or securities prices, the content of the penalty, major nonconformities, and corrective action should be detailed: 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 22, 2020 and state of implementation

Date	Major Resolutions and Implementation
Annual shareholder's meeting on June 22, 2020	<ol style="list-style-type: none"> <li>Proposal for the 2019 business report and financial statements. Implementation: Voted by ballot and passed.</li> <li>Proposal for the 2019 earnings distribution. Implementation: Voted by ballot and passed. The 2019 earnings were distributed on August 5, 2020.</li> <li>Amendment to "Rules and Procedures of Shareholders' Meeting" of the Company Implementation: Voted by ballot and passed. The Articles of Incorporation have been published internally and disclosed on the company website for investors' reference.</li> </ol>

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
7th meeting of the 9th term March 11, 2020	1. The distribution of the 2019 employee remuneration and director remuneration.		None	Reviewed and passed by the Remuneration Committee; passed by all directors attending the Board meeting
	2. The 2019 financial statements and business report.	V	None	Reviewed and passed by the Audit Committee; passed by all directors attending the Board meeting
	3. The 2019 earnings distribution.	V	None	Reviewed and passed by the Audit Committee; passed by all directors attending the Board meeting
	4. Statement of Internal Control for 2019.	V	None	Reviewed and passed by the Audit Committee; passed by all directors attending the Board meeting
	5. The amendment to the Rules of Procedure for Board of Directors Meetings.		None	Passed by all directors attending the Board meeting
	6. The amendment to the Rules and Procedures of Shareholders' Meetings.	V	None	Reviewed and passed by the Audit Committee; passed by all directors attending the Board meeting
	7. Convention of 2020 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
8th meeting of the 9th term May 8, 2020	1. It is proposed to revise some provisions of the company's "Regulations Governing the Preparation of Financial Reports" and internal control system.	V	None	Reviewed and passed by the Audit Committee; passed by all directors attending the Board meeting
	1. The application for the renewal of bank loans.		None	Passed by all directors attending the Board meeting
9th meeting of the 9th term Jun 22, 2020	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 2019 employee remuneration paid to 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 conflict of interest according to the Rules of Procedure for Board of Directors Meetings
	3. It is proposed to amend the company's "Remuneration Committee Charter."		None	Reviewed and passed by the Remuneration Committee; passed by all directors attending the Board meeting
10th meeting of the 9th term August 7, 2020	1. It is proposed to amend the company's "Audit Committee Charter."	V	None	Reviewed and passed by the Audit Committee; passed by all directors attending the Board meeting
11th meeting of the 9th term	1. It is proposed to amend the company's "Regulations Governing Election of Directors."		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 6, 2020	2. It is proposed to amend the company's "Self-Evaluation or Peer Evaluation of the Board of Directors" and "Rules Governing the Scope of Powers of Independent Directors."		None	Passed by all directors attending the Board meeting
	3. The application for the renewal of bank loans.		None	Passed by all directors attending the Board meeting
12th meeting of the 9th term December 25, 2020	1. The 2021 business plan and budget.	V	None	Reviewed and passed by the Audit Committee; passed by all directors attending the Board meeting
	2. The 2021 audit plan.	V	None	Reviewed and passed by the Audit Committee; passed by all directors attending the Board meeting
	3. The application for the renewal of bank loans.		None	Passed by all directors attending the Board meeting
13th meeting of the 9th term February 26, 2021	1. The distribution of the 2020 employee remuneration and director remuneration.		None	Reviewed and passed by the Remuneration Committee; passed by all directors attending the Board meeting
	2. The 2020 financial statements and business report.	V	None	Reviewed and passed by the Audit Committee; passed by all directors attending the Board meeting
	3. The 2020 earnings distribution.	V	None	Reviewed and passed by the Audit Committee; passed by all directors attending the Board meeting
	4. Statement of Internal Control for 2019.	V	None	Reviewed and passed by the Audit Committee; passed by all directors attending the Board meeting
	5. Convention of 2021 shareholders' meeting.		None	Passed by all directors attending the Board meeting
	6. The handling of shareholders' proposals in the annual shareholders' meeting.		None	Passed by all directors attending the Board meeting
	7. The application for the renewal of bank loans.		None	Passed by all directors attending the Board meeting
14th meeting of the 9th term April 9, 2021	1. The company's production expansion investment plan.	V	None	Reviewed and passed by the Audit Committee; passed by all directors attending the Board meeting

- (8) **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.
- (9) **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**  
None.

Viking Tech Corporation  
Statement on Internal Control

Date: February 26, 2021

The 2020 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, 2020, 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 February 26, 2021 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: Hu, Chuan-Ping



## 5. 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	Cheng, Ya-Hui	Lin, Yu-Kuan	2020.01.01~2020.12.31	

Unit: NT\$1,000

Range		Category of Fees	Audit Fees	Non-audit Fees	Total
1	Less than NT\$2,000 thousand			√	
2	NT\$2,000 thousand (inclusive)~NT\$4,000 thousand		√		√
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					Period of Audit	Remark
				System Design	Business Registration	Human Resources	Others (Remark)	Subtotal	Period of Audit	
PwC Taiwan	Cheng, Ya-Hui	Lin, Yu-Kuan	3,660	-	-	-	-	-	2020.01.01 ~ 2020.12.31	
PwC Taiwan	Liao, Lie-Long	-	-	-	-	-	30	30	2020.01.01 ~ 2020.12.31	It is the real investment from the 2018 unappropriated earnings and smart machinery investment tax credit consulting fees.
EY Taiwan	Chou, Chuan-Pei	-	-	-	-	-	220	-	2020.01.01 ~ 2020.12.31	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 10% or more) and the reason: None.

6. Information on Replacement of CPA: None.

7. 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.

8. 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	2020		As of April 30, 2021	
		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	Huajie Investment Limited Company	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: Hu, Chuan-Ping	0	0	0	0
	Representative: Liang, Yao-Ming	0	0	0	0
	Representative: Li, Mao-Sheng (Note 4)	0	0	0	0
Director	Thai Wey Industrial Co., Ltd.	0	0	0	0
	Representative: Chen, Li-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	Hu, Chuan-Ping	0	0	0	0
Vice President (Finance & Accounting Manager)	Li, Shun-He	0	0	0	0
Vice President	Lu, Chi-You	0	0	0	0
Vice President	Liang, Yao-Ming	0	0	0	0
Major shareholder	Guangdong Fenghua Advanced Technology (Holding) Co., Ltd.	0	0	0	0

(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.

9. 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: Zezhong Lee	0	0.00%	0	0%	0	0%	None	None	None
Thye Ming Industrial Co., Ltd.	9,209,010	7.85%	0	0%	0	0%	Thai Wey Industrial Co., Ltd.	Parent and subsidiary	None
Thye Ming Industrial Co., Ltd. Representative: Chen, Li-Ming	0	0.00%	0	0%	0	0%	None	None	None
Opto Tech Corporation	2,873,994	2.45%	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
Thai Wey Industrial Co., Ltd.	2,427,000	2.07%	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
Wanting Tseng	917,000	0.78%	0	0%	0	0%	None	None	None
Chosheng Su	750,000	0.64%	0	0%	0	0%	None	None	None
Liao, Ming-Hsiu	495,000	0.52%	0	0%	0	0%	None	None	None
Liao, Hung-Yi	446,000	0.42%	0	0%	0	0%	None	None	None
Yunlong Guo	375,000	0.32%	0	0%	0	0%	None	None	None
Shojeng Chien	360,000	0.31%	0	0%	0	0%	None	None	None

10. 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

Ratio of Consolidated Shares Held

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 11, 2020; 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.

Note 11: (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	2	106	20,009	17	20,134
Number of shares held	0	281,366	15,145,501	54,165,632	47,748,343	117,340,842
Shareholding percentage	0	0.24	12.91	46.16	40.69	100.00

Note: A total of 40% shareholding held by Chinese investors as of the annual report publication date.

## 3. Diffusion of Ownership

Unit: Share

Scale of Shareholding	Number of Shareholders	Number of Shares Held	Shareholding Percentage (%)
1 ~ 999	9,409	209,010	0.18
1,000 ~ 5,000	8,782	17,892,293	15.25
5,001 ~ 10,000	1,111	9,194,268	7.83
10,001 ~ 15,000	268	3,457,396	2.95
15,001 ~ 20,000	211	3,966,266	3.38
20,001 ~ 30,000	146	3,760,576	3.20
30,001 ~ 50,000	106	4,295,902	3.66
50,001 ~ 100,000	60	4,196,259	3.58
100,001 ~ 200,000	20	2,936,502	2.50
200,001 ~ 400,000	13	3,378,029	2.88
400,001 ~ 600,000	2	941,000	0.80
600,001 ~ 800,000	1	750,000	0.64
800,001 ~ 1,000,000	1	917,000	0.78
1,000,001 or more (depending on actual status)	4	61,446,341	52.37
Total	20,134	117,340,842	100.00

#### 4. List of Major Shareholders

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

Unit: Share

Major Shareholder	Share	Number of Shares Held	Shareholding Percentage
Guangdong Fenghua Advanced Technology (Holding) Co., Ltd.		46,936,337	40.00%
Thye Ming Industrial Co., Ltd.		9,209,010	7.85%
Opto Tech Corporation		2,873,994	2.45%
Thai Wey Industrial Co., Ltd.		2,427,000	2.07%
Wanting Tseng		917,000	0.78%
Chosheng Su		750,000	0.64%
Liao, Ming-Hsiu		495,000	0.42%
Liao, Hung-Yi		446,000	0.38%
Yunlong Guo		375,000	0.32%
Shojeng Chien		360,000	0.31%

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

Unit: NT\$

Item	Year		2019	2020	As of March 31, 2021
Market price per share	Highest		35.10	34.25	31.60
	Lowest		23.55	16.85	26.30
	Average		29.25	29.17	28.91
Net worth per share	Before distribution		21.50	22.25	(Note 5)
	After distribution		20.80	(Note 1)	(Note 5)
Earnings per share	Weighted average number of shares (in thousand)		117,341	117,341	(Note 5)
	Earnings per share		1.22	1.44	(Note 5)
Dividend per share	Cash dividends		0.7	0.8 (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)		23.98	20.26	None
	Price-to-dividend ratio (Note 3)		41.79	(Note 1)	None
	Dividend yield (Note 4)		0.024	(Note 1)	None

Note 1: The proposal for 2020 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 2021 have not been prepared. It is not applicable at the moment.

#### 6. Dividend Policy and Its Implementation

- (1) The company shall appropriate 10% of the net income, if any, as remuneration to employees and 5% as remuneration to directors and supervisors. The distribution of remuneration to employees and directors shall be resolved in the board meeting with the attendance of more than 2/3 of the board directors and the approval of the majority of the directors present; also,



the resolution should be reported to the shareholders meeting. However, the company shall make up for the cumulative losses, if any.

The net income, if any, of the company should be applied to make up for the cumulative losses and to have legal reserve appropriated lawfully. However, the appropriation of the legal reserve shall be ceased when the amount of legal reserve equals the total capital stock, and the special reserve should be appropriated or reversed as needed. The balance amount, if any, together with the unappropriated earnings of the previous years, shall be distributed according to the proposal of the board of directors and the resolutions of the shareholders meeting.

The company's dividend distribution policy is based on the consideration of the shareholders' equity and takes into account the company's current and future investment environment, funds demands, domestic and foreign competition, and capital budgets, as well as the interests of shareholders and the company's long-term financial plan. Apply the distributable earnings to distribute dividends and bonuses to shareholders. The dividends and bonuses of shareholders can be paid in cash or stocks, of which, the cash dividends shall not be less than 20% of the total amount distributed to shareholders. The board of directors shall propose relevant dividend distribution plans annually and submit them to the shareholders meeting for discussion and resolutions.

(2) Distribution of dividends:

The Board of Directors have approved the distribution of cash dividends to shareholders totaling NT\$93,872,674 at NT\$0.8 per share.

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

On February 26, 2021, the Board of Directors resolved to distribute neither stock dividends to shareholders nor stock bonuses to employees for the year ended December 31, 2020.

8. Employee Remuneration 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 24-2 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 February 26, 2021, 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	\$ 10,550,957
Employees' remuneration	\$ 21,101,913
Total	\$ 31,652,870

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

On February 26, 2021, the Board of Directors resolved not to distribute employee stock bonuses for the year ended December 31, 2020.

(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\$1.44.

(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	82,138,589	82,138,589	0
Directors' and Supervisors' Remuneration	10,340,918	10,340,918	0
Employee Bonuses	20,681,836	20,681,836	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:

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 Resistor

b. Thick film Resistor Array

c. Functional/Anti-sulfur

D. RF Inductors, Power Inductor

E. Thick Film/Metal Foil Current Sensing

F. High power Resistor

G. MELF precision Resistor

H. RF Resistor

I. Automotive various Resistor

J. Medical various Resistor

##### B. Weight of main products

Unit: NT\$1,000

Main Product	109 Year Revenue	Percentage (%)
General Resistors	949,704	44.67
Precision Resistors	939,119	44.17
RF Resistors	186,319	8.76
Others	51,044	2.40

Total	2,126,186	100.00
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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 thin film and thick film various 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 various resistors
- j. Thick film chip high voltage, surge withstanding resistors
- k. Metal foil high-power ultra-low resistance 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
- p. High-end TaN thin film precision resistors
- q. Thin film precision RF resistors and MELF resistors
- r. Medical various Resistors
- s. Multilayer Ceramic Capacitor (MLCC)

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. High humidity resistors
- c. ARA high performance automotive resistors (subject to 85°C derating test)
- d. High temperature operation resistors (up to 175°C)
- e. Microwave thin film resistors (40 GHz)
- f. Thin film high voltage resistors
- g. Thin film 0805 high power resistors (0.4W)
- h. Thin film 1206 high power resistors (1W)
- i. CSM7520 alloy resistors
- j. CSM0402~1206 high power, low ohmic metal alloy resistors (below 10mR)
- k. CSM2010/2512 alloy resistors
- l. ARN 2512 6W

- m. Lead-free product series
- n. Thick film flat array chip resistors
- o. Development of ignition resistor
- p. Development of thin film laser-dicing resistor
- q. Low temperature coefficient precision thick film resistor
- r. LRP 0805 low temperature coefficient metal foil resistor
- s. LR..A automotive metal foil resistor
- t. CSR..A High Voltage Melf Automotive Thin Film Resistor
- u. High resistivity resistor target technology development

## (2) Overview of the industry

### A. Current status and development of the industry

The passive component market has been affected by the China-U.S. trade war and the car market, the sluggish consumer markets, and excessive inventory since the year 2019; therefore, many OEM factories have their factories relocated to Southeast Asia. Taiwanese companies have returned to Taiwan and U.S. companies have returned to the United States to set up factories. It gives the false impression of an increase in business opportunities, but the truth is that the original suppliers of these new OEM factories are strong, and severe price competition is inevitable. Therefore, it takes time to work with the customers to become their main suppliers.

The market demand had dropped significantly at the beginning of 2019. Viking's customers were in a different category; therefore, they usually reacted to changes 3-6 months later than the market, both capacitors and resistors were affected drastically. The market demand for high-capacitance capacitors was still high; however, the demand for regular resistors and capacitors, including precision resistors, was not satisfactory. In order to increase operating income, the sales in all regions strived to develop potential new customers and promoted the special applications and new products, mostly focus on Viking's niche products with a good performance resulted. Global consumption had declined while facing the threat of the COVID-19 pandemic at the beginning of 2020. China had handled the pandemic properly thereafter with the national economy recovered quickly. On the contrary, the raging pandemic in Europe and the United States had forced major factories to transfer their productions to China. The customers in Taiwan and China have their production capacity activated due to the significant growth of the 5G and car market. Therefore, Viking's business is booming and sales are growing; also, Viking has passed the difficult time safely while facing the troubled market and the loss of sales in Europe and the United States due to the pandemic.

The demand for passive components has fluctuated as the prediction made in the

last year; however, the trend of overall demand growth remains unchanged. China is the world's factory; therefore, the demand for passive components in China will be accounted for 50-55% of the global market value within the decade. The market demand of Taiwan and China will continue to grow steadily.

Human contact heavily relies on the Internet due to the COVID-19 pandemic. The 5G has entered the market ahead of the schedule with the market development accelerated. The maturity of 5G will activate the demand for IOT (Internet of Things) and electric vehicles, which will definitely benefit Viking's automotive specifications and special thick film resistors and MELF resistors with a large number of orders received. Currently, Japanese and Taiwanese suppliers are mostly for high-end products; therefore, the orders for general regular products are easily flowing to Chinese suppliers. Viking also benefited from the capacity support of the major shareholder (Fenghua) to have capacitors and general resistors exported to foreign markets and to expand the market territory and market share.

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.

The market demand for electronic components has changed and fluctuated significantly. The mature Chinese market is growing rapidly, but the emerging markets are in underdeveloped countries that are having difficulty controlling the pandemic and are affected dramatically. The Asia-Pacific region is the important production base of global-renowned manufacturers as long as the pandemic is properly controlled; also, the market scale is significant to the global operation. In terms of national market size, in addition to the impressive growth of the Chinese market, the rapid market growth of India, Malaysia, and Thailand is also expected. Regarding the China-US trade war, although the US presidential election is ended, the long-term impact of the pre-existing policies remains; therefore, future development is yet to be observed.

The development of electric vehicles has become an important policy for carbon reduction in many countries. The production of electric vehicles was accelerated in large quantity that represented the arrival of the era of electric vehicles in 2020, which would certainly set off a significant industrial revolution.

The industrial revolution, coupled with huge business opportunities. A tablet with

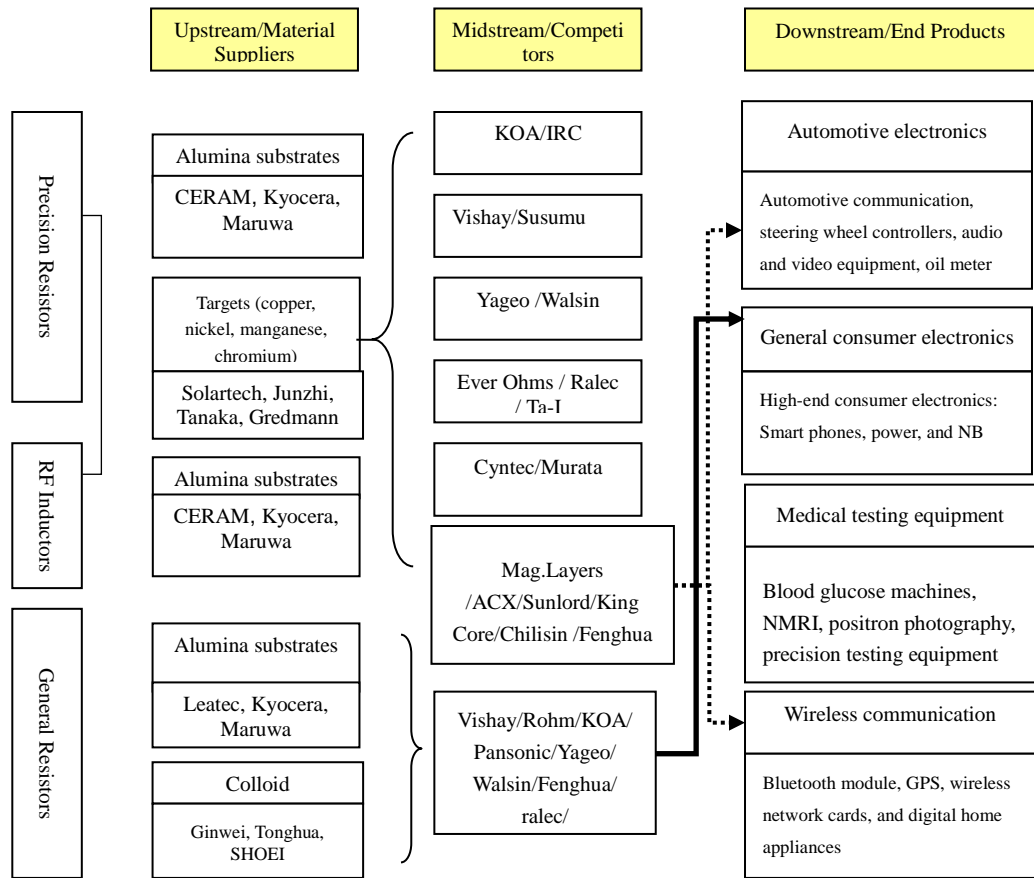
four-wheel unmanned electric vehicle will be equipped with image recognition, image radar, and GPS, as well as ICT systems, sensors, and electronic components. Therefore, a large number of semiconductors, IC designs, PCBs, and electronic components will be needed. The Company has tapped into the automotive 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 has based on the core technology of semiconductor thin film manufacturing process and new material development to engage in the production of various thick/thin film precision components, thin film high frequency components, thin film precision components, and thick film automotive and special applications in order to grasp the market direction.

#### 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 has based on the core technology of semiconductor thin film manufacturing process and new material development, microcircuit design, and manufacturing process integration technology to engage in the production of various thin film precision components, thin film high frequency components, thick film and metal foil products. 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 high-frequency components are key electronic components and parts; also, the demand for the said product is activated by the 4C industry, 5G development, and electric vehicles, wearable equipment, smart home appliances, and medical equipment. The domestic manufacturers have also managed to expand productions for the industry of mobile phones, notebook computers, game consoles, camera lenses, LCD TVs, touch panels, digital boxes, base stations, power supplies, smart grids, servers, LED lights, digital meters, etc. 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 5G, 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 terms of the automotive electronics market, driven by the concepts of safety, comfort, environmental protection and energy conservation, artificial intelligence, and self-driving; also, consumer's demand for enjoyment and higher functions, the prevailing of electronic controls, such as a user-friendly control interface, a multi-functional car audio-visual communication platform, more safety airbags, driver support systems, steering headlights, and cruise driving, is expected. In addition, regarding the development of medical electronic products, the aging society has caused the demand for medical care and healthcare to go up. Therefore, it is expected to activate the rapid growth of the medical electronics market. Also, the user-friendly operation interface design is the direction, including easy carrying, wireless, combined with smart home appliances, etc. The future development of the electronic components industry is focusing on circuit components that meet the requirements of humanity high-tech and high precision equipped with multiple functions, and high-frequency and broadband in order to enjoy the characteristics of wireless and networking. Viking adopts thin film manufacturing processes to produce precise resistors and high-frequency inductors with the component characteristics that can compete with major international manufacturers; it also, continues to develop more diversified and unique products. Although domestic manufacturers are inevitably moving towards high-end products development for higher profits, many manufacturers have found that thin films technology is one of the best solutions to breakthrough product bottlenecks; also, it is becoming an important trend in technological development and industrial development to adopt thin film technology for the production of precision and high-frequency components. Viking is the leader in the market.

#### D. Competition

Precision resistors: Yageo Electronics, Walsin Technology, Ta-I Technology, EVER OHMS, and Uni-Royal are all focusing on the product line of thick film resistors. They are also developing thin film technology in recent years, but the production capacity, volume, and technology are not their expertise. Therefore, low price competition is their way of entering the market. Viking continues to expand the functionality and high specifications of its products by taking advantage of its leading technology, and to develop products according to the customers' specifications, such as ultra-high power, ultra-low TCR 1PPM, anti-humidity, and anti-sulfur; also, Viking has worked towards high quality and customer satisfaction

for years. Precision resistors are high-end components that cannot be easily replaced with alternative materials by customers; therefore, Viking's customers are extremely loyal and will not be lured by the low price offered in the market. Viking has a large customer base and successfully entered the fields of automotive, medical, and special applications that accounted for 70~80% of the company's total operating income. Viking has expanded the production capacity significantly and launched low-cost thin film resistors to corner a market share in the low-cost market in order to become the market leader with a comprehensive product line offered.

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 Precision Resistor: Vishay is the largest supplier in the market with precision various resistors and professional resistors offered at a very competitive price and delivery lead time. However, along with the substantial market growth, Viking R&D and innovation is catching up with Vishay's various specifications; also, is developing professional automotive materials in order to become the alternative supplier of Vishay with the company's high quality, low cost, and fast delivery lead time offered. Therefore, the company is enjoying fast growth in sales with the production capacity expanded rapidly.

### (3) Overview of 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 manufactures 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.

The new electronic products are constantly launched (the market demand for electric vehicles, 5G hardware, precision meters, etc. is increasing annually) along with the constant development of science and technology and the fast function upgrade of electronic products. The emerging market is growing, and the components developed with thin film processes or thick film processes alone can no longer meet the customer's needs for special applications. 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 IATF 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	Amount
2020	59,320
As of March 31, 2021	N/A

Note: The 2021Q1 financial information audited by the independent auditor was not available as of the annual report publication date.

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
2020	<p>Successful development of aluminum nitride CRP 2512 ultra-high power thick film resistors</p> <p>Successful development of PWR anti-surge automotive thick film resistors</p> <p>Successful development of SWR anti-surge automotive thick film resistors</p> <p>Successful development of HVR anti-high voltage automotive thick film resistors</p> <p>Successful development of CSRF high-frequency thin film columnar resistors</p> <p>Successful development and mass production of CR..A 0612 automotive thick film resistors</p> <p>Successful development and mass production of CSR series low temperature coefficient thin film columnar resistors</p> <p>Successful development and mass production of LRP 2512 low-temperature coefficient metal foil resistors</p> <p>Successful mass production of ultra-high power ARN 2512 thin film resistors</p> <p>Successful mass production of TaN TAR 0402/0603/0805/1206 thin film resistors</p> <p>Successful mass production of high-power AR 0201 thin film resistors</p> <p>Successful mass production of a full series of RAM thin film resistors for electric meters</p> <p>Successful mass production of high-power 0402/0603/0805/1206 RAM thin film resistors for electric meters</p> <p>Successful development of high-temperature ART 0603 thin film resistors for vehicles</p> <p>Successful development of high-temperature and high-power ARTP 0805 thin film resistors for vehicles</p> <p>Successful development of high-power ARP 1206 thin film resistors for vehicles</p> <p>Successful development of high-voltage ARHV 1210 thin film resistors</p>
2021	<p>Successful development of LRP 2010 low temperature coefficient metal foil resistor.</p> <p>Successful development of CRW longitudinal thick film automotive resistors.</p> <p>Successful development of aluminum nitride CRP 1206 ultra-high power thick film resistors</p> <p>Successful development of flat CNF 0402*2 thick film array</p>

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

A. Short-term business development plans

- a. Support local sales with in-depth operations, and respond to the increasing demand of emerging markets and new applications, especially for high-end automotive, medical, and industrial a
- 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. Actively participate in domestic and foreign exhibitions and advertising media to expand the business, and enhance e-marketing.
- f. Enhance e-marketing and use of suggested materials in order to become one of the global top ten manufacturers being searched online, and guide customers to select materials correctly and enhance information flow.
- 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
- g. Continue to focus on the market of automotive, medical, and special industrial applications in order to become irreplaceable and generate high profits.

2. Analysis of Market and Production and Marketing Situation

(1) Market analysis

A. Geographic areas of main products

Unit: NT\$1,000

Geographic Area		2019		2020	
		Sales	%	Sales	%
Domestic Sales		305,744	14.26	299,760	14.10
Export	USA	162,127	7.56	181,037	8.51
	Hong Kong	264,455	12.33	261,719	12.31
	China	749,251	34.94	814,541	38.31
	South Korea	123,790	5.77	130,904	6.16
	Others	539,160	25.14	438,225	20.61
Total		2,144,527	100.00	2,126,186	100.00

Source: Consolidated financial statements audited by the CPAs.

The company's main products are divided into three categories: Precision resistors, high-frequency inductors, and general resistors. Domestic sales and foreign sales are accounted for about 20% and 80% of the total operating income, respectively. The rapid emerging of the Chinese market and the gradual shift of European and American electronics OEM production to China is the reason for the company's sales to the Chinese market continuing to grow significantly, accounted for 30-40%. The company will continue to expand the Chinese market and will also actively develop new markets and work towards the goal of balanced 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. The company's sales had grown more than 8% annually since 2011~2018. The sales in 2019 did not meet the target due to the poor market conditions. The sales in 2020 had achieved the target despite the impact of the COVID-19 pandemic. Viking is becoming well-known through years of effort with support and recognition earned from many renowned international customers and distributors. Viking is committed to improving technology and increasing competitiveness.

#### C. Future supply and demand conditions and market's growth potential

The market demand and sales had grown in the second half of 2020 due to the development of 5G, electric vehicles, and industrial demand. The market demand for passive components in 2021 is expected to go up. Therefore, the market growth is predictable and the market direction will remain unchanged. However, the COVID-19 pandemic is raging still at the beginning of the year. The situation in Europe, the United States, and South Asia remain uncertain that affects the customer's new project development and raw materials acceptance, and the promotion of sales. The pandemic has been properly controlled in Taiwan and China; therefore, the market demand is fulfilled by Taiwan and China with business growth resulted unprecedentedly. Due to the raging pandemic still, most people in the world will not be able to travel in 2021; therefore, the demand for digitalized economy and the automotive market is high, and the demand for electronics will be high too. Europe, the United States, and other major countries are affected by the COVID-19

pandemic most seriously which has cast a severe impact on the global economy severely and continuously. If the suspension of the market demand is extended and the unemployment rate is worsened, it may affect the future demand of countries with a severe pandemic. The development of many countries will be re-initiated when the pandemic eased or ended with the market order restored. The passive components for cars in 2021 will grow from the year 2020, in other words, the market condition is optimistic. The continuing development of high-end products in the future that need passive components, including 5G, electric vehicles, industrial applications, and renewable energy, will active the market demand again.

#### 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 lead time of passive components is prolonging. Viking has a more efficient production capacity and a more flexible production strategy than major international manufacturers. The company provides the best support to long-term important customers with production expanded. The company is able to provide thin film products much faster than other suppliers. The company has also upheld the spirit of high quality requirements and customer service to strictly control product quality, and take advantage of short delivery lead time and excellent quality to help customers cope with the fast industry changes and to jointly create market opportunities.

##### 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

The market demand for consumer electronic products in China is growing faster than other regions in recent years due to the rapid economic development, the substantial financial support of the Chinese government, the introduction of digitalized electricity meter, the emerging 5G application, and the red supply chain policy. In addition, the automotive market has caught the attention of the world that drives the growth of the global consumer electronics and related components industry. The company has developed the Chinese market through overseas subsidiaries for years with a stable cooperative relationship established 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.

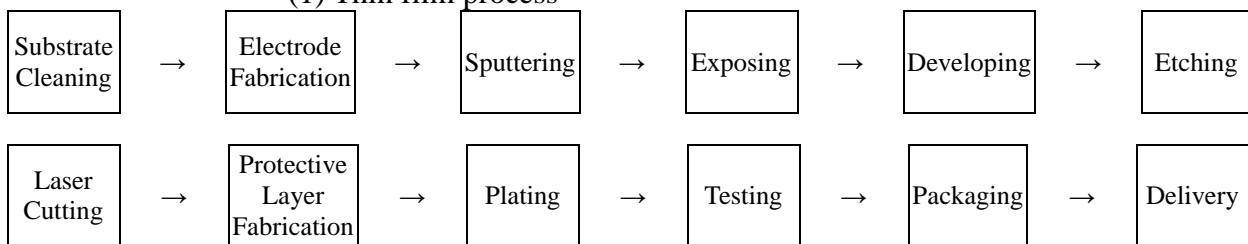
(2) Usage and manufacturing processes of main products

A. Usage of main products

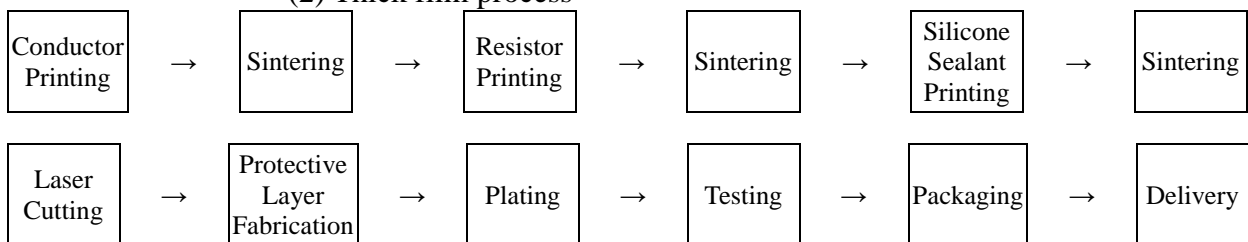
Main Product	Features/Usage
Precision resistors	Medical equipment, measuring instruments, automotive control panels, computer control panels, and power converters.
Power resistors	Power equipment, such as medical power supply, electronic deceleration systems, uninterruptible power systems, RF amplifiers, 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



(2) Thick film process



(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 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	2019				2020				As of the last quarter before 2021			
	Supplier	Amount	Percentage of Total Procurement (%)	Relationship with Issuer	Supplier	Amount	Percentage of Total Procurement (%)	Relationship with Issuer	Supplier	Amount	Percentage of Total Procurement (%)	Relationship with Issuer
1	Lizhi Electronic Co., Ltd.	126,254	14.14	None	Lizhi Electronic Co., Ltd.	189,653	20.01	None	N/A			
2	V	48,401	5.42	None		128,524	13.56	None				
	Others	718,043	80.44	None	Others	629,849	66.43	None				
	Net purchase	892,698	100.00		Net purchase	948,026	100.00					

Note: The 2021Q1 financial information audited by the independent auditor was not available as of the annual report publication date.

B. 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	2019				2020				As of the last quarter before 2021			
	Customer	Amount	Percentage of Net Sales (%)	Relationship with Issuer	Customer	Amount	Percentage of Net Sales (%)	Relationship with Issuer	Customer	Amount	Percentage of Net Sales (%)	Relationship with Issuer
1	Others	2,144,527	100	None	Others	2,126,186	100	None	N/A			
	Net sales	2,144,527	100	None	Net sales	2,126,186	100	None				

Note: The 2021Q1 financial information audited by the independent auditor was not available as of the annual report publication date.

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

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

Year Production Volume/Value Main Product	2019			2020		
	Capacity	Volume	Value	Capacity	Volume	Value
Precision resistors	5,500,000	3,178,939	640,264	5,500,000	4,184,045	657,180
RF inductors	412,500	142,422	50,073	412,500	167,611	54,088
General resistors	21,500,000	16,432,585	502,770	21,500,000	18,767,545	589,258
Total	27,412,500	19,753,946	1,193,107	27,412,500	23,119,201	1,300,526

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

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

Year Sales Volume and Value Main Product	2019				2020			
	Domestic Sales		Export		Domestic Sales		Export	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value
Precision resistors	520,904	184,411	2,895,003	814,628	499,514	172,571	3,324,097	766,548
RF inductors	60,527	22,394	466,516	168,643	75,901	18,890	520,905	167,429
General resistors	1,124,978	92,722	21,937,500	809,040	1,610,410	103,570	26,200,070	846,134
Others	15,788	6,217	298,242	46,472	32,819	4,729	452,525	46,315
Total	1,722,197	305,744	25,597,261	1,838,783	2,218,644	299,760	30,497,597	1,826,426

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		2019	2020	As of March 31, 2021
Number of employees	Managerial officers	35	35	35
	General employees	313	308	301
	Director labor	433	443	468
	Total	781	786	804
Average Age		35.92	36.89	36.73
Average Years of Service		4.90	5.48	5.48
Education	Ph.D.	0	0	0
	Master's degree	4.10	4.33	3.98
	Bachelor's degree	53.27	52.93	51.87
	Senior high school	36.49	37.28	38.81
	Below senior high school	6.14	5.46	5.34

#### 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.

In 2015, the Company created a friendly working environment by providing care and encouragement for the disabled and female employees and establishing an online micro library.

In 2018, group insurance for employees' children was subsidized by the Company in full.

In 2019, our breastfeeding rooms were certified as user-friendly. We will continue to optimize the workplace.

In order to satisfy the healthy living of employees and invest in the health of employees, the company provided a subsidy program for employees to participate in sports in 2020 to lead employees to resist stress, relieve stress, and improve personal health management.

#### 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 2020, the results of training are as follows:

Training Item	Number of Courses	Number of Trainees	Training Hours
Internal training-general education	7	68	495
Internal training-professional training	34	893	2930
Internal training-skill training	185	1789	1868
External training-management	10	19	125.5
External training-skill training	40	64	612.5
Law and regulation training	35	745	2193.5
Competence examination	84	1630	2780.5
Total	395	5208	11005

#### 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 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

Since 2016, the Company has implemented its social responsibility and engaged employees in the following CSR activities:

a. Blood donation :

Since 2016, the Company has encouraged employees to donate blood. In 2020, the number of employees participating in the blood donation reached 74.

b. Computer donation :

In 2018, the Company called on employees to donate 17 computers to schools in remote areas to help create a sound learning environment.

c. Supplies donation to Man Fair Sheltered Workshop :

Since 2018, we have called on our employees to donate new or secondhand supplies to the Man Fair Sheltered Workshop on a regular basis to help the physically challenged people sustain their employment.

d. Donation of firefighting equipment:

The company, for commemorating the courageous act of the fire brigade, donated NT\$20,000 for the purchase of various instruments and equipment that benefited 37 individuals in 2020.

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

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.

## 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 (Note 1)						
	2016	2017	2018	2019	2020	Financial data as of March 31, 2021 (Note 4)	
Current assets	1,659,531	1,637,663	2,033,539	1,708,085	1,954,395	N/A	
Property, plant and equipment	1,295,578	1,282,614	1,143,587	1,238,377	1,128,166		
Intangible assets	2,294	1,947	3,608	4,786	5,699		
Other assets (Note 2)	74,636	114,503	172,466	140,058	118,665		
Total assets	3,032,039	3,036,727	3,353,200	3,091,306	3,206,925		
Current liabilities	Before distribution	661,628	571,535	648,610	395,661		452,439
	After distribution	720,299	630,206	789,419	477,800		Note 3
Non-current liabilities	87,621	151,508	175,437	167,805	135,729		
Total liabilities	Before distribution	749,249	723,043	824,047	563,466		588,168
	After distribution	807,920	781,714	964,856	645,605		Note 3
Attributable to owners of parent company	2,280,410	2,310,665	2,524,356	2,522,520	2,611,271		
Share capital	1,173,408	1,173,408	1,173,408	1,173,408	1,173,408		
Capital reserve	Before distribution	730,121	730,121	730,121	730,121		730,121
	After distribution	730,121	730,121	730,121	730,121		730,121
Retained earnings	Before distribution	381,986	410,646	628,351	631,256		718,113
	After distribution	323,315	351,975	487,542	549,117		Note 3
Other equity	(5,105)	(3,510)	(7,524)	(12,265)	(10,371)		
Treasury shares	-	-	-	-	-		
Non-controlling interests	2,380	3,019	4,797	5,320	7,486		
Total equity	Before distribution	2,282,790	2,313,684	2,529,153	2,527,840		2,618,757
	After distribution	2,224,119	2,255,013	2,388,344	2,445,701		Note 3

Note 1: The financial data of the most recent five years had been audited by the independent auditors.

Note 2: In response to the implementation of IFRS16 Leases since the year of 2019, the right-of-use assets have been included in the "other assets" since the year of 2019.

Note 3: The proposal for 2020 earnings distribution is yet to be determined in the shareholders' meeting.

Note 4: The 2021Q1 financial information audited by the independent auditor was not available as of the annual report publication date.

Condensed Consolidated Statement of Comprehensive Income

Unit: NT\$1,000

Year Item	Financial Information for the Most Recent Five Years(Note 1)					Financial data as of March 31, 2021(Note 2)
	2016	2017	2018	2019	2020	
Operating revenue	1,720,618	1,848,068	2,653,960	2,144,527	2,126,186	N/A
Gross profit	437,729	438,454	845,136	512,996	513,609	
Operating income	141,665	154,851	500,441	177,322	201,559	
Non-operating revenue and expenses	(39,783)	(54,281)	(157,592)	2,578	(9,409)	
Income before tax	101,882	100,570	342,849	179,900	192,150	
Income from continuing operations	82,103	88,172	278,026	144,372	171,519	
Loss from discontinued operations	-	-	-	-	-	
Net income (loss)	82,103	88,172	278,026	144,372	171,519	
Other comprehensive income (net after tax)	(7,677)	1,393	(3,886)	(4,876)	1,537	
Total comprehensive income	74,426	89,565	274,140	139,496	173,056	
Net income attributable to owners of parent company	80,417	87,331	276,376	143,714	168,996	
Net income attributable to non-controlling interests	1,686	841	1,650	658	2,523	
Total comprehensive income attributable to owners of parent company	72,753	88,926	272,362	138,973	170,890	
Total comprehensive income attributable to non-controlling interests	1,673	639	1,778	523	2,166	
Earnings per share	0.69	0.74	2.36	1.22	1.44	

Note 1: The financial data of the most recent five years had been audited by the independent auditors.

Note 2: The 2021Q1 financial information audited by the independent auditor was not available as of the annual report publication date.

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

## Condensed Standalone Balance Sheet

Unit: NT\$1,000

Year Item	Financial Information for the Most Recent Five Years (Note 1)					
	2016	2017	2018	2019	2020	
Current assets	1,520,508	1,477,420	1,795,498	1,467,312	1,670,372	
Property, plant and equipment	1,291,116	1,278,452	1,107,238	1,199,472	1,091,188	
Intangible assets	2,294	1,947	3,608	4,691	5,625	
Other assets (Note 2)	166,201	220,011	355,257	326,792	343,390	
Total assets	2,980,119	2,977,830	3,261,601	2,998,267	3,110,575	
Current liabilities	Before distribution	611,818	504,895	536,158	322,993	370,054
	After distribution	670,489	563,566	676,967	405,132	Note 3
Non-current liabilities	87,891	162,270	201,087	152,754	129,250	
Total liabilities	Before distribution	699,709	667,165	737,245	475,747	499,304
	After distribution	758,380	725,836	878,054	557,886	Note 3
Attributable to owners of parent company	2,280,410	2,310,665	2,524,356	2,522,520	2,611,271	
Share capital	1,173,408	1,173,408	1,173,408	1,173,408	1,173,408	
Capital reserve	Before distribution	730,121	730,121	730,121	730,121	730,121
	After distribution	730,121	730,121	730,121	730,121	730,121
Retained earnings	Before distribution	381,986	410,646	628,351	631,256	718,113
	After distribution	323,315	351,975	487,542	549,117	Note 3
Other equity	(5,105)	(3,510)	(7,524)	(12,265)	(10,371)	
Treasury shares	-	-	-	-	-	
Non-controlling interests	-	-	-	-	-	
Total equity	Before distribution	2,280,410	2,310,665	2,524,356	2,522,520	2,611,271
	After distribution	2,221,739	2,251,994	2,383,547	2,440,381	Note 3

Note 1: The financial data of the most recent five years had been audited by the independent auditors.

Note 2: In response to the implementation of IFRS16 Leases since the year of 2019, the right-of-use assets have been included in the "other assets" since the year of 2019.

Note 3: The proposal for 2020 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(Note 1)				
	2016	2017	2018	2019	2020
Operating revenue	1,511,383	1,594,973	2,165,515	1,750,018	1,763,731
Gross profit	380,193	378,260	705,717	401,696	426,843
Operating income	123,564	137,579	401,832	144,133	155,114
Non-operating revenue and expenses	(23,420)	(37,869)	(78,161)	31,663	24,252
Income before tax	100,144	99,710	323,671	175,796	177,366
Income from continuing operations	80,417	87,331	276,376	143,714	168,996
Loss from discontinued operations	-	-	-	-	-
Net income (loss)	80,417	87,331	276,376	143,714	168,996
Other comprehensive income (net after tax)	(7,664)	1,595	(4,014)	(4,741)	1,894
Total comprehensive income	72,753	88,926	272,362	138,973	170,890
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	0.69	0.74	2.36	1.22	1.44

Note 1: The financial data of the most recent five years had been audited by the independent auditors.

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

Year	CPA	Opinion	Remark
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	
2019	Lin, Yu-Kuan Cheng, Ya-Hui	Unqualified opinion	
2020	Cheng, Ya-Hui Lin, Yu-Kuan	Unqualified opinion	

## 2. Financial Analysis for the Most Recent Five Years

### (1) Financial analysis – IFRS (consolidated)

Item for Analysis		Financial Analysis for the Most Recent Five Years				
		2016	2017	2018	2019	2020
Financial structure (%)	Debt to asset ratio	24.71	23.81	24.57	18.23	18.34
	Ratio of long-term capital to property, plant and equipment	182.58	191.91	236.17	215.30	241.90
Solvency (%)	Current ratio	250.83	286.54	313.52	431.70	431.96
	Quick ratio	195.16	210.78	222.21	292.65	292.70
	Interest coverage ratio	18.07	25.12	95.16	55.81	79.46
Operating ability	Receivables turnover rate (times)	4.19	4.37	5.01	4.06	4.53
	Average collection days	88	84	73	90	81
	Inventory turnover rate (times)	2.82	2.85	3.11	2.58	2.48
	Payables turnover rate (times)	8.15	7.31	6.89	6.72	8.47
	Average days for sale	130	129	118	142	147
	Property, plant and equipment turnover rate (times)	1.31	1.43	2.18	1.80	1.79
	Total asset turnover rate (times)	0.53	0.61	0.83	0.66	0.67
Profitability	Return on assets (%)	2.70	3.03	8.79	4.56	5.51
	Return on equity (%)	3.43	3.84	11.48	5.71	6.66
	Ratio of income before tax to paid-in capital (%)	8.68	8.57	29.22	15.33	16.37
	Profit margin (%)	4.77	4.77	10.48	6.73	8.06
	Earnings per share (NT\$)	0.69	0.74	2.36	1.22	1.44
Cash flow	Cash flow ratio (%)	29.56	52.39	64.35	53.37	45.14
	Cash flow adequacy ratio (%)	65.80	68.67	65.97	75.09	69.55
	Cash reinvestment ratio (%)	-3.31	7.65	10.07	1.99	3.31
Leverage	Operating leverage	2.83	2.69	1.56	2.75	2.49
	Financial leverage	1.04	1.03	1.01	1.02	1.01

Changes in financial ratios over the past two years:

1. Time interest earned ratio: The time interest earned ratio was increased due to the decrease in loan and interest expense in 2020.
2. Account payable turnover (times): The account payable turnover was increased due to the decrease in the average payable amount in 2020.
3. Ratio of return on total assets and net profit ratio: The ratio of return on total assets and net profit ratio were increased due to the increase in the profit and loss after tax in 2020.
4. Cash reinvestment ratio: The cash reinvestment ratio was increased due to the decrease in the 2019 cash dividend that was paid in 2020.



(2) Financial analysis – IFRS (standalone)

Item for Analysis		Financial Analysis for the Most Recent Five Years				
		2016	2017	2018	2019	2020
Financial structure (%)	Debt to asset ratio	23.48	22.4	22.6	15.86	16.05
	Ratio of long-term capital to property, plant and equipment	183.03	192.3	243.49	221.84	249.41
Solvency (%)	Current ratio	248.52	292.62	334.88	454.28	451.38
	Quick ratio	196.58	219.22	244.15	313.01	308.77
	Interest coverage ratio	17.77	24.92	89.89	60.43	84.11
Operating ability	Receivables turnover rate (times)	4.13	4.1	4.3	3.43	3.75
	Average collection days	89	90	85	107	98
	Inventory turnover rate (times)	2.78	2.76	2.92	2.52	2.47
	Payables turnover rate (times)	9.78	8.81	8.31	8.68	11.06
	Average days for sale	132	133	125	145	148
	Property, plant and equipment turnover rate (times)	1.15	1.24	1.81	1.51	1.54
	Total asset turnover rate (times)	0.48	0.54	0.69	0.55	0.57
Profitability	Return on assets (%)	2.69	3.05	8.95	4.66	5.59
	Return on equity (%)	3.36	3.8	11.43	5.69	6.58
	Ratio of income before tax to paid-in capital (%)	8.53	8.5	27.58	14.98	15.28
	Profit margin (%)	5.32	5.48	12.76	8.21	9.58
	Earnings per share (NT\$)	0.69	0.74	2.36	1.22	1.44
Cash flow	Cash flow ratio (%)	28.25	54.99	61.39	56.96	38.99
	Cash flow adequacy ratio (%)	66.2	67.82	62.87	70.48	61.16
	Cash reinvestment ratio (%)	-4.09	6.96	7.57	1.23	1.69
Leverage	Operating leverage	2.98	2.87	1.69	2.87	2.87
	Financial leverage	1.05	1.03	1.01	1.02	1.01

Changes in financial ratios over the past two years:

1. Time interest earned ratio: The time interest earned ratio was increased due to the decrease in loan and interest expense in 2020.
2. Account payable turnover (times): The account payable turnover was increased due to the decrease in the average payable amount in 2020.
3. Ratio of return on total assets: The ratio of return on total assets was increased due to the increase in the profit and loss after tax in 2020.
4. Cash flow ratio: The cash flow ratio was decreased due to the increase in accounts receivable and inventory as a result of economic recovery in 2020Q4 and the decrease in net cash flow from operating activities.
5. Cash reinvestment ratio: The cash reinvestment ratio was increased due to the decrease in the 2019 cash dividend that was paid in 2020.

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.

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).

F. Leverage

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

(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 (Page 119).

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

Refer to Appendix 2 (Pages 120~187).

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

Refer to Appendix 3 (Pages 188~266).

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

The main reasons for the major changes in assets, liabilities, and shareholders' equity in the last two years and the impacts:

Unit: NT\$1,000

Item \ Year	2020	2019	Increase (Decrease)	
			Amount	%
Current assets	1,954,395	1,708,085	246,310	14.42
Property, plant and equipment	1,128,166	1,238,377	(110,211)	(8.90)
Intangible assets	5,699	4,786	913	19.08
Other assets	118,665	140,058	(21,393)	(15.27)
Total assets	3,206,925	3,091,306	115,619	3.74
Current liabilities	452,439	395,661	56,778	14.35
Non-current liabilities	135,729	167,805	(32,076)	(19.12)
Total liabilities	588,168	563,466	24,702	4.38
Share capital	1,173,408	1,173,408	0	0.00
Capital reserve	730,121	730,121	0	0.00
Retained earnings	718,113	631,256	86,857	13.76
Other equity	(10,371)	(12,265)	1,894	(15.44)
Non-controlling interests	7,486	5,320	2,166	40.71
Total equity	2,618,757	2,527,840	90,917	3.60
Describe the major changes (the changes between two periods exceed 20% and an amount more than NT\$10 million) in the company's assets, liabilities, and shareholders' equity in the last two years:				
None				

### 2. Financial Performance

The main reason for the major changes in operating income, net operating profit, and net income before tax in the last two years:

#### (1) Analysis of financial performance:

Unit: NT\$1,000

Item \ Year	2020	2019	增(減)金額	變動比例(%)
Operating revenue	2,126,186	2,144,527	(18,341)	(0.86)
Operating costs	1,612,577	1,631,531	(18,954)	(1.16)
Gross profit	513,609	512,996	613	0.12
Operating expenses	312,050	335,674	(23,624)	(7.04)
Operating income	201,559	177,322	24,237	13.67
Non-operating revenue and expenses	(9,409)	2,578	(11,987)	(464.97)
Income before tax	192,150	179,900	12,250	6.81
Income tax expenses (income)	20,631	35,528	(14,897)	(41.93)

Net income	171,519	144,372	27,147	18.80
Net other comprehensive income	1,537	(4,876)	6,413	131.52
Total comprehensive income	173,056	139,496	33,560	24.06
Main reasons for changes by 20% or more or NT\$10 million and the effect:				
1. Decrease in non-operating income and expenses: It was mainly due to the decrease in foreign exchange gains and losses due to the fluctuation of the US Dollar exchange rate in 2020.				
2. Decrease in income tax expenses: It was mainly due to adjusting the previously overestimated income tax in 2020.				

(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 38,422,000 thousand pieces.

### 3. Cash Flow

#### (1) Cash flow analysis:

Item \ Year	2020	2019	Increase (Decrease) (%)
Cash flow ratio (%)	45.14	53.37	(15.42)
Cash flow adequacy ratio (%)	69.55	75.09	(7.38)
Cash reinvestment ratio (%)	3.31	1.99	66.33
Analysis of changes by 20% or more:			
Cash reinvestment ratio: The cash reinvestment ratio was increased due to the decrease in the 2019 cash dividend that was paid in 2020.			

#### (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
514,364	434,760	(341,997)	607,127	-	-
Analysis of changes in the cash flow in the coming year:					
1. Cash flows 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 used in investing activities was mainly due to an increase in capital expenditures by NT\$215,156 thousand as a result of production expansion.					
3. Cash used in financing activities was 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 2020, capital expenditures amounted to NT\$83,125 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, 2019 Unit: NT\$1,000

Reinvestment	Profit (Loss) Recognized in 2019	Reinvestment Policy	Main Reason for Profit or Loss	Improvement Plan	Investment Plan for the Coming Year
Viking Global Tech Co., Ltd.	32,786	Investment holding	Profit generated by Viking Tech Electronics Limited and Grand Barry International Ltd.	None	None
Grand Barry International Limited	7,836	Investment holding	Profit generated by Viking Tech America Corporation	None	None
Viking Tech Electronics Limited	23,304	Investment holding	Profit generated by Viking Electronics (Wuxi) Co., Ltd.	None	None
Lead Brand Co., Ltd.	1,646	Market expansion in China	Profit generated by the breakeven sales of general resistors in China	None	None
Viking Tech America Corporation	7,884	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)	23,304	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, 2020 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	2019	2020
Short-term borrowings	30,000	15,000
Long-term interest-bearing liabilities (including those due within one year or business cycle)	165,984	138,245
Interest expenses (1)	3,282	2,449
Operating revenue (2)	2,144,527	2,126,186
Income before tax (3)	179,900	192,150
(1)/(2)	0.15%	0.11%
(1)/(3)	1.82%	1.27%

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	2019	2020
Exchange gains (losses) (1)	(10,669)	(30,384)
Income before tax (2)	179,900	192,150
(1)/(2)	(5.93)%	(15.81)%

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 2020, 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
CSM2010/2512 alloy resistors	Prototype	200,000	2021/6	Process control and yield
Development of automotive thin film resistors	Prototype	150,000	2021/6	Material testing and process control
HVRC High Voltage Low VCR Thick Film Resistors	Batch trial production	200,000	2021/6	process control
Development of fully lead-free automotive thick film resistor series (LR..A/LRP..A)	Sample trial	200,000	2021/6	process control
CSM7520 alloy resistors	Prototype	150,000	2021/8	Process control and yield
CSM0402~1206 high power, low ohmic metal alloy resistors (below 10mR)	Prototype	150,000	2021/8	Process control and yield
Development of ARF microwave thin film resistors (operating frequency 40 GHZ)	Prototype	200,000	2021/8	Equipment and process control
Development of laser-dicing resistor	Prototype	200,000	2021/9	Material testing and process control
CNF Flat Thick Film Array (CNF22/42/43)	Sample trial	5,000,000	2021/9	Process design and process control
Development of fully lead-free automotive thick film resistor series	Sample trial	500,000	2021/9	Material testing
Thick film longitudinal low resistance resistor	Sample trial	500,000	2021/10	Material testing
Development of ignition resistor	Development and design	300,000	2021/12	Material testing and process control
Development of Base Metal Low Resistance Thick Film Resistor CSN Series (0805/1206/2010/2512)	Sample trial	1,000,000	2021/12	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 20.01% of the Company's purchases. There was no risk of consolidation of purchasing operations.
2. The largest customer accounted for 5.31% 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 2020 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:

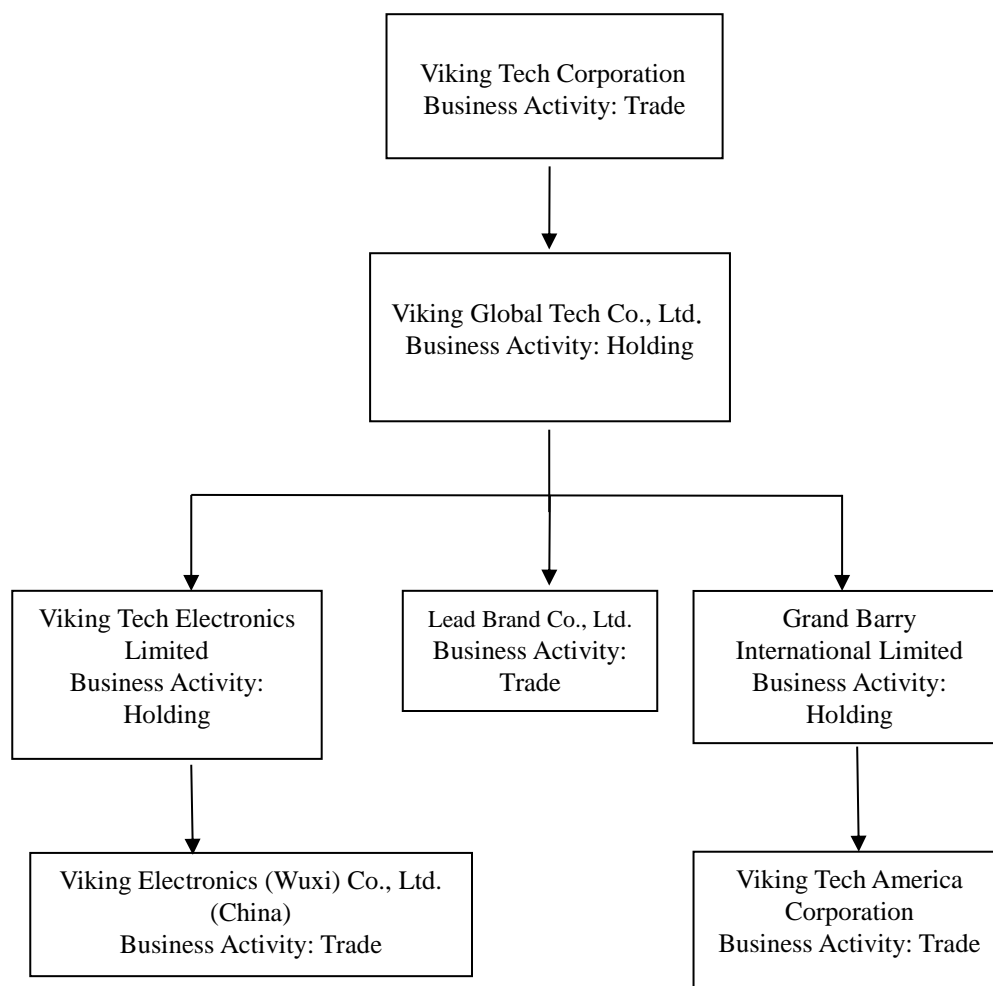
None.

## VIII. Special Items to Be Included

### 1. Information on Affiliated Companies

(1) Consolidated business report covering affiliated companies (as of December 31, 2020)

#### 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	Sales of thin film passive components
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	Various business management and investments
Viking Tech America Corporation (Note 3)	January 3, 2011	19800 MacArthur Blvd Suite 300 Irvine, CA 92612, USA	US\$750	Sales of thin film passive components
Grand Barry International Limited	January 28, 2011	OMC Chambers, Wickhams Cay 1, Road Town, Tortola, British Virgin Islands	US\$785	Various business management and investments
Viking Tech Electronics Limited (Note 2)	July 9, 2009	1004 AXA Centre, 151 Gloucester Road, Wan Chai, Hong Kong	US\$0	Various business management and investments

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

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)	111,311	245,163	0	245,163	0	0	32,786	4,684
Lead Brand Co., LTD.	0	45,448	0	45,448	0	1,646	1,646	1.646
Viking Tech Electronics Limited	74,411	175,303	0	175,303	0	0	23,304	0.498
Grand Barry International Limited	23,766	24,412	0	24,412	0	0	7,836	249.554
Viking Tech America Corporation (Note 3)	22,680	37,275	15,331	21,944	77,626	666	10,407	3.619
Viking Electronics (Wuxi) Co., Ltd. (Note 2)	184,290	406,729	257,740	148,989	703,709	26,512	23,304	N/A

December 31, 2020 Unit: NT\$1,000

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, 2020 to December 31, 2020, 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 prepared and submitted the 2020 financial statements of the Company that have been reviewed by the independent auditors, Lin Yukuan and Zheng Yahui of KPMG Taiwan, together with the business report and the earnings distribution proposal reviewed by the Audit Committee. The Committee is considered that there is no discrepancy and such reports are prepared in accordance with the provisions of Article 14-4 of Securities and Exchange Act and Article 219 of Company Act.  
Submitted for review and approval

To:  
Viking Tech Corporation 2021 Shareholders' Meeting

The convener of the Audit Committee. Shen Bo-Ting

February 26, 2021

## 2. Financial Statements for the Most Recent Year

**VIKING TECH CORPORATION AND  
SUBSIDIARIES  
CONSOLIDATED FINANCIAL STATEMENTS AND  
REPORT OF INDEPENDENT ACCOUNTANTS  
DECEMBER 31, 2020 AND 2019**

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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, 2020, pursuant to “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises,” the entity that is required to be included in the consolidated financial statements of affiliates, is the same as the entity required to be included in the consolidated financial statements of parent and subsidiary companies under International Financial Reporting Standard No. 10. Also, 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

February 26, 2021

## REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

PWCR20000156

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, 2020 and 2019, 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, 2020 and 2019, 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 audit of the consolidated financial statements as of and for the year ended December 31, 2020 in accordance with the “Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants” and ROC GAAS ; and in accordance with the “Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants”, “Rule No. Financial-Supervisory-Securities-Auditing-1090360805 issued by the Financial Supervisory Commission on February 25, 2020” and generally accepted auditing standards in the Republic of China (ROC GAAS) for our audit of the consolidated financial statements as of and for the year ended December 31, 2019. 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, 2020 are outlined as follows:

#### **Cut-off risk error of revenue recognition**

##### Description

Refer to Note 4(25) for accounting policy on revenue recognition. The Company is primarily engaged in exports 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 that the revenue recognition process relies on manual processes and the large volume of daily sales transactions which are 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 recognition accounting policy.
2. Understood and tested the design and effectiveness of relevant internal controls when recognising the sales revenue.
3. Sampled delivery orders and customer confirmation documents during 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

Refer to Note 4(13) for accounting policies on inventory, Note 5 for significant accounting estimates and assumptions of inventory, and Note 6(5) 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 management 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, 2020 and 2019.

## **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 consolidated financial statements**

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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.

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Cheng, Ya-Huei

Lin, Yu-Kuan

For and on behalf of PricewaterhouseCoopers, Taiwan

February 26, 2021

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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**  
**DECEMBER 31, 2020 AND 2019**  
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Assets	Notes	December 31, 2020		December 31, 2019		
		AMOUNT	%	AMOUNT	%	
<b>Current assets</b>						
1100	Cash and cash equivalents	6(1)	\$ 514,364	16	\$ 515,947	17
1110	Financial assets at fair value through profit or loss - current	6(2)	252,211	8	199,463	6
1136	Current financial assets at amortised cost, net	6(3)	-	-	12,915	-
1150	Notes receivable, net	6(4)	23,160	1	14,701	1
1170	Accounts receivable, net	6(4)	493,016	15	393,390	13
1180	Accounts receivable - related parties	6(4) and 7	1,435	-	305	-
1200	Other receivables		14,369	-	6,980	-
1210	Other receivables - related parties	7	471	-	492	-
1220	Current income tax assets	6(23)	25,264	1	13,711	-
130X	Inventories, net	6(5)	597,818	19	514,545	17
1410	Prepayments		30,259	1	33,533	1
1479	Other current assets	8	2,028	-	2,103	-
11XX	<b>Total current assets</b>		<u>1,954,395</u>	<u>61</u>	<u>1,708,085</u>	<u>55</u>
<b>Non-current assets</b>						
1600	Property, plant and equipment	6(6)(25) and 8	1,128,166	35	1,238,377	40
1755	Right-of-use assets	6(7)	25,815	1	30,351	1
1780	Intangible assets		5,699	-	4,786	-
1840	Deferred income tax assets	6(23)	25,789	1	32,788	1
1900	Other non-current assets		67,061	2	76,919	3
15XX	<b>Total non-current assets</b>		<u>1,252,530</u>	<u>39</u>	<u>1,383,221</u>	<u>45</u>
1XXX	<b>Total assets</b>		<u>\$ 3,206,925</u>	<u>100</u>	<u>\$ 3,091,306</u>	<u>100</u>

(Continued)



**VIKING TECH CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
**DECEMBER 31, 2020 AND 2019**  
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Liabilities and Equity	Notes	December 31, 2020		December 31, 2019		
		AMOUNT	%	AMOUNT	%	
<b>Current liabilities</b>						
2100	Short-term borrowings	6(8)(26)	\$ 15,000	1	\$ 30,000	1
2150	Notes payable		4,196	-	2,080	-
2170	Accounts payable		206,746	7	150,467	5
2180	Accounts payable - related parties	7	6,524	-	7,587	-
2200	Other payables	6(9)	170,189	5	166,933	6
2230	Current income tax liabilities	6(23)	10,954	-	-	-
2280	Current lease liabilities	6(7)	5,745	-	5,663	-
2320	Long-term liabilities, current portion	6(10)(26) and 8	27,968	1	27,578	1
2399	Other current liabilities		5,117	-	5,353	-
21XX	<b>Total current liabilities</b>		<u>452,439</u>	<u>14</u>	<u>395,661</u>	<u>13</u>
<b>Non-current liabilities</b>						
2540	Long-term borrowings	6(10)(26) and 8	110,277	3	138,406	4
2570	Deferred income tax liabilities	6(23)	886	-	133	-
2580	Non-current lease liabilities	6(7)	20,437	1	24,919	1
2600	Other non-current liabilities		4,129	-	4,347	-
25XX	<b>Total non-current liabilities</b>		<u>135,729</u>	<u>4</u>	<u>167,805</u>	<u>5</u>
2XXX	<b>Total Liabilities</b>		<u>588,168</u>	<u>18</u>	<u>563,466</u>	<u>18</u>
<b>Equity attributable to owners of parent</b>						
Share capital						
3110	Ordinary share	6(12)	1,173,408	37	1,173,408	38
Capital surplus						
3200	Capital surplus	6(13)	730,121	23	730,121	24
Retained earnings						
3310	Legal reserve	6(14)	192,963	6	178,592	6
3320	Special reserve		12,265	-	7,524	-
3350	Unappropriated retained earnings		512,885	16	445,140	14
Other equity						
3400	Other equity interest	6(15)	(10,371)	-	(12,265)	-
31XX	<b>Total equity attributable to owners of the parent</b>		<u>2,611,271</u>	<u>82</u>	<u>2,522,520</u>	<u>82</u>
36XX	Non-controlling interest		<u>7,486</u>	<u>-</u>	<u>5,320</u>	<u>-</u>
3XXX	<b>Total equity</b>		<u>2,618,757</u>	<u>82</u>	<u>2,527,840</u>	<u>82</u>
Significant Contingent Liabilities and Contract Commitments						
Significant Events After the Balance Sheet Date						
3X2X	<b>Total liabilities and equity</b>		<u>\$ 3,206,925</u>	<u>100</u>	<u>\$ 3,091,306</u>	<u>100</u>

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

**VIKING TECH CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**YEARS ENDED DECEMBER 31, 2020 AND 2019**

(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS, EXCEPT EARNINGS PER SHARE)

	Items	Notes	Year ended December 31			
			2020		2019	
			AMOUNT	%	AMOUNT	%
4000	Operating revenue	6(16) and 7	\$ 2,126,186	100	\$ 2,144,527	100
5000	Operating costs	6(5)(21)(22) and 7	( 1,612,577)	( 76)	( 1,631,531)	( 76)
5900	Gross profit		<u>513,609</u>	<u>24</u>	<u>512,996</u>	<u>24</u>
	Operating expenses	6(21)(22)				
6100	Selling expenses		( 116,493)	( 5)	( 124,607)	( 6)
6200	General and administrative expenses		( 143,875)	( 7)	( 152,181)	( 7)
6300	Research and development expenses		( 59,320)	( 3)	( 55,113)	( 2)
6450	Expected credit profit (loss)	12(2)	<u>7,638</u>	-	<u>( 3,773)</u>	-
6000	Total operating expenses		<u>( 312,050)</u>	<u>( 15)</u>	<u>( 335,674)</u>	<u>( 15)</u>
6900	Operating profit		<u>201,559</u>	<u>9</u>	<u>177,322</u>	<u>9</u>
	Non-operating income and expenses					
7100	Interest income	6(3)(17)	3,039	-	3,588	-
7010	Other income	6(18)	671	-	2,709	-
7020	Other gains and losses	6(2)(19)	( 10,670)	-	( 437)	-
7050	Finance costs	6(20)	( 2,449)	-	( 3,282)	-
7000	Total non-operating income and expenses		<u>( 9,409)</u>	<u>-</u>	<u>2,578</u>	<u>-</u>
7900	<b>Profit before income tax</b>		<u>192,150</u>	<u>9</u>	<u>179,900</u>	<u>9</u>
7950	Income tax expense	6(23)	( 20,631)	( 1)	( 35,528)	( 2)
8200	<b>Profit for the year</b>		<u>\$ 171,519</u>	<u>8</u>	<u>\$ 144,372</u>	<u>7</u>
	<b>Other comprehensive income, net</b>					
	<b>Components of other comprehensive income that will be reclassified to profit or loss</b>					
8361	Cumulative translation differences of foreign operations	6(15)	\$ 1,537	-	( \$ 6,334)	-
8367	Unrealised gains from investments in debt instruments measured at fair value through other comprehensive income, net	6(15)	-	-	1,458	-
8500	<b>Total comprehensive income for the year</b>		<u>\$ 173,056</u>	<u>8</u>	<u>\$ 139,496</u>	<u>7</u>
	Profit, attributable to:					
8610	Owners of the parent		<u>\$ 168,996</u>	<u>8</u>	<u>\$ 143,714</u>	<u>7</u>
8620	Non-controlling interest		<u>\$ 2,523</u>	<u>-</u>	<u>\$ 658</u>	<u>-</u>
	Comprehensive income attributable to:					
8710	Owners of the parent		<u>\$ 170,890</u>	<u>8</u>	<u>\$ 138,973</u>	<u>7</u>
8720	Non-controlling interest		<u>\$ 2,166</u>	<u>-</u>	<u>\$ 523</u>	<u>-</u>
	Earnings per share	6(24)				
9750	Basic earnings per share		<u>\$ 1.44</u>		<u>\$ 1.22</u>	
	Diluted earnings per share	6(24)				
9850	Diluted earnings per share		<u>\$ 1.43</u>		<u>\$ 1.21</u>	

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

VIKING TECH CORPORATION AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
YEARS ENDED DECEMBER 31, 2020 AND 2019  
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	Equity attributable to owners of the parent											
	Notes	Retained earnings					Other equity interest			Total	Non-controlling interest	Total equity
		Ordinary share	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Financial statements translation differences of foreign operations	Unrealised gains (losses) from financial assets measured at fair value through other comprehensive income				
<u>Year ended December 31, 2019</u>												
Balance at January 1, 2019		\$ 1,173,408	\$ 730,121	\$ 150,954	\$ 3,510	\$ 473,887	(\$ 6,066)	(\$ 1,458)	\$ 2,524,356	\$ 4,797	\$ 2,529,153	
Profit for the year		-	-	-	-	143,714	-	-	143,714	658	144,372	
Other comprehensive income (loss) for the year	6(15)	-	-	-	-	-	(6,199)	1,458	(4,741)	(135)	(4,876)	
Total comprehensive income (loss)		-	-	-	-	143,714	(6,199)	1,458	138,973	523	139,496	
Distribution of retained earnings of 2018:												
Legal reserve	6(14)	-	-	27,638	-	(27,638)	-	-	-	-	-	
Special reserve	6(14)	-	-	-	4,014	(4,014)	-	-	-	-	-	
Cash dividends	6(14)	-	-	-	-	(140,809)	-	-	(140,809)	-	(140,809)	
Balance at December 31, 2019		\$ 1,173,408	\$ 730,121	\$ 178,592	\$ 7,524	\$ 445,140	(\$ 12,265)	\$ -	\$ 2,522,520	\$ 5,320	\$ 2,527,840	
<u>Year ended December 31, 2020</u>												
Balance at January 1, 2020		\$ 1,173,408	\$ 730,121	\$ 178,592	\$ 7,524	\$ 445,140	(\$ 12,265)	\$ -	\$ 2,522,520	\$ 5,320	\$ 2,527,840	
Profit for the year		-	-	-	-	168,996	-	-	168,996	2,523	171,519	
Other comprehensive income (loss) for the year	6(15)	-	-	-	-	-	1,894	-	1,894	(357)	1,537	
Total comprehensive income (loss)		-	-	-	-	168,996	1,894	-	170,890	2,166	173,056	
Distribution of retained earnings of 2019:												
Legal reserve	6(14)	-	-	14,371	-	(14,371)	-	-	-	-	-	
Special reserve	6(14)	-	-	-	4,741	(4,741)	-	-	-	-	-	
Cash dividends	6(14)	-	-	-	-	(82,139)	-	-	(82,139)	-	(82,139)	
Balance at December 31, 2020		\$ 1,173,408	\$ 730,121	\$ 192,963	\$ 12,265	\$ 512,885	(\$ 10,371)	\$ -	\$ 2,611,271	\$ 7,486	\$ 2,618,757	

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

VIKING TECH CORPORATION AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
YEARS ENDED DECEMBER 31, 2020 AND 2019  
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	Notes	Year ended December 31	
		2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before tax		\$ 192,150	\$ 179,900
Adjustments			
Adjustments to reconcile profit (loss)			
(Reversal of) provision for expected credit loss	12(2)	( 7,638 )	3,773
Depreciation	6(6)(7)(21)	202,696	198,500
Amortisation of intangible assets	6(21)	3,542	3,501
Interest income	6(17)	( 3,039 )	( 3,588 )
Interest expense	6(20)	2,449	3,282
Net gain on financial assets at fair value through profit or loss	6(2)(19)	( 4,948 )	( 4,473 )
Gain on disposal of property, plant and equipment	6(6)(19)	( 3,297 )	( 5,715 )
Loss on disposal of investments	6(19)	-	777
Gain on foreign exchange remeasurement of financial assets at fair value through other comprehensive income		-	( 3,461 )
Changes in operating assets and liabilities			
Changes in operating assets			
Financial assets mandatorily measured at fair value through profit or loss	6(2)	( 47,800 )	( 145,334 )
Notes receivable	6(4)	( 8,087 )	( 245 )
Accounts receivable	6(4)	( 89,160 )	( 211,713 )
Accounts receivable - related parties	6(4) and 7	( 1,101 )	( 308 )
Other receivables		( 7,071 )	( 15,043 )
Other receivables - related parties		21	1,089
Inventories	6(5)	( 81,530 )	( 50,120 )
Prepayments		3,435	( 10,804 )
Other current assets		76	( 20 )
Changes in operating liabilities			
Notes payable		2,116	( 1,074 )
Accounts payable		55,059	( 127,282 )
Accounts payable- related parties	7	( 1,102 )	( 25,678 )
Other payables	6(9)	10,497	( 28,846 )
Other current liabilities		( 241 )	( 4,143 )
Cash inflow generated from operations		217,027	306,727
Interest received		2,830	3,939
Interest paid		( 2,098 )	( 2,857 )
Income tax paid		( 13,494 )	( 96,619 )
Net cash flows from operating activities		204,265	211,190

(Continued)

VIKING TECH CORPORATION AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
YEARS ENDED DECEMBER 31, 2020 AND 2019  
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	Notes	Year ended December 31	
		2020	2019
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Proceeds from disposal of financial assets measured at cost		\$ -	\$ 63,298
Acquisition of financial assets at amortized cost	6(3)	( 12,845 )	( 78,359 )
Proceeds from disposal of financial assets at amortized cost	6(3)	25,690	128,359
Increase in other liquid financial assets	8	-	( 1,000 )
Acquisition of property, plant and equipment	6(6)(25)	( 83,125 )	( 261,480 )
Proceeds from disposal of property, plant and equipment	6(6)	3,305	10,588
Acquisition of intangible assets		( 4,454 )	( 4,682 )
Decrease in refundable deposits		3	2,711
Net cash flows used in investing activities		( 71,426 )	( 140,565 )
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Increase in short-term borrowings	6(8)(26)	45,000	70,000
Repayments of short-term borrowings	6(8)(26)	( 60,000 )	( 60,000 )
Repayments of long-term borrowings	6(10)(26)	( 27,739 )	( 34,765 )
Repayments of principal portion of lease liabilities	6(7)(26)	( 6,421 )	( 6,221 )
(Decrease) increase in guarantee deposits received		( 218 )	792
Cash dividends paid	6(14)	( 82,139 )	( 140,809 )
Net cash flows used in financing activities		( 131,517 )	( 171,003 )
Effects of changes in foreign exchange rates		( 2,905 )	3,519
Net decrease in cash and cash equivalents		( 1,583 )	( 96,859 )
Cash and cash equivalents at beginning of year	6(1)	515,947	612,806
Cash and cash equivalents at end of year	6(1)	\$ 514,364	\$ 515,947

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, 2020 AND 2019  
(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 and its subsidiaries (collectively referred herein as the“Group”) are 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 February 26, 2021.

**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 the FSC effective from 2020 are as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Amendments 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 9, IAS 39 and IFRS7, ‘Interest rate benchmark reform’	January 1, 2020
Amendment to IFRS 16, ‘Covid-19-related rent concessions’	June 1, 2020 (Note)

Note : Earlier application from January 1, 2020 is allowed by FSC.

The above standards and interpretations have no significant impact to the Group’s financial condition and financial performance based on the Group’s assessment.

(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 2021 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 4, 'Extension of the temporary exemption from applying IFRS 9'	January 1, 2021
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, 'Interest Rate Benchmark Reform— Phase 2'	January 1, 2021

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

(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
Amendments to IFRS 3, 'Reference to the conceptual framework'	January 1, 2022
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, 2023
Amendments to IFRS 17, 'Insurance contracts'	January 1, 2023
Amendments to IAS 1, 'Classification of liabilities as current or	January 1, 2023
Amendments to IAS 1, 'Disclosure of accounting policies'	January 1, 2023
Amendments to IAS 8, 'Definition of accounting estimates'	January 1, 2023
Amendments to IAS 16, 'Property, plant and equipment: proceeds before intended use'	January 1, 2022
Amendments to IAS 37, 'Onerous contracts—cost of fulfilling a contract'	January 1, 2022
Annual improvements to IFRS Standards 2018–2020	January 1, 2022

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

#### 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.

B. The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting 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.

##### (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, 2020	December 31, 2019
VIKING TECH CORPORATION	Viking Global Tech Co., Ltd.	Broad businesses and investments	100	100
Viking Global Tech Co., Ltd.	Lead Brand Co., Ltd.	Sale of thin film passive components	100	100
Viking Global Tech Co., Ltd.	Viking Tech Electronics Limited	Broad businesses and investments	100	100
Viking Global Tech Co., Ltd.	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 thermistors	100	100
Grand Barry International Limited	Viking Tech America Corporation	Sale of film and thick film passive components	76	76

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) Except for the foreign exchanges gains and losses relating to borrowings as well as cash and cash equivalents are presented in the statement of comprehensive income within 'other income and finance costs', others 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) Leasing arrangements (lessee) — right-of-use assets/ lease liabilities

- A. Leases are recognised as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Group. For short-term leases or leases of low-value assets, lease payments are recognised as an expense on a straight-line basis over the lease term.
- B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate. Lease payments are comprised of the following:
- (a) Fixed payments, less any lease incentives receivable;
  - (b) Variable lease payments that depend on an index or a rate;
  - (c) Amounts expected to be payable by the lessee under residual value guarantees;
  - (d) The exercise price of a purchase option, if the lessee is reasonably certain to exercise that option; and
  - (e) Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The Group subsequently measures the lease liability at amortised cost using the interest method and recognises interest expense over the lease term. The lease liability is remeasured and the amount of remeasurement is recognised as an adjustment to the right-of-use asset when there are changes in the lease term or lease payments and such changes do not arise from contract modifications.

- C. At the commencement date, the right-of-use asset is stated at cost comprising the following:
- (a) The amount of the initial measurement of lease liability;
  - (b) Any lease payments made at or before the commencement date;
  - (c) Any initial direct costs incurred by the lessee; and
  - (d) An estimate of costs to be incurred by the lessee in dismantling and removing the

underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

The right-of-use asset is measured subsequently using the cost model and is depreciated from the commencement date to the earlier of the end of the asset's useful life or the end of the lease term. When the lease liability is remeasured, the amount of remeasurement is recognised as an adjustment to the right-of-use asset.

(16) 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.

(17) 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.

(18) 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.

(19) 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.

(20) Derecognition of financial liabilities

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

(21) 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 subsequent actual distributed amounts is accounted for as changes in estimates.

### (22) 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.

(23) Share capital

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

(24) 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.

(25) 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.

(26) 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, 2020, the carrying amount of inventories was \$597,818.

## 6. DETAILS OF SIGNIFICANT ACCOUNTS

### (1) Cash and cash equivalents

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Cash on hand and revolving funds	\$ 1,176	\$ 1,166
Checking accounts and demand deposits	424,631	439,277
Cash equivalents		
Time deposits	44,787	41,064
Wealth investment product	43,770	34,440
Total	<u>\$ 514,364</u>	<u>\$ 515,947</u>

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

<u>Items</u>	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Current items:		
Financial assets mandatorily measured at fair value through profit or loss		
Beneficiary certificates	\$ 249,642	\$ 200,245
Valuation adjustment	2,569	( 782)
Total	<u>\$ 252,211</u>	<u>\$ 199,463</u>

A. The Group recognised net gain of \$4,948 and \$4,473 for the years ended December 31, 2020 and 2019, respectively.

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

### (3) Financial assets at amortised cost

<u>Items</u>	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Current items:		
Financial products	<u>\$ -</u>	<u>\$ 12,915</u>

- A. The Group recognised interest income of \$374 and \$814 for amortised cost in profit or loss for the years ended December 31, 2020 and 2019.
- 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 products. The expected annualized rate of return as at December 31, 2019 ranged from 3.10% to 3.40%.
- E. For information on credit risk of financial assets measured at amortized cost, please refer to Note 12(2) for details.

(4) Notes and accounts receivable

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Notes receivable	\$ 23,160	\$ 14,701
Less: Allowance for uncollectible accounts	-	-
	<u>\$ 23,160</u>	<u>\$ 14,701</u>
Accounts receivable	\$ 496,303	\$ 403,559
Less: Allowance for uncollectible accounts	( 1,852)	( 9,864)
	<u>\$ 494,451</u>	<u>\$ 393,695</u>

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

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Not past due	\$ 442,857	\$ 342,756
Up to 60 days	48,808	30,554
61 to 90 days	2,665	4,355
91 to 180 days	1,808	10,621
Over 180 days	165	15,273
	<u>\$ 496,303</u>	<u>\$ 403,559</u>

The above ageing analysis was based on past due date.

- B. As of December 31, 2020 and 2019, and January 1, 2019, the balances of receivables (including notes receivable) from contracts with customers amounted to \$519,463, \$418,260, and \$637,470, respectively.
- C. The Group does not hold any collateral as security.
- D. As at December 31, 2020 and 2019, 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 \$23,160 and \$14,701, and accounts receivable were \$494,451 and \$393,695, respectively.
- E. Information relating to credit risk is provided in Note 12(2).

(5) Inventories

	December 31, 2020		
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 246,564	(\$ 6,771)	\$ 239,793
Work in progress	195,203	( 38,524)	156,679
Finished goods	152,050	( 31,164)	120,886
Merchandise	84,348	( 3,888)	80,460
	<u>\$ 678,165</u>	<u>(\$ 80,347)</u>	<u>\$ 597,818</u>

	December 31, 2019		
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 229,686	(\$ 8,242)	\$ 221,444
Work in progress	177,627	( 51,465)	126,162
Finished goods	142,409	( 31,559)	110,850
Merchandise	60,211	( 4,122)	56,089
	<u>\$ 609,933</u>	<u>(\$ 95,388)</u>	<u>\$ 514,545</u>

The cost of inventories recognised as expense for the year :

	Years ended December 31	
	2020	2019
Cost of goods sold	\$ 1,631,278	\$ 1,602,729
Loss on decline in market price and slow-moving inventories	15,209	32,267
Revenue from sale of scraps	( 3,548)	( 3,465)
Loss on physical inventory	( 30,362)	-
	<u>\$ 1,612,577</u>	<u>\$ 1,631,531</u>

(6) Property, plant and equipment

	Land	Buildings and structures	Machinery and equipment	Equipment under acceptance	Others	Total
<u>At January 1, 2020</u>						
Cost	\$ 229,932	\$ 538,126	\$ 1,333,280	\$ -	\$ 32,488	\$ 2,133,826
Accumulated depreciation	-	( 247,157)	( 578,309)	-	( 12,999)	( 838,465)
Accumulated impairment	-	-	( 56,984)	-	-	( 56,984)
	<u>\$ 229,932</u>	<u>\$ 290,969</u>	<u>\$ 697,987</u>	<u>\$ -</u>	<u>\$ 19,489</u>	<u>\$ 1,238,377</u>
<u>2020</u>						
Opening net book amount as at January 1	\$ 229,932	\$ 290,969	\$ 697,987	\$ -	\$ 19,489	\$ 1,238,377
Additions	-	4,110	76,136	2,613	2,871	85,730
Disposals	-	-	-	-	( 8)	( 8)
Depreciation expense	-	( 35,292)	( 155,420)	-	( 5,816)	( 196,528)
Effect of exchange rate changes	-	-	460	-	135	595
Closing net book amount as at December 31	<u>\$ 229,932</u>	<u>\$ 259,787</u>	<u>\$ 619,163</u>	<u>\$ 2,613</u>	<u>\$ 16,671</u>	<u>\$ 1,128,166</u>
<u>At December 31, 2020</u>						
Cost	\$ 229,932	\$ 542,236	\$ 1,313,647	\$ 2,613	\$ 31,861	\$ 2,120,289
Accumulated depreciation	-	( 282,449)	( 658,356)	-	( 15,190)	( 955,995)
Accumulated impairment	-	-	( 36,128)	-	-	( 36,128)
	<u>\$ 229,932</u>	<u>\$ 259,787</u>	<u>\$ 619,163</u>	<u>\$ 2,613</u>	<u>\$ 16,671</u>	<u>\$ 1,128,166</u>

	Land	Buildings and structures	Machinery and equipment	Equipment under acceptance	Others	Total
<u>At January 1, 2019</u>						
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)
	<u>\$ 229,932</u>	<u>\$ 297,583</u>	<u>\$ 581,646</u>	<u>\$ 13,979</u>	<u>\$ 20,447</u>	<u>\$ 1,143,587</u>
<u>2019</u>						
Opening net book amount as at January 1	\$ 229,932	\$ 297,583	\$ 581,646	\$ 13,979	\$ 20,447	\$ 1,143,587
Additions	-	32,626	255,139	-	5,939	293,704
Disposals	-	-	( 4,865)	-	( 8)	( 4,873)
Transfers	-	-	13,979	( 13,979)	-	-
Depreciation expense	-	( 39,240)	( 146,726)	-	( 6,503)	( 192,469)
Reclassifications	-	-	( 63)	-	-	( 63)
Effect of exchange rate changes	-	-	( 1,123)	-	( 386)	( 1,509)
Closing net book amount as at December 31	<u>\$ 229,932</u>	<u>\$ 290,969</u>	<u>\$ 697,987</u>	<u>\$ -</u>	<u>\$ 19,489</u>	<u>\$ 1,238,377</u>
<u>At December 31, 2019</u>						
Cost	\$ 229,932	\$ 538,126	\$ 1,333,280	\$ -	\$ 32,488	\$ 2,133,826
Accumulated depreciation	-	( 247,157)	( 578,309)	-	( 12,999)	( 838,465)
Accumulated impairment	-	-	( 56,984)	-	-	( 56,984)
	<u>\$ 229,932</u>	<u>\$ 290,969</u>	<u>\$ 697,987</u>	<u>\$ -</u>	<u>\$ 19,489</u>	<u>\$ 1,238,377</u>

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.

(7) Leasing arrangements — lessee

A. The Group leases various assets including land, buildings, machinery and business vehicles. Rental contracts are typically made for periods of 2 to 10 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants, but leased assets may not be used as security for borrowing purposes.

B. The carrying amount of right-of-use assets and the depreciation charge are as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
	<u>Carrying amount</u>	<u>Carrying amount</u>
Land	\$ 3,634	\$ 3,990
Buildings	19,715	23,533
Transportation equipment (Business vehicles)	805	335
Other equipment	1,661	2,493
	<u>\$ 25,815</u>	<u>\$ 30,351</u>
	<u>Years ended December 31</u>	
	<u>2020</u>	<u>2019</u>
	<u>Depreciation charge</u>	<u>Depreciation charge</u>
Land	\$ 697	\$ 674
Buildings	4,037	4,228
Transportation equipment (Business vehicles)	602	382
Other equipment	832	747
	<u>\$ 6,168</u>	<u>\$ 6,031</u>

The movements of right-of-use assets of the Group during the 2020 and 2019 are as follows:

	<u>Year ended December 31, 2020</u>				
	<u>Land</u>	<u>Buildings</u>	<u>Transportation equipment (Business vehicles)</u>	<u>Other equipment</u>	<u>Total</u>
Opening net book amount as at January 1	\$ 3,990	\$ 23,533	\$ 335	\$ 2,493	\$ 30,351
Additions	-	-	1,072	-	1,072
Depreciation charge	( 697)	( 4,037)	( 602)	( 832)	( 6,168)
Adjustment	341	-	-	-	341
Net exchange differences	-	219	-	-	219
	<u>\$ 3,634</u>	<u>\$ 19,715</u>	<u>\$ 805</u>	<u>\$ 1,661</u>	<u>\$ 25,815</u>

Year ended December 31, 2019

	Year ended December 31, 2019				Total
	Land	Buildings	Transportation equipment (Business vehicles)	Other equipment	
Opening net book amount as at January 1	\$ 4,664	\$ 29,609	\$ 716	\$ 1,008	\$ 35,997
Additions	-	-	-	2,382	2,382
Depreciation charge	( 674)	( 4,229)	( 381)	( 747)	( 6,031)
Adjustment	-	( 491)	-	( 150)	( 641)
Net exchange differences	-	( 1,356)	-	-	( 1,356)
	<u>\$ 3,990</u>	<u>\$ 23,533</u>	<u>\$ 335</u>	<u>\$ 2,493</u>	<u>\$ 30,351</u>

C. The information on profit and loss accounts relating to lease contracts is as follows:

	Years ended December 31	
	2020	2019
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 388	\$ 428
Expense on short-term lease contracts	3,073	4,847

D. For the years ended December 31, 2020 and 2019, the Group's total cash outflow for leases were \$9,882 and \$11,496, respectively.

(8) Short-term borrowings

Type of borrowings	December 31, 2020	Interest rate range	Collateral
Bank borrowings			
Unsecured borrowings	<u>\$ 15,000</u>	0.98% ~ 1.15%	None
Type of borrowings	December 31, 2019	Interest rate range	Collateral
Bank borrowings			
Unsecured borrowings	<u>\$ 30,000</u>	1.16% ~ 1.18%	None

(9) Other payables

	December 31, 2020	December 31, 2019
Salary payable	\$ 38,391	\$ 32,809
Bonus payable	25,613	24,650
Payable on employees' compensation	21,102	20,682
Payable on machinery and equipment	14,850	22,110
Payable on directors' remuneration	10,551	10,341
Others	59,682	56,341
	<u>\$ 170,189</u>	<u>\$ 166,933</u>



(10) Long-term borrowings

<u>Type of borrowings</u>	<u>Borrowing period and repayment term</u>	<u>Interest rate range</u>	<u>Collateral</u>	<u>December 31, 2020</u>
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.			
		1.11%	Note 1	\$ 56,434
Secured borrowings	Borrowing period is from February 20, 2017 to January 15, 2022; interest is repayable quarterly.			
		1.15%	Note 2	11,250
Secured borrowings	Borrowing period is from October 25, 2017 to October 25, 2027; principal and interest are repayable monthly.			
		1.11%	Note 1	34,878
Secured borrowings	Borrowing period is from February 7, 2018 to October 25, 2027; principal and interest are repayable monthly.			
		1.11%	Note 1	35,683
				<u>138,245</u>
Less: Current portion				<u>( 27,968)</u>
				<u>\$ 110,277</u>

<u>Type of borrowings</u>	<u>Borrowing period and repayment term</u>	<u>Interest rate range</u>	<u>Collateral</u>	<u>December 31, 2019</u>
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	\$ 65,329
Secured borrowings	Borrowing period is from February 20, 2017 to January 15, 2022; interest is repayable quarterly.	1.40%	Note 2	20,250
Secured borrowings	Borrowing period is from October 25, 2017 to October 25, 2027; principal and interest are repayable monthly.	1.56%	Note 1	39,742
Secured borrowings	Borrowing period is from February 7, 2018 to October 25, 2027; principal and interest are repayable monthly.	1.36%	Note 1	<u>40,663</u>
				165,984
Less: Current portion				( <u>27,578</u> )
				<u>\$ 138,406</u>

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.

(11) 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 2020 and 2019 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, 2020 and 2019 were \$16,739 and \$16,589, respectively.

(12) Share capital

As of December 31, 2020, 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 was no change in the number of shares for the years ended December 31, 2020 and 2019.

Details of the balances at the end of the year are as follows:

	2020	Unit: in thousand shares 2019
At December 31	<u>117,341</u>	<u>117,341</u>

(13) 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.

	2020				
	Share premium	Recognition of changes in the subsidiary's equity	Donated assets received	Consolidation excess	Total
At January 1 (and at December 31)	<u>\$ 423,367</u>	<u>\$ 1,482</u>	<u>\$ 700</u>	<u>\$ 304,572</u>	<u>\$ 730,121</u>

	2019				
	Share premium	Recognition of changes in the subsidiary's equity	Donated assets received	Consolidation excess	Total
At January 1 (and at December 31)	<u>\$ 423,367</u>	<u>\$ 1,482</u>	<u>\$ 700</u>	<u>\$ 304,572</u>	<u>\$ 730,121</u>

(14) 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 2019 and 2018 earnings had been resolved at the Board of Directors' and stockholders' meeting on June 22, 2020 and June 24, 2019, respectively. Details are summarized below:

	2019		2018	
	Amount	Dividends per share (in dollars)	Amount	Dividends per share (in dollars)
Legal reserve	\$ 14,371		\$ 27,638	
Special reserve	4,741		4,014	
Cash dividends	82,139	\$ 0.70	140,809	\$ 1.20
Total	<u>\$ 101,251</u>		<u>\$ 172,461</u>	

The appropriations of 2019 and 2018 earnings are in agreement with the Board of Directors' proposals on March 11, 2020 and March 13, 2019, respectively.

(b) The appropriations of 2020 earnings had been resolved at the Board of Directors' and stockholders' meeting on February 26, 2021. Details are summarized below:

	2020	
	Amount	Dividends per share (in dollars)
Legal reserve	\$ 16,899	
Special reserve	( 1,894)	
Cash dividends	93,873	\$ 0.80
Total	<u>\$ 108,878</u>	

As of February 26, 2021, the appropriations of 2020 earnings had not been approved by the stockholders.

F. For the information relating to employees' compensation and directors' remuneration, please refer to Note 6(22).

(15) Other equity items

	2020			
	Measured at fair value through other comprehensive income under unrealized gain or loss on financial instrument		Currency translation	Total
At January 1	\$	-	(\$ 12,265)	(\$ 12,265)
Revaluation		-	-	-
Currency translation differences:				
–Subsidiary		-	1,894	1,894
At December 31	\$	-	(\$ 10,371)	(\$ 10,371)

	2019			
	Measured at fair value through other comprehensive income under unrealized gain or loss on financial instrument		Currency translation	Total
At January 1	(\$	1,458)	(\$ 6,066)	(\$ 7,524)
Revaluation		1,458	-	1,458
Currency translation differences:				
–Subsidiary		-	( 6,199)	( 6,199)
At December 31	\$	-	(\$ 12,265)	(\$ 12,265)

(16) Operating revenue

	Year ended December 31, 2020	Year ended December 31, 2019
Revenue from contracts with customers	\$ 2,126,186	\$ 2,144,527

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

(17) Interest income

	Year ended December 31, 2020	Year ended December 31, 2019
Interest income from bank deposits	\$ 2,665	\$ 1,767
Interest income from financial assets measured at amortised cost	374	814
Interest income from financial assets at fair value through other comprehensive income	-	1,007
	\$ 3,039	\$ 3,588

(18) Other income

	Year ended December 31, 2020	Year ended December 31, 2019
Net currency exchange losses	(\$ 2,506)	(\$ 1,166)
Other income, others	3,177	3,875
	<u>\$ 671</u>	<u>\$ 2,709</u>

(19) Other gains and losses

	Year ended December 31, 2020	Year ended December 31, 2019
Gain on disposals of property, plant and equipment	\$ 3,297	\$ 5,714
Loss on disposals of investments	-	( 777)
Foreign exchange loss	( 17,878)	( 9,503)
Gain on financial assets at fair value through profit or loss	4,948	4,473
Miscellaneous disbursements	( 1,037)	( 344)
	<u>(\$ 10,670)</u>	<u>(\$ 437)</u>

(20) Finance costs

	Year ended December 31, 2020	Year ended December 31, 2019
Interest expense		
Bank loan	\$ 2,061	\$ 2,854
Lease liability	388	428
	<u>\$ 2,449</u>	<u>\$ 3,282</u>

(21) Expenses by nature

	Year ended December 31, 2020	Year ended December 31, 2019
Employee benefit expense	\$ 539,121	\$ 526,109
Depreciation charges on property, plant and equipment	202,696	198,500
Amortisation charges on intangible assets	3,542	3,501
	<u>\$ 745,359</u>	<u>\$ 728,110</u>

(22) Employee benefit expense

	Year ended December 31, 2020	Year ended December 31, 2019
Wages and salaries	\$ 459,719	\$ 443,054
Labour and health insurance fees	39,617	43,137
Pension costs	16,739	16,589
Other personnel expenses	23,046	23,329
	<u>\$ 539,121</u>	<u>\$ 526,109</u>

- 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 first be reserved to offset the Company's accumulated deficit prior to the distribution of compensation and remuneration.
- B. For the years ended December 31, 2020 and 2019, employees' compensation was accrued at \$21,102 and \$20,682, respectively; while directors' and supervisors' remuneration was accrued at \$10,551 and \$10,341, 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.

Employees' compensation and directors' remuneration of 2020 and 2019 as resolved by the Board of Directors were in agreement with those amounts recognised in the 2020 and 2019 financial statements, respectively.

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, 2020	Year ended December 31, 2019
Current tax:		
Current tax on profits for the year	\$ 21,507	\$ 17,289
Tax on undistributed surplus earnings	2,123	5,195
Prior year income tax over estimation	( 10,751)	( 602)
Total current tax	<u>12,879</u>	<u>21,882</u>
Deferred tax:		
Origination and reversal of temporary differences	<u>7,752</u>	<u>13,646</u>
Total deferred tax	<u>7,752</u>	<u>13,646</u>
Income tax expense	<u>\$ 20,631</u>	<u>\$ 35,528</u>

(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, 2020	Year ended December 31, 2019
Tax calculated based on profit before tax and statutory tax rate	\$ 46,134	\$ 38,605
Expenses disallowed by tax regulation	( 16,875)	( 7,670)
Separate taxation	2,123	5,195
Prior year income tax over estimation	( 10,751)	( 602)
Income tax expense	<u>\$ 20,631</u>	<u>\$ 35,528</u>

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

	2020		
	January 1	Recognised in profit or loss	December 31
Temporary differences:			
– Deferred tax assets:			
Unrealised loss on market value decline and obsolete inventory	\$ 17,778	(\$ 3,047)	\$ 14,731
Unrealised exchange loss	1,916	( 979)	937
Unused vacation time bonus	786	142	928
Unused gross margin	911	1,056	1,967
Unused impairment loss	11,397	( 4,171)	7,226
Subtotal	<u>\$ 32,788</u>	<u>(\$ 6,999)</u>	<u>\$ 25,789</u>
– Deferred tax liabilities:			
Unrealised exchange gain	(\$ 133)	(\$ 753)	(\$ 886)
Subtotal	<u>(\$ 133)</u>	<u>(\$ 753)</u>	<u>(\$ 886)</u>
Total	<u>\$ 32,655</u>	<u>(\$ 7,752)</u>	<u>\$ 24,903</u>
	2019		
	January 1	Recognised in profit or loss	December 31
Temporary differences:			
– Deferred tax assets:			
Unrealised loss on market value decline and obsolete inventory	\$ 12,538	\$ 5,240	\$ 17,778
Unrealised exchange loss	1,336	580	1,916
Unused vacation time bonus	431	355	786
Unused gross margin	5,130	( 4,219)	911
Unused impairment loss	27,075	( 15,678)	11,397
Subtotal	<u>\$ 46,510</u>	<u>(\$ 13,722)</u>	<u>\$ 32,788</u>
– Deferred tax liabilities:			
Unrealised exchange gain	(\$ 209)	\$ 76	(\$ 133)
Subtotal	<u>(\$ 209)</u>	<u>\$ 76</u>	<u>(\$ 133)</u>
Total	<u>\$ 46,301</u>	<u>(\$ 13,646)</u>	<u>\$ 32,655</u>

D. The effective period of the tax loss that has not been used by the subsidiary Viking Electronics (WUXI) CO., LTD. in December 31, 2020 and 2019 and the amount of the deferred income tax assets are as follows:

December 31, 2020: None.

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

E. Deductible temporary differences not recognized by the Company as deferred income tax assets: None.

F. The Company's income tax returns through 2018 have been assessed and approved by the Tax Authority.

(24) Earnings per share

	Year ended December 31, 2020		
	Amount after tax	Weighted average number of ordinary shares outstanding (share in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 168,996	117,341	\$ 1.44
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 168,996	117,341	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	848	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 168,996	118,189	\$ 1.43

	Year ended December 31, 2019		
	Amount after tax	Weighted average number of ordinary shares outstanding (share in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 143,714	117,341	\$ 1.22
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 143,714	117,341	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	964	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 143,714	118,305	\$ 1.21

(25) Supplemental cash flow information

	Year ended December 31, 2020	Year ended December 31, 2019
Purchase of property, plant and equipment	\$ 85,730	\$ 293,704
Add: Opening balance of payable on equipment	22,110	36,179
Ending balance of prepayment for equipment	65,256	75,121
Less: Ending balance of payable on equipment	( 14,850)	( 22,110)
Opening balance of prepayment on equipment	( 75,121)	( 121,414)
Cash paid during the year	\$ 83,125	\$ 261,480

(26) Changes in liabilities from financing activities

	Short-term borrowings	Long-term borrowings	Lease liabilities	Liabilities from financing activities-gross
At January 1, 2020	\$ 30,000	\$ 165,984	\$ 30,582	\$ 226,566
Changes in cash flow from financing activities	( 15,000)	( 27,739)	( 6,421)	( 49,160)
Changes in other non-cash items	-	-	1,801	1,801
Impact of changes in foreign exchange rate	-	-	220	220
At December 31, 2020	\$ 15,000	\$ 138,245	\$ 26,182	\$ 179,427

	<u>Short-term borrowings</u>	<u>Long-term borrowings</u>	<u>Lease liabilities</u>	<u>Liabilities from financing activities-gross</u>
At January 1, 2019	\$ 20,000	\$ 200,749	\$ 35,997	\$ 256,746
Changes in cash flow from financing activities	10,000 (	34,765) (	6,221) (	30,986)
Changes in other non-cash items	-	-	2,169	2,169
Impact of changes in foreign exchange rate	<u>-</u>	<u>-</u>	<u>( 1,363)</u>	<u>( 1,363)</u>
At December 31, 2019	<u>\$ 30,000</u>	<u>\$ 165,984</u>	<u>\$ 30,582</u>	<u>\$ 226,566</u>

## 7. RELATED PARTY TRANSACTIONS

### (1) Parent and ultimate controlling party

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

### (2) Significant related party transactions

#### A. Operating revenue:

	<u>Year ended December 31, 2020</u>	<u>Year ended December 31, 2019</u>
Sales of goods:		
Entity having significant influence on the Company	<u>\$ 2,695</u>	<u>\$ 466</u>

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:

	<u>Year ended December 31, 2020</u>	<u>Year ended December 31, 2019</u>
Purchases of goods:		
Entity having significant influence on the Company	<u>\$ 49,149</u>	<u>\$ 63,719</u>

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:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Accounts receivable:		
Entity having significant influence on the Company	\$ 1,435	\$ 305
Other receivables:		
Entity having significant influence on the Company	471	492
Total	<u>\$ 1,906</u>	<u>\$ 797</u>

D. Payables to related parties:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Accounts payable:		
Entity having significant influence on the Company	\$ 6,524	\$ 7,587

(3) Key management compensation

	<u>Year ended December 31, 2020</u>	<u>Year ended December 31, 2019</u>
Salaries and other short-term employee benefits	\$ 30,328	\$ 33,634

8. PLEDGED ASSETS

The Group's assets pledged as collateral are as follows:

Pledged asset	Book value		Purpose
	<u>December 31, 2020</u>	<u>December 31, 2019</u>	
Land	\$ 229,932	\$ 229,932	Bank loan (Note 1)
Buildings and structures	164,339	170,743	Bank loan (Note 1)
Machinery	16,341	20,059	Bank loan (Note 2)
Time deposits(shown as other current assets-others)	1,800	1,800	Raw material import tariff guarantee
	<u>\$ 412,412</u>	<u>\$ 422,534</u>	

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

(一)Contingencies : None.

(二)Commitments:

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

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Machinery	\$ 40,550	\$ 26,812

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

The information regarding the appropriations of 2020 earnings is provided in Note 6(14).

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. During the year ended December 31, 2020 the Group's strategy, which was unchanged from 2019, was to maintain the gearing ratio under 50%.

(2) Financial instruments

A. Financial instruments by category

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>Financial assets</u>		
Financial assets at fair value through profit or loss		
Financial assets mandatorily measured at fair value through profit or loss	\$ 252,211	\$ 199,463
Financial assets at amortised cost/Loans and receivables		
Cash and cash equivalents	514,364	515,947
Debt instrument investment	-	12,915
Notes receivable	23,160	14,701
Accounts receivable (including related parties)	494,451	393,695
Other receivables (including related parties)	14,840	7,472
Guarantee deposits paid	1,805	1,798
Other financial assets	1,800	1,800
	<u>\$ 1,302,631</u>	<u>\$ 1,147,791</u>
<u>Financial liabilities</u>		
Financial liabilities at amortised cost		
Short-term borrowings	15,000	30,000
Notes payable	4,196	2,080
Accounts payable (including related parties)	213,270	158,054
Other accounts payable	170,189	166,933
Long-term borrowings (including current portion)	138,245	165,984
Guarantee deposits received	4,129	4,347
Lease liability	26,182	30,582
	<u>\$ 571,211</u>	<u>\$ 557,980</u>

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, 2020				
		Foreign currency amount (In thousands)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)				
<u>Financial assets</u>				
<u>Monetary items</u>				
EUR:NTD	EUR	745	35.02	\$ 26,083
HKD:NTD	HKD	4,385	3.69	16,108
USD:NTD	USD	12,444	28.48	354,410
RMB:NTD	RMB	67,399	43.80	295,005
USD:RMB	USD	1,216	6.51	34,920
<u>Non-monetary items: None</u>				
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD:NTD	USD	843	28.48	\$ 24,007
<u>Non-monetary items: None</u>				

December 31, 2019				
Foreign currency amount		Exchange rate		Book value
(In thousands)				(NTD)
(Foreign currency: functional currency)				
<u>Financial assets</u>				
<u>Monetary items</u>				
EUR:NTD	EUR	885	33.59	\$ 29,732
HKD:NTD	HKD	3,070	3.85	11,817
USD:NTD	USD	11,329	29.98	339,633
RMB:NTD	RMB	58,608	4.31	252,306
USD:RMB	USD	1,696	6.96	50,854
<u>Non-monetary items: None</u>				
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD:NTD	USD	393	29.98	\$ 11,795
<u>Non-monetary items: None</u>				

- iv. 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:

Year ended December 31, 2020				
Foreign exchange gain (loss)				
Foreign currency amount		Exchange rate		Book value
(In thousands)				(NTD)
(Foreign currency: functional currency)				
<u>Financial assets</u>				
<u>Monetary items</u>				
EUR:NTD	-	33.78	\$	1,578
HKD:NTD	-	3.81	(	136)
USD:NTD	-	29.55	(	23,213)
RMB:NTD	-	4.28		3,057
USD:RMB	(USD 934)	6.90	(	3,999)
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD:NTD	-	29.55	\$	1,673

Year ended December 31, 2019				
Foreign exchange gain (loss)				
	Foreign currency amount		Book value	
	(In thousands)	Exchange rate	(NTD)	
(Foreign currency: functional currency)				
<u>Financial assets</u>				
<u>Monetary items</u>				
EUR:NTD	-	34.61	(\$	1,314)
HKD:NTD	-	3.94		301
USD:NTD	-	30.91	(	2,866)
RMB:NTD	-	4.47	(	10,020)
USD:RMB	USD 425	6.91		1,901
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD:NTD	-	30.91	\$	162

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

Year ended December 31, 2020				
Sensitivity analysis				
	Degree of variation	Effect on profit or loss	Effect on other comprehensive income	
(Foreign currency: functional currency)				
<u>Financial assets</u>				
<u>Monetary items</u>				
EUR:NTD	1%	\$ 261	\$	-
HKD:NTD	1%	161		-
USD:NTD	1%	3,544		-
RMB:NTD	1%	2,950		-
USD:RMB	1%	346		-
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD:NTD	1%	(\$ 240)	\$	-

Year ended December 31, 2019

Sensitivity analysis

	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
EUR:NTD	1%	\$ 297	\$ -
HKD:NTD	1%	118	-
USD:NTD	1%	3,396	-
RMB:NTD	1%	2,523	-
USD:RMB	1%	509	-
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	1%	(\$ 118)	\$ -

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, 2020 and 2019 would have increased/decreased by \$2,522 and \$1,995, 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

- 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 % \$1,226 and \$1,568 for the years ended December 31, 2020 and 2019, 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. As at December 31, 2020 and 2019, 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
<u>At December 31, 2020</u>						
Expected loss rate	0%	1.26%	20.00%	30.00%	99.31%	
Total book value	\$ 466,017	\$ 48,808	\$ 2,665	\$ 1,808	\$ 165	\$ 519,463
Loss allowance	-	( 613)	( 533)	( 542)	( 164)	( 1,852)
	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
<u>At December 31, 2019</u>						
Expected loss rate	0%	1.57%	10.77%	30.06%	37.48%	
Total book value	\$ 357,457	\$ 30,554	\$ 4,355	\$ 10,621	\$ 15,273	\$ 418,260
Loss allowance	-	( 477)	( 469)	( 3,193)	( 5,725)	( 9,864)

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:

	2020	
	Accounts receivable	Notes receivable
At January 1	\$ 9,864	\$ -
Reversal of impairment loss	( 7,638)	-
Reimbursement of uncollected funds in the current period	( 335)	-
Effect of foreign exchange	( 39)	-
At December 31	\$ 1,852	\$ -
	2019	
	Accounts receivable	Notes receivable
At January 1	\$ 7,366	\$ -
Provision for impairment loss	3,773	-
Reimbursement of uncollected funds in the current period	( 1,000)	-
Effect of foreign exchange	( 275)	-
At December 31	\$ 9,864	\$ -

(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 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 Group has the following undrawn borrowing facilities:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Floating rate:	0.91%~1.41%	1.15%~1.30%
Expiring within one year	\$ 565,000	\$ 750,000

- iv. The table below analyses the Group'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

	Less than 60 days	Between 61 days and 90 days	Between 91 days and 180 days	Between 181 days and 360 days	Over 360 days	Total
<u>December 31, 2020</u>						
Short-term borrowings	\$ 5,024	\$ 10,003	\$ -	\$ -	\$ -	\$ 15,027
Notes payable	1,840	2,356	-	-	-	4,196
Accounts payable	123,373	54,398	28,975	-	-	206,746
Accounts payable -related parties	6,105	-	419	-	-	6,524
Other payables	117,309	13,001	5,782	34,096	1	170,189
Lease liability	1,084	536	1,571	2,860	21,184	27,235
Long-term borrowings (including current portion)	5,657	1,702	7,370	14,722	114,030	143,481

### Non-derivative financial liabilities

<u>December 31, 2019</u>	<u>Less than 60 days</u>	<u>Between 61 days and 90 days</u>	<u>Between 91 days and 180 days</u>	<u>Between 181 days and 360 days</u>	<u>Over 360 days</u>	<u>Total</u>
Short-term borrowings	\$ 10,039	\$ 20,007	\$ -	\$ -	\$ -	\$30,046
Notes payable	1,119	856	105	-	-	2,080
Accounts payable	98,359	37,338	14,770	-	-	150,467
Accounts payable -related parties	3,196	4,391	-	-	-	7,587
Other payables	118,799	9,834	4,938	33,361	1	166,933
Lease liability	1,023	503	1,510	3,019	26,015	32,070
Long-term borrowings (including current portion)	5,723	1,737	7,456	14,888	144,777	174,581

### (三) 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, 2020			
	Level 1	Level 2	Level 3	Total
Assets:				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Equity securities	\$ 252,211	\$ -	\$ -	\$ 252,211
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
	December 31, 2019			
	Level 1	Level 2	Level 3	Total
Assets:				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Equity securities	\$ 199,463	\$ -	\$ -	\$ 199,463
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>

(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:

	<u>Open-end fund</u>
Market quoted price	Net asset value

D. For the years ended December 31, 2020 and 2019, there was no transfer between Level 1 and Level 2.

E. For the years ended December 31, 2020 and 2019, there was no transfer into or out from Level 3.

(四) Information on the effect of the COVID-19 pandemic on the Group's operation of 2020

For the year ended December 31, 2020, the China subsidiaries have been forced to shutdown due to the COVID-19 pandemic. Because the main production base is in Taiwan, and subsidiaries are subsequently returning to work as of December 31, 2020, there was tentatively no significant effect on the Group's operation. The Group will continually follow up the pandemic to immediately response by adjusting strategy.

### 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.

#### (4) Information on major shareholders

Please refer to table 8.

### 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

<u>December 31, 2020</u>	<u>Amount</u>
Revenue from external customers	\$ 2,126,186
Inter-segment revenue	\$ -
Segment income (loss)	\$ 192,150
Segment assets	\$ 3,206,925
Segment liability	\$ 588,168
<u>December 31, 2019</u>	<u>Amount</u>
Revenue from external customers	\$ 2,144,527
Inter-segment revenue	\$ -
Segment income (loss)	\$ 179,900
Segment assets	\$ 3,091,306
Segment liability	\$ 563,466

(4) Adjustment of departmental profit and loss: None.

(5) Product and service information: Please refer to Note 6 (16).

(6) Geographical information

Geographical information for the years ended December 31, 2020 and 2019 is as follows:

	<u>December 31, 2020</u>		<u>December 31, 2019</u>	
	<u>Revenue</u>	<u>Non-current assets</u>	<u>Revenue</u>	<u>Non-current assets</u>
China	\$ 814,541	\$ 37,052	\$ 749,251	\$ 39,000
Taiwan	299,760	1,162,069	305,744	1,279,284
Hong Kong	261,719	-	264,455	-
America	181,037	-	162,127	-
Korea	130,904	-	123,790	-
Others	438,225	-	539,160	-
Total	<u>\$ 2,126,186</u>	<u>\$ 1,199,121</u>	<u>\$ 2,144,527</u>	<u>\$ 1,318,284</u>

(7) Major customer information

The Group's non-operating income in 2020 and 2019 accounted for more than 10% of the operating income in the consolidated statement of comprehensive income.

VIKING TECH CORPORATION and Subsidiaries

Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures)  
December 31,2020

Table 1 Securities held by	Marketable securities and securities	Relationship with the securities issuer	General ledger account	Expressed in thousands of NTD				
				Number of shares	As of December 31, 2020 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	361,998	\$ 5,014	N/A	\$ 5,014	
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	3,321	N/A	3,321	
VIKING TECH CORPORATION	Jih Sun China Harvest Balanced Fund-USD	None	Financial asset at fair value through profit or loss – current	4,517	1,842	N/A	1,842	
VIKING TECH CORPORATION	Jih Sun Global Smart Car Fund-USD	None	Financial asset at fair value through profit or loss – current	7,796	3,494	N/A	3,494	
VIKING TECH CORPORATION	Union Money Market Fund	None	Financial asset at fair value through profit or loss – current	9,017,675	120,022	N/A	120,022	
VIKING TECH CORPORATION	Nomura Global Financial Bond Fund-Accu.-TWD	None	Financial asset at fair value through profit or loss – current	197,562	2,203	N/A	2,203	
VIKING TECH CORPORATION	Franklin Templeton SinoAm Emerging Markets Bond Fund-Accu.-TWD	None	Financial asset at fair value through profit or loss – current	300,000	2,631	N/A	2,631	
VIKING TECH CORPORATION	Jih Sun Money Market Fund	None	Financial asset at fair value through profit or loss – current	4,025,125	60,176	N/A	60,176	
VIKING TECH CORPORATION	Prudential Financial Money Market Fund	None	Financial asset at fair value through profit or loss – current	316,106	5,043	N/A	5,043	
VIKING TECH CORPORATION	Franklin Templeton Sinoam Money Market Fund	None	Financial asset at fair value through profit or loss – current	3,867,145	40,328	N/A	40,328	
VIKING TECH CORPORATION	Union Emerging Asia Bond Fund-Accu.-TWD	None	Financial asset at fair value through profit or loss – current	260,584	3,040	N/A	3,040	
VIKING TECH CORPORATION	Nomura China Bond Fund-Accu.-USD	None	Financial asset at fair value through profit or loss – current	6,371	1,914	N/A	1,914	
VIKING TECH CORPORATION	Union APEC Balanced Fund-CNH A	None	Financial asset at fair value through profit or loss – current	18,450	1,423	N/A	1,423	
VIKING TECH CORPORATION	Union 2022 Asia Emerging Markets Bond Fund-USD	None	Financial asset at fair value through profit or loss – current	5,937	<u>1,760</u>	N/A	<u>1,760</u>	
					<u>\$ 252,211</u>		<u>\$ 252,211</u>	

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, 2020

Table 2

Expressed in thousands of NTD

(Except as otherwise indicated)

Purchaser/seller	Counterparty	Relationship with the Counterparty	Purchases (sales)	Amount	Transaction	Differences in transaction	Credit term	Unit price	Credit term	Notes/accounts receivable (payable)		Footnote
										Balance	Percentage of total notes/accounts receivable (payable)	
VIKING TECH CORPORATION	Viking Electronics (WUXI) CO., LTD.	Subsidiary	Sales	\$ 422,865			150 days payment	N/A	N/A	\$ 237,778	45.77%	

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, 2020

Table 3

Expressed in thousands of NTD  
 (Except as otherwise indicated)

Creditor	Counterparty	Relationship with the counterparty	Balance as at December 31, 2020		Overdue receivables			Amount collected subsequent to the balance sheet date	Allowance for Creditor Counterparty doubtful accounts
			Amount	Turnover rate (Note )	Amount	Action taken			
VIKING TECH CORPORATION	Viking Electronics (WUXI) CO., LTD.	Subsidiary	\$ 237,778	2.11	\$ -	N/A	\$ 69,482	\$ -	

Note : Disclosed after converting to annual turnover rate.

VIKING TECH CORPORATION and Subsidiaries  
Significant inter-company transactions during the reporting period  
Year ended December 31, 2020

Table 4

Expressed in thousands of NTD

Number (Note 1)	Company name	Counterparty(Note 2)	Relationship (Note 3)	Transaction			Percentage of consolidated total operating revenues or total assets (Note 4)
				General ledger account	Amount	Transaction terms	
0	VIKING TECH CORPORATION	Viking Electronics (WUXI) CO., LTD.	1	Accounts receivable	\$ 237,778	150 days payment	7%
0	VIKING TECH CORPORATION	Viking Electronics (WUXI) CO., LTD.	1	Sales	422,865	"	20%
0	VIKING TECH CORPORATION	Viking Electronics (WUXI) CO., LTD.	1	Cost of sales	18,997	90 days payment	1%
0	VIKING TECH CORPORATION	Viking Tech America Corporation	1	Accounts receivable	19,549	60 days payment	1%
0	VIKING TECH CORPORATION	Viking Tech America Corporation	1	Sales	86,392	"	4%

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 : 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 3 : 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 on accumulated transaction amount for the period to consolidated total operating revenues for income statement accounts.

Note 4 : Only disclose the transaction amount over 10 million.

VIKING TECH CORPORATION and Subsidiaries  
Information on investees(not including investees in Mainland China)  
Year ended December 31, 2020

Table 5

Investor	Investee	Location	Main business activities	Initial investment amount			Ownership	Book value	Net profit (loss) of the investee for the year ended December 31, 2020	Investment income (loss) recognised by the Company for the year ended December 31, 2020	Footnote
				Balance as at December 31, 2020	Balance as at December 31, 2019	Number of shares					
VIKING TECH CORPORATION	Viking Global Tech Co., Ltd.	British Virgin Islands	Broad businesses and investments	\$ 111,311	\$ 111,311	7,000	100	\$ 245,163	\$ 32,786	\$ 32,786	Note1
Viking Global Tech Co., Ltd.	Lead Brand Co., Ltd.	St. Vincent	Sale of thin film passive components	-	-	-	100	45,448	1,646	1,646	
Viking Global Tech Co., Ltd.	Viking Tech Electronics Limited	Hong Kong	Manufacturing and sale of passive components and thermistors	74,411	74,411	-	100	175,303	23,304	23,304	
Viking Global Tech Co., Ltd.	Grand Barry International Limited	British Virgin Islands	Manufacturing and sale of passive components and thermistors	23,766	23,766	-	100	24,412	7,836	7,836	
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	23,392	10,407	7,884	Note2

Note1 : 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.

Note2 : In July 2013, Grand Barry International Limited increased its investments in the amount of \$3,001 in Viking Tech America Corporation. Its ownership of the investee declined to 76% since it did not participate in the investee's capital increase in proportion to its previous ownership, and Grand Barry International Limited did not lose its control over the subsidiaries. The difference between carrying amount and net acquisition value were adjusted in equity amounting to \$1,482.



Information on investments in Mainland China  
Year ended December 31, 2020

Table 6

Expressed in thousands of NTD

Investee in Mainland China	Main business Activities	Paid-in capital (Note1)	Investment method (Note 2)	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2020	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2020		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2020	Net income of investee for the year ended December 31, 2020	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2020 (Note5.(2).B)	Book value of investments in Mainland China as of December 31, 2020	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2020	Footnote
					Remitted to Mainland China	Remitted back to Taiwan							
Viking Electronics (WUXI) CO., LTD.	Manufacturing and sale of passive	\$ 170,880	(3)	\$ 170,880	\$ -	\$ -	\$ 170,880	\$ 23,304	100	\$ 23,304	\$ 175,303	\$ -	
<u>Company name</u>	<u>Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2020</u>		<u>Investment amount approved by The Investment Commission of the Ministry of Economic Affairs (MOEA)</u>		<u>Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA</u>								
Viking Electronics (WUXI) CO., LTD.	\$ 170,880	\$ 170,880		\$ 1,571,254									

Note 1: The paid-in capital was translated into NTD from USD 6,000 at the exchange rate on reporting date.

Note 2: 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 3: 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 4: 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 5: 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, 2020

Table 7

Expressed in thousands of NTD

Investee in Mainland China	Sale (purchase)		Property transaction		Accounts receivable (payable)		Provision of endorsements/guarantees or collaterals		Financing		Maximum balance during the year ended December 31, 2020	Balance at December 31, 2020	Interest rate	Interest during the year ended December 31, 2020	Others
	Amount	%	Amount	%	Balance at December 31, 2020	%	Balance at December 31, 2020	Purpose							
Viking Electronics (WUXI) CO., LTD.	\$ 422,865	19.89%	\$ -	-	\$ 237,778	47.91%	\$ -	-	\$ -	-	\$ -	-	-	\$ -	-
Viking Electronics (WUXI) CO., LTD.	( 23,916)	1.48%	-	-	( 4,567)	2.14%	-	-	-	-	-	-	-	-	-

VIKING TECH CORPORATION and Subsidiaries

Major shareholders information

December 31,2020

Table 8

Name of major shareholders	Shares	
	Number of shares held	Ownership (%)
Guangdong Fenghua Advanced Technology (Holding) Co., Ltd.	46,936,337	40.00%
Thye Ming Industrial Co., Ltd.	9,209,010	7.84%

**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, 2020 AND 2019**

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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

PWCR20000376

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, 2020 and 2019, 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, 2020 and 2019, 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 audit of the financial statements as of and for the year ended December 31, 2020 in accordance with the “Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants”, "Rule No. Financial-Supervisory-Securities-Auditing-1090360805 issued by the Financial Supervisory Commission on February 25, 2020” and generally accepted auditing standards in the Republic of China (ROC GAAS); and in accordance with the “Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants” and ROC GAAS for our audit of the financial statements as of and for the year ended December 31, 2019. 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, 2020 are outlined as follows:

### **Cut-off risk error of revenue recognition**

#### Description

Refer to Note 4(25) 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 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 recognition accounting policy.
2. Understood and tested the design and effectiveness of relevant internal controls when recognising the sales revenue.
3. Sampled delivery orders and customer confirmation documents during 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

Refer to Note 4(12) for accounting policies on inventory, Note 5 for significant accounting estimates and assumptions of inventory, and Note 6(4) 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 management 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 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.

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Cheng, Ya-Huei

Lin, Yu-Kuan

For and on behalf of PricewaterhouseCoopers, Taiwan

February 26, 2021

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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.

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**  
**PARENT COMPANY ONLY BALANCE SHEETS**  
**DECEMBER 31, 2020 AND 2019**  
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Assets	Notes	December 31, 2020		December 31, 2019		
		AMOUNT	%	AMOUNT	%	
<b>Current assets</b>						
1100	Cash and cash equivalents	6(1)	\$ 325,142	11	\$ 387,272	13
1110	Financial assets at fair value through profit or loss - current	6(2)	252,211	8	199,463	7
1150	Notes receivable, net	6(3)	3,051	-	2,508	-
1170	Accounts receivable, net	6(3)	270,594	9	227,492	8
1180	Accounts receivable - related parties	6(3) and 7	257,327	8	175,219	6
1200	Other receivables		8,559	-	4,854	-
1210	Other receivables - related parties	7	471	-	492	-
1220	Current income tax assets	6(23)	25,264	1	13,711	-
130X	Inventories, net	6(4)	504,894	16	427,754	14
1410	Prepayments		20,934	1	26,575	1
1479	Other current assets	8	1,925	-	1,972	-
11XX	<b>Total current assets</b>		<u>1,670,372</u>	<u>54</u>	<u>1,467,312</u>	<u>49</u>
<b>Non-current assets</b>						
1550	Investments accounted for under equity method	6(5)	245,163	8	210,483	7
1600	Property, plant and equipment	6(6) and 8	1,091,188	35	1,199,472	40
1755	Right-of-use assets	6(7)	6,260	-	7,475	-
1780	Intangible assets		5,625	-	4,691	-
1840	Deferred income tax assets	6(23)	25,789	1	32,788	1
1900	Other non-current assets		66,178	2	76,046	3
15XX	<b>Total non-current assets</b>		<u>1,440,203</u>	<u>46</u>	<u>1,530,955</u>	<u>51</u>
1XXX	<b>Total assets</b>		<u>\$ 3,110,575</u>	<u>100</u>	<u>\$ 2,998,267</u>	<u>100</u>

(Continued)

**VIKING TECH CORPORATION**  
**PARENT COMPANY ONLY BALANCE SHEETS**  
**DECEMBER 31, 2020 AND 2019**  
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Liabilities and Equity		Notes	December 31, 2020		December 31, 2019	
			AMOUNT	%	AMOUNT	%
<b>Current liabilities</b>						
2100	Short-term borrowings	6(8)	\$ 15,000	1	\$ 30,000	1
2150	Notes payable		4,196	-	2,080	-
2170	Accounts payable	7	143,030	5	95,719	3
2200	Other payables	6(9)	164,716	5	162,558	6
2230	Current income tax liabilities	6(23)	10,188	-	-	-
2280	Current lease liabilities	6(7)	2,204	-	2,207	-
2320	Long-term liabilities, current portion	6(10) and 8	27,968	1	27,578	1
2399	Other current liabilities		2,752	-	2,851	-
21XX	<b>Total current Liabilities</b>		<u>370,054</u>	<u>12</u>	<u>322,993</u>	<u>11</u>
<b>Non-current liabilities</b>						
2540	Long-term borrowings	6(10) and 8	110,277	4	138,406	5
2570	Deferred income tax liabilities	6(23)	886	-	133	-
2580	Non-current lease liabilities	6(7)	4,124	-	5,312	-
2600	Other non-current liabilities		13,963	-	8,903	-
25XX	<b>Total non-current liabilities</b>		<u>129,250</u>	<u>4</u>	<u>152,754</u>	<u>5</u>
2XXX	<b>Total Liabilities</b>		<u>499,304</u>	<u>16</u>	<u>475,747</u>	<u>16</u>
<b>Equity</b>						
Share capital		6(12)				
3110	Ordinary share		1,173,408	38	1,173,408	39
Capital surplus		6(13)				
3200	Capital surplus		730,121	24	730,121	24
Retained earnings		6(14)				
3310	Legal reserve		192,963	6	178,592	6
3320	Special reserve		12,265	-	7,524	-
3350	Unappropriated retained earnings		512,885	16	445,140	15
Other equity interest		6(15)				
3400	Other equity interest		(10,371)	-	(12,265)	-
3XXX	<b>Total equity</b>		<u>2,611,271</u>	<u>84</u>	<u>2,522,520</u>	<u>84</u>
Significant Contingent Liabilities and Unrecognised Contract Commitments		9				
Significant events after the balance sheet date		11				
3X2X	<b>Total liabilities and equity</b>		<u>\$ 3,110,575</u>	<u>100</u>	<u>\$ 2,998,267</u>	<u>100</u>

The accompanying notes are an integral part of these parent company only financial statements.

**VIKING TECH CORPORATION**  
**PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME**  
**YEARS ENDED DECEMBER 31, 2020 AND 2019**  
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS, EXCEPT EARNINGS PER SHARE)

Items	Notes	Year ended December 31			
		2020		2019	
		AMOUNT	%	AMOUNT	%
4000 Operating revenue	6(16) and 7	\$ 1,763,731	100	\$ 1,750,018	100
5000 Operating costs	6(4)(21)(22) and 7	( 1,336,888)	( 76)	( 1,348,322)	( 77)
5900 Gross Profit		426,843	24	401,696	23
5910 Unrealized profit from sales		( 9,834)	-	( 4,556)	-
5920 Realized profit from sales		4,556	-	25,650	1
5950 Net operating margin		421,565	24	422,790	24
Operating expenses	6(21)(22)				
6100 Selling expenses	7	( 79,205)	( 5)	( 85,286)	( 5)
6200 General and administrative expenses		( 129,131)	( 7)	( 138,164)	( 8)
6300 Research and development expenses		( 59,320)	( 3)	( 55,113)	( 3)
6450 Expected credit loss	12(2)	1,205	-	94	-
6000 Total operating expenses		( 266,451)	( 15)	( 278,657)	( 16)
6900 Operating profit		155,114	9	144,133	8
Non-operating income and expenses					
7100 Interest income		490	-	2,527	-
7010 Other income	6(18)	1,007	-	2,668	-
7020 Other gains and losses	6(2)(19)	( 7,873)	( 1)	( 730)	-
7050 Finance costs	6(20)	( 2,158)	-	( 2,958)	-
7070 Share of profit of associates and joint ventures accounted for using equity method, net	6(5)	32,786	2	30,156	2
7000 Total non-operating income and expenses		24,252	1	31,663	2
7900 Profit before income tax		179,366	10	175,796	10
7950 Income tax expense	6(23)	( 10,370)	-	( 32,082)	( 2)
8200 Profit for the year		\$ 168,996	10	\$ 143,714	8
<b>Other comprehensive income, net</b>					
<b>Components of other comprehensive income that will be reclassified to profit or loss</b>					
8361 Other comprehensive income, before tax, exchange differences on translation	6(15)	\$ 1,894	-	( \$ 6,199)	-
8367 Unrealised gains (losses) from investments in debt instruments measured at fair value through other comprehensive income	6(15)	-	-	1,458	-
8500 Total comprehensive income for the year		\$ 170,890	10	\$ 138,973	8
Earnings per share					
9750 Basic earnings per share	6(24)	\$ 1.44		\$ 1.22	
9850 Diluted earnings per share from continuing operations	6(24)	\$ 1.43		\$ 1.21	

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**  
**YEARS ENDED DECEMBER 31, 2020 AND 2019**  
**(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)**

	Notes	Retained earnings					Other equity interest		Total equity
		Ordinary share	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Financial statements translation differences of foreign operations	Unrealised gains (losses) from financial assets measured at fair value through other comprehensive income	
<b>Year ended December 31, 2019</b>									
Balance at January 1, 2019		\$ 1,173,408	\$ 730,121	\$ 150,954	\$ 3,510	\$ 473,887	(\$ 6,066)	(\$ 1,458)	\$ 2,524,356
Profit for the year		-	-	-	-	143,714	-	-	143,714
Other comprehensive (loss) income for the year	6(15)	-	-	-	-	-	(6,199)	1,458	(4,741)
Total comprehensive income (loss)		-	-	-	-	143,714	(6,199)	1,458	138,973
Distribution of retained earnings of 2018:									
Legal reserve	6(14)	-	-	27,638	-	(27,638)	-	-	-
Special reserve	6(14)	-	-	-	4,014	(4,014)	-	-	-
Cash dividends	6(14)	-	-	-	-	(140,809)	-	-	(140,809)
Balance at December 31, 2019		\$ 1,173,408	\$ 730,121	\$ 178,592	\$ 7,524	\$ 445,140	(\$ 12,265)	\$ -	\$ 2,522,520
<b>Year ended December 31, 2020</b>									
Balance at January 1, 2020		\$ 1,173,408	\$ 730,121	\$ 178,592	\$ 7,524	\$ 445,140	(\$ 12,265)	\$ -	\$ 2,522,520
Profit (loss)		-	-	-	-	168,996	-	-	168,996
Other comprehensive income	6(15)	-	-	-	-	-	1,894	-	1,894
Total comprehensive income		-	-	-	-	168,996	1,894	-	170,890
Distribution of retained earnings of 2019:									
Legal reserve	6(14)	-	-	14,371	-	(14,371)	-	-	-
Special reserve	6(14)	-	-	-	4,741	(4,741)	-	-	-
Cash dividends	6(14)	-	-	-	-	(82,139)	-	-	(82,139)
Balance at December 31, 2020		\$ 1,173,408	\$ 730,121	\$ 192,963	\$ 12,265	\$ 512,885	(\$ 10,371)	\$ -	\$ 2,611,271

The accompanying notes are an integral part of these parent company only financial statements.

VIKING TECH CORPORATION  
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS  
YEARS ENDED DECEMBER 31, 2020 AND 2019  
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	Notes	Year ended December 31	
		2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before tax		\$ 179,366	\$ 175,796
Adjustments			
Adjustments to reconcile profit (loss)			
(Reversal of) provision for expected credit loss	12(2)	( 1,205 )	94
Depreciation	6(6)(7)(21)	191,021	187,023
Amortisation of intangible assets	6(21)	3,520	3,485
Interest income	6(18)	( 490 )	( 2,527 )
Interest expense	6(20)	2,158	2,958
Share of profit of associates and joint ventures accounted for under equity method	6(5)	( 32,786 )	( 30,156 )
Net gain on financial assets at fair value through profit or loss	6(2)(19)	( 4,948 )	( 4,473 )
Gain on disposal of property, plant and equipment	6(6)(19)	( 3,305 )	( 5,723 )
Loss on disposal of investments	6(19)	-	777
Gain on foreign exchange remeasurement of financial assets at fair value through other comprehensive income		-	( 3,461 )
(Realized) unrealized profit on sales		5,278	( 21,094 )
Changes in operating assets and liabilities			
Changes in operating assets			
Financial assets at fair value through profit or loss	6(2)	( 47,800 )	( 145,334 )
Notes receivable	6(3)	( 543 )	8,780
Accounts receivable	6(3)	( 41,897 )	158,317
Accounts receivable - related parties	6(3) and 7	( 82,108 )	35,298
Other receivables		( 3,733 )	13,832
Other receivables - related parties		21	19,076
Inventories	6(4)	( 77,140 )	41,070
Prepayments		5,641	( 9,969 )
Other current assets		47	36
Changes in operating liabilities			
Notes payable		2,116	( 1,074 )
Accounts payable	7	47,311	( 108,481 )
Other payables	6(10) and 7	9,455	( 42,204 )
Other current liabilities		( 99 )	( 724 )
Cash inflow generated from operations		149,880	271,322
Interest received		518	2,875
Interest paid		( 2,098 )	( 2,857 )
Income tax paid		( 3,983 )	( 87,337 )
Net cash flows from operating activities		144,317	184,003

(Continued)

VIKING TECH CORPORATION  
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS  
YEARS ENDED DECEMBER 31, 2020 AND 2019  
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	Notes	Year ended December 31	
		2020	2019
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Proceeds from disposal of financial assets carried at cost		\$ -	\$ 63,298
Acquisition of financial assets at amortized cost		-	( 56,000 )
Proceeds from disposal of financial assets at amortized cost		-	106,000
Increase in other current financial assets	8	-	( 1,000 )
Acquisition of property, plant and equipment	6(6)	( 77,504 )	( 249,617 )
Proceeds from disposal of property, plant and equipment		3,305	10,588
Acquisition of intangible assets		( 4,454 )	( 4,568 )
Decrease (increase) in refundable deposits		3	( 118 )
Net cash flows used in investing activities		( 78,650 )	( 131,417 )
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Increase in short-term borrowings	6(8)	45,000	70,000
Repayments of short-term borrowings	6(8)	( 60,000 )	( 60,000 )
Repayments of long-term borrowings	6(10)	( 27,739 )	( 34,765 )
Repayments of principal portion of lease liabilities	6(7)	( 2,701 )	( 2,341 )
(Decrease) increase in guarantee deposits received		( 218 )	792
Cash dividends paid	6(14)	( 82,139 )	( 140,809 )
Net cash flows used in financing activities		( 127,797 )	( 167,123 )
Net decrease in cash and cash equivalents		( 62,130 )	( 114,537 )
Cash and cash equivalents at beginning of year	6(1)	387,272	501,809
Cash and cash equivalents at end of year	6(1)	\$ 325,142	\$ 387,272

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, 2020 AND 2019  
(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 February 26, 2021.

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 2020 are as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Amendments 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 9, IAS 39 and IFRS7 ,‘Interest rate benchmark reform’	January 1, 2020
Amendment to IFRS 16, ‘Covid-19-related rent concessions’	June 1, 2020 (Note)
Note : Earlier application from January 1, 2020 is allowed by FSC.	

The above standards and interpretations have no significant impact to the Company’s financial condition and financial performance based on the Company’s assessment.



(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 2021 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 4, 'Extension of the temporary exemption from applying IFRS 9'	January 1, 2021
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, 'Interest Rate Benchmark Reform— Phase 2'	January 1, 2021

The above standards and interpretations have no significant impact to the Company's financial condition and financial performance based on the Company's assessment.

(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
Amendments to IFRS 3, 'Reference to the conceptual framework'	January 1, 2022
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, 2023
Amendments to IFRS 17, 'Insurance contracts'	January 1, 2023
Amendments to IAS 1, 'Classification of liabilities as current or non-current'	January 1, 2023
Amendments to IAS 1, 'Disclosure of accounting policies'	January 1, 2023
Amendments to IAS 8, 'Definition of accounting estimates'	January 1, 2023
Amendments to IAS 16, 'Property, plant and equipment: proceeds before intended use'	January 1, 2022
Amendments to IAS 37, 'Onerous contracts—cost of fulfilling a	January 1, 2022
Annual improvements to IFRS Standards 2018–2020	January 1, 2022

The above standards and interpretations have no significant impact to the Company's financial condition and financial performance based on the Company's assessment.

#### 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.

##### (4) 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”.

##### (5) 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 at fair value through other comprehensive income.
- (c) Liabilities on cash-settled share-based payment arrangements measured at fair value.

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 critical accounting 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. Information is provided in Note 5.

##### (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) Except for the foreign exchanges gains and losses relating to borrowings as well as cash and cash equivalents are presented in the statement of comprehensive income within 'other income and finance costs', others 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 company 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 Company measures the financial assets at fair value and recognises the transaction costs in profit or loss. The Company subsequently measures the financial assets at fair value, and recognises the gain or loss in profit or loss.
- D. The Company recognises the dividend income 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.

(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 Company 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) Leasing arrangements (lessee) – right-of-use assets/ lease liabilities

- A. Leases are recognised as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Company. For short-term leases or leases of low-value assets, lease payments are recognised as an expense on a straight-line basis over the lease term.
- B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate.

Lease payments are comprised of the following:

- (a) Fixed payments, less any lease incentives receivable;
- (b) Variable lease payments that depend on an index or a rate;
- (c) Amounts expected to be payable by the lessee under residual value guarantees;
- (d) The exercise price of a purchase option, if the lessee is reasonably certain to exercise that option; and
- (e) Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The Company subsequently measures the lease liability at amortised cost using the interest method and recognises interest expense over the lease term. The lease liability is remeasured and the amount of remeasurement is recognised as an adjustment to the right-of-use asset when there are changes in the lease term or lease payments and such changes do not arise from contract modifications.

- C. At the commencement date, the right-of-use asset is stated at cost comprising the following:
- (a) The amount of the initial measurement of lease liability;
  - (b) Any lease payments made at or before the commencement date;
  - (c) Any initial direct costs incurred by the lessee; and
  - (d) An estimate of costs to be incurred by the lessee in dismantling and removing the

underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

The right-of-use asset is measured subsequently using the cost model and is depreciated from the commencement date to the earlier of the end of the asset's useful life or the end of the lease term. When the lease liability is remeasured, the amount of remeasurement is recognised as an adjustment to the right-of-use asset.

(16) 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.

(17) 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.

(18) 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.

(19) 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.

(20) Derecognition of financial liabilities

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



(21) 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.

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

subsequent actual distributed amounts is accounted for as changes in estimates.

(22) 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 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 Company 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.

(23) 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.

(24) 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.

(25) 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, 2020, the carrying amount of inventories was \$504,894.

## 6. DETAILS OF SIGNIFICANT ACCOUNTS

### (1) Cash and cash equivalents

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Cash on hand and revolving funds	\$ 1,046	\$ 1,032
Checking accounts and demand deposits	324,096	346,240
Time deposits	-	40,000
	<u>\$ 325,142</u>	<u>\$ 387,272</u>

- 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

Items	December 31, 2020	December 31, 2019
Current items:		
Financial assets mandatorily measured at fair value through profit or loss		
Beneficiary certificates	\$ 249,642	\$ 200,245
Valuation adjustment	2,569	( 782)
Total	\$ 252,211	\$ 199,463

A. The Company recognised net gain of \$4,948 and \$4,473 for the years ended December 31, 2020 and 2019, respectively.

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

(3) Notes and accounts receivable

	December 31, 2020	December 31, 2019
Notes receivable	\$ 3,051	\$ 2,508
Less: Allowance for uncollectible accounts	-	-
	\$ 3,051	\$ 2,508
Accounts receivable	\$ 529,154	\$ 405,149
Less: Allowance for uncollectible accounts	( 1,233)	( 2,438)
	\$ 527,921	\$ 402,711

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

	December 31, 2020	December 31, 2019
Not past due	\$ 499,161	\$ 374,499
Up to 60 days	26,048	22,623
61 to 90 days	2,062	58
91 to 180 days	1,738	7,034
Over 180 days	145	935
	\$ 529,154	\$ 405,149

The above ageing analysis was based on past due date.

B. As at December 31, 2020 and 2019, and January 1, 2019, the balances of receivables (including notes receivable) from contracts with customers amounted to \$532,205, \$407,657, and \$610,934, respectively.

C. The Company does not hold any collateral as security.

D. As at December 31, 2020 and 2019, 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 \$3,051 and \$2,508, and accounts receivable were \$527,921 and \$402,711, respectively.

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

(4) Inventories

	December 31, 2020		
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 234,179	(\$ 6,474)	\$ 227,705
Work in progress	188,314	( 37,656)	150,658
Finished goods	137,807	( 28,045)	109,762
Merchandise	18,246	( 1,477)	16,769
	<u>\$ 578,546</u>	<u>(\$ 73,652)</u>	<u>\$ 504,894</u>

	December 31, 2019		
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 215,743	(\$ 7,879)	\$ 207,864
Work in progress	171,655	( 51,213)	120,442
Finished goods	119,621	( 28,575)	91,046
Merchandise	9,622	( 1,220)	8,402
	<u>\$ 516,641</u>	<u>(\$ 88,887)</u>	<u>\$ 427,754</u>

The cost of inventories recognised as expense for the year:

	Year ended December 31, 2020	Year ended December 31, 2019
Cost of goods sold	\$ 1,355,671	\$ 1,325,587
Loss on decline in market price and slow-moving inventories	11,769	26,200
Revenue from sale of scraps	( 3,548)	( 3,465)
Loss on physical inventory	( 27,004)	-
	<u>\$ 1,336,888</u>	<u>\$ 1,348,322</u>

(5) Investments accounted for using equity method

	2020	2019
At January 1	\$ 210,483	\$ 186,526
Share of profit or loss of investments accounted for using equity method	32,786	30,156
Changes in other equity items (Note 6(15))	1,894	( 6,199)
At December 31	<u>\$ 245,163</u>	<u>\$ 210,483</u>

	December 31, 2020	December 31, 2019
Viking Global Tech Co., Ltd.	<u>\$ 245,163</u>	<u>\$ 210,483</u>

Details of the Company's subsidiaries are provided in Note 4(3) of the Company's consolidated financial statements as of and for the year ended December 31, 2020.

(6) Property, plant and equipment

	Land	Buildings and structures	Machinery	Equipment under installation	Others	Total
<u>At January 1, 2020</u>						
Cost	\$ 229,932	\$ 538,126	\$ 1,290,010	\$ -	\$ 17,859	\$ 2,075,927
Accumulated depreciation	-	( 247,157)	( 564,056)	-	( 8,258)	( 819,471)
Accumulated impairment	-	-	( 56,984)	-	-	( 56,984)
	<u>\$ 229,932</u>	<u>\$ 290,969</u>	<u>\$ 668,970</u>	<u>\$ -</u>	<u>\$ 9,601</u>	<u>\$ 1,199,472</u>
<u>2020</u>						
Opening net book amount as at January 1	\$ 229,932	\$ 290,969	\$ 668,970	\$ -	\$ 9,601	\$ 1,199,472
Additions	-	4,110	71,375	2,613	2,011	80,109
Depreciation charge	-	( 35,292)	( 149,547)	-	( 3,554)	( 188,393)
Closing net book amount as at December 31	<u>\$ 229,932</u>	<u>\$ 259,787</u>	<u>\$ 590,798</u>	<u>\$ 2,613</u>	<u>\$ 8,058</u>	<u>\$ 1,091,188</u>
<u>At December 31, 2020</u>						
Cost	\$ 229,932	\$ 542,236	\$ 1,264,787	\$ 2,613	\$ 16,167	\$ 2,055,735
Accumulated depreciation	-	( 282,449)	( 637,861)	-	( 8,109)	( 928,419)
Accumulated impairment	-	-	( 36,128)	-	-	( 36,128)
	<u>\$ 229,932</u>	<u>\$ 259,787</u>	<u>\$ 590,798</u>	<u>\$ 2,613</u>	<u>\$ 8,058</u>	<u>\$ 1,091,188</u>

	Land	Buildings and structures	Machinery	Equipment under installation	Others	Total
<u>At January 1, 2019</u>						
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)
	<u>\$ 229,932</u>	<u>\$ 297,583</u>	<u>\$ 556,617</u>	<u>\$ 13,979</u>	<u>\$ 9,127</u>	<u>\$ 1,107,238</u>
<u>2019</u>						
Opening net book amount as at January 1	\$ 229,932	\$ 297,583	\$ 556,617	\$ 13,979	\$ 9,127	\$ 1,107,238
Additions	-	32,626	244,451	-	4,764	281,841
Disposals	-	-	( 4,865)	-	-	( 4,865)
Transfer	-	-	13,979	( 13,979)	-	-
Depreciation charge	-	( 39,240)	( 141,212)	-	( 4,290)	( 184,742)
Closing net book amount as at December 31	<u>\$ 229,932</u>	<u>\$ 290,969</u>	<u>\$ 668,970</u>	<u>\$ -</u>	<u>\$ 9,601</u>	<u>\$ 1,199,472</u>
<u>At December 31, 2019</u>						
Cost	\$ 229,932	\$ 538,126	\$ 1,290,010	\$ -	\$ 17,859	\$ 2,075,927
Accumulated depreciation	-	( 247,157)	( 564,056)	-	( 8,258)	( 819,471)
Accumulated impairment	-	-	( 56,984)	-	-	( 56,984)
	<u>\$ 229,932</u>	<u>\$ 290,969</u>	<u>\$ 668,970</u>	<u>\$ -</u>	<u>\$ 9,601</u>	<u>\$ 1,199,472</u>

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.

(7) Leasing arrangements — lessee

A. The Company leases various assets including land, buildings, machinery and equipment, business vehicles. Rental contracts are typically made for periods of 2 to 10 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants, but leased assets may not be used as security for borrowing purposes.

B. The carrying amount of right-of-use assets and the depreciation charge are as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
	<u>Carrying amount</u>	<u>Carrying amount</u>
Land	\$ 3,634	\$ 3,990
Buildings	160	657
Transportation equipment (Business vehicles)	805	335
Office equipment (Photocopiers)	<u>1,661</u>	<u>2,493</u>
	<u>\$ 6,260</u>	<u>\$ 7,475</u>
	<u>Year ended December</u>	<u>Year ended December</u>
	<u>31, 2020</u>	<u>31, 2019</u>
	<u>Depreciation charge</u>	<u>Depreciation charge</u>
Land	\$ 697	\$ 674
Buildings	497	478
Transportation equipment (Business vehicles)	602	382
Office equipment (Photocopiers)	<u>832</u>	<u>747</u>
	<u>\$ 2,628</u>	<u>\$ 2,281</u>

The movements of right-of-use assets of the Group during the 2020 and 2019 are as follows:

	<u>Year ended December 31, 2020</u>				
	<u>Land</u>	<u>Buildings and structures</u>	<u>Machinery</u>	<u>Other equipment</u>	<u>Total</u>
Opening net book amount as at January 1	\$ 3,990	\$ 657	\$ 335	\$ 2,493	\$ 7,475
Additions	-	-	1,072	-	1,072
Depreciation charge	( 697)	( 497)	( 602)	( 832)	( 2,628)
Adjustment	<u>341</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>341</u>
	<u>\$ 3,634</u>	<u>\$ 160</u>	<u>\$ 805</u>	<u>\$ 1,661</u>	<u>\$ 6,260</u>



	Year ended December 31, 2019				
	Land	Buildings		Other equipment	Total
		and structures	Machinery		
Opening net book amount as at January 1	\$ 4,664	\$ 1,136	\$ 716	\$ 1,008	\$ 7,524
Additions		-	-	2,382	2,382
Depreciation charge	( 674)	( 479)	( 381)	( 747)	( 2,281)
Adjustments	-	-	-	( 150)	( 150)
	<u>\$ 3,990</u>	<u>\$ 657</u>	<u>\$ 335</u>	<u>\$ 2,493</u>	<u>\$ 7,475</u>

C. The information on profit and loss accounts relating to lease contracts is as follows:

	Year ended December 31, 2020	Year ended December 31, 2019
Items affecting profit or loss		
Interest expense on lease liabilities	\$ 97	\$ 104
Expense on short-term lease contracts	1,640	2,265

D. For the years ended December 31, 2020 and 2019, the Company's total cash outflow for leases were \$4,438 and \$4,710, respectively.

(8) Short-term borrowings

Type of borrowings	December 31, 2020	Interest rate range	Collateral
Bank borrowings			
Unsecured borrowings	<u>\$ 15,000</u>	0.98% ~ 1.15%	None
Type of borrowings	December 31, 2019	Interest rate range	Collateral
Bank borrowings			
Unsecured borrowings	<u>\$ 30,000</u>	1.16% ~ 1.18%	None

(9) Other payables

	December 31, 2020	December 31, 2019
Salary payable	\$ 36,260	\$ 30,887
Bonus payable	25,613	24,650
Payable on employees' compensation	21,102	20,682
Payable on machinery and equipment	14,850	22,110
Payable on directors' remuneration	10,551	10,341
Others	56,340	53,888
	<u>\$ 164,716</u>	<u>\$ 162,558</u>

(10) Long-term borrowings

<u>Type of borrowings</u>	<u>Borrowing period and repayment term</u>	<u>Interest rate range</u>	<u>Collateral</u>	<u>December 31, 2020</u>
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.	1.11%	Note 1	\$ 56,434
Secured borrowings	Borrowing period is from February 20, 2017 to January 15, 2022; interest is repayable quarterly.	1.15%	Note 2	11,250
Secured borrowings	Borrowing period is from October 25, 2017 to October 25, 2027; principal and interest are repayable monthly.	1.11%	Note 1	34,878
Secured borrowings	Borrowing period is from February 7, 2018 to October 25, 2027; principal and interest are repayable monthly.	1.11%	Note 1	<u>35,683</u>
				138,245
Less: Current portion				( <u>27,968</u> )
				<u>\$ 110,277</u>

<u>Type of borrowings</u>	<u>Borrowing period and repayment term</u>	<u>Interest rate range</u>	<u>Collateral</u>	<u>December 31, 2019</u>
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	\$ 65,329
Secured borrowings	Borrowing period is from February 20, 2017 to January 15, 2022; interest is repayable quarterly.	1.40%	Note 2	20,250
Secured borrowings	Borrowing period is from October 25, 2017 to October 25, 2027; principal and interest are repayable monthly.	1.56%	Note 1	39,742
Secured borrowings	Borrowing period is from February 7, 2018 to October 25, 2027; principal and interest are repayable monthly.	1.36%	Note 1	<u>40,663</u>
				165,984
Less: Current portion				( <u>27,578</u> )
				<u>\$ 138,406</u>

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.

(11) 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, 2020 and 2019 were \$15,810 and \$15,788, respectively.

(12) Share capital

As of December 31, 2020, 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 thousand shares with a par value of \$10 (in dollars) per share. All proceeds from shares issued have been collected.

There was no change in the number of shares for the years ended December 31, 2020 and 2019. Details of the balances at the end of the year are as follows:

	Unit: in thousand shares	
	2020	2019
At December 31	<u>117,341</u>	<u>117,341</u>

(13) 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.

	2020				
	Share premium	Recognition of changes in the subsidiary’s equity	Donated assets received	Consolidation excess	Total
At January 1(and at December 31)	<u>\$ 423,367</u>	<u>\$ 1,482</u>	<u>\$ 700</u>	<u>\$ 304,572</u>	<u>\$ 730,121</u>

	2019				
	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

(14) 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 2019 and 2018 earnings had been resolved at the Board of Directors' and stockholders' meeting on June 22, 2020 and June 24, 2019, respectively. Details are summarized below:

	2019		2018	
	Amount	Dividends per share (in dollars)	Amount	Dividends per share (in dollars)
Legal reserve	\$ 14,371		\$ 27,638	
Special reserve	4,741		4,014	
Cash dividends	82,139	\$ 0.70	140,809	\$ 1.20
Total	\$ 101,251		\$ 172,461	

The appropriations of 2019 and 2018 earnings are in agreement with the Board of Directors' proposals on March 11, 2020 and March 13, 2019, respectively.

(b)The appropriations of 2020 earnings had been resolved at the Board of Directors' and stockholders' meeting on February 26, 2021. Details are summarized below:

	2020	
	Amount	Dividends per share (in dollars)
Legal reserve	\$ 16,899	
Special reserve	( 1,894)	
Cash dividends	93,873	\$ 0.80
Total	<u>\$ 108,878</u>	

As of February 26, 2021, the appropriations of 2020 earnings had not been approved by the stockholders.

F. For the information relating to employees' compensation and directors' remuneration, please refer to Note 6(22).

(15) Other equity items

	2020		
	Measured at fair value through other comprehensive income under unrealized gain or loss on		
	financial instrument	Currency translation	Total
At January 1	\$ -	(\$ 12,265)	(\$ 12,265)
Currency translation differences:			
–Subsidiary	-	1,894	1,894
At December 31	<u>\$ -</u>	<u>(\$ 10,371)</u>	<u>(\$ 10,371)</u>

	2019		
	Measured at fair value through other comprehensive income under unrealized gain or loss on		
	financial instrument	Currency translation	Total
At January 1	(\$ 1,458)	(\$ 6,066)	(\$ 7,524)
Revaluation	1,458	-	1,458
Currency translation differences:			
–Subsidiary	-	( 6,199)	( 6,199)
At December 31	<u>\$ -</u>	<u>(\$ 12,265)</u>	<u>(\$ 12,265)</u>

(16) Operating revenue

	Year ended December 31, 2020	Year ended December 31, 2019
Revenue from contracts with customers	\$ 1,763,731	\$ 1,750,018

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

(17) Interest income

	Year ended December 31, 2020	Year ended December 31, 2019
Interest income from bank deposits	\$ 490	\$ 1,096
Interest income from financial assets at fair value through other comprehensive income	-	1,007
Interest income from financial assets measured at amortised cost	-	424
	\$ 490	\$ 2,527

(18) Other income

	Year ended December 31, 2020	Year ended December 31, 2019
Net currency exchange losses	(\$ 2,068)	(\$ 1,209)
Other income, others	3,075	3,877
	\$ 1,007	\$ 2,668

(19) Other gains and losses

	Year ended December 31, 2020	Year ended December 31, 2019
Gain on financial assets at fair value through profit or loss	\$ 4,948	\$ 4,473
Foreign exchange loss	( 15,095)	( 9,808)
Gain on disposals of property, plant and equipment	3,305	5,723
Loss on disposals of investments	-	( 777)
Miscellaneous disbursements	( 1,031)	( 341)
	(\$ 7,873)	(\$ 730)

(20) Finance costs

	Year ended December 31, 2020	Year ended December 31, 2019
Interest expense		
Bank interest expense	\$ 2,061	\$ 2,854
Lease liabilities	97	104
	<u>\$ 2,158</u>	<u>\$ 2,958</u>

(21) Expenses by nature

	Year ended December 31, 2020	Year ended December 31, 2019
Employee benefit expense	\$ 492,556	\$ 474,161
Depreciation charges on property, plant and equipment	191,021	187,023
Amortisation charges on intangible assets	3,520	3,485
	<u>\$ 687,097</u>	<u>\$ 664,669</u>

(22) Employee benefit expense

	Year ended December 31, 2020	Year ended December 31, 2019
Wages and salaries	\$ 418,159	\$ 398,406
Labour and health insurance fees	36,931	38,334
Pension costs	15,810	15,788
Other personnel expenses	21,656	21,633
	<u>\$ 492,556</u>	<u>\$ 474,161</u>

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 first be reserved to offset the Company's accumulated deficit prior to the distribution of compensation and remuneration.

B. For the years ended December 31, 2020 and 2019, employees' compensation was accrued at \$21,102 and \$20,682, respectively; while directors' and supervisors' remuneration was accrued at \$10,551 and \$10,341, 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.

Employees' compensation and directors' remuneration of 2020 and 2019 as resolved by the Board of Directors were in agreement with those amounts recognised in the 2020 and 2019 financial statements, respectively



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, 2020	Year ended December 31, 2019
Current tax:		
Current tax on profits for the year	\$ 11,247	\$ 13,843
Tax on undistributed surplus earnings	2,123	5,195
Prior year income tax over estimation	( 10,751)	( 602)
Total current tax	<u>2,619</u>	<u>18,436</u>
Deferred tax:		
Origination and reversal of temporary differences	7,751	13,646
Total deferred tax	<u>7,751</u>	<u>13,646</u>
Income tax expense	<u>\$ 10,370</u>	<u>\$ 32,082</u>

(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, 2020	Year ended December 31, 2019
Tax calculated based on profit before tax and statutory tax rate	\$ 35,873	\$ 35,159
Expenses disallowed by tax regulation	( 16,875)	( 7,670)
Separate taxation	2,123	5,195
Prior year income tax over estimation	( 10,751)	( 602)
Income tax expense	<u>\$ 10,370</u>	<u>\$ 32,082</u>

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

	2020		
	January 1	Recognised in profit or loss	December 31
Temporary differences:			
—Deferred tax assets:			
Unrealised loss on market value decline and obsolete inventory	\$ 17,778	(\$ 3,047)	\$ 14,731
Unrealised exchange loss	1,916	( 979)	937
Unused vacation time bonus	786	142	928
Unused gross margin	911	1,056	1,967
Unused impairment loss	11,397	( 4,171)	7,226
Subtotal	<u>\$ 32,788</u>	<u>(\$ 6,999)</u>	<u>\$ 25,789</u>
—Deferred tax liabilities:			
Unrealised exchange gain	(\$ 133)	(\$ 753)	(\$ 886)
Subtotal	<u>(\$ 133)</u>	<u>(\$ 753)</u>	<u>(\$ 886)</u>
Total	<u>\$ 32,655</u>	<u>(\$ 7,752)</u>	<u>\$ 24,903</u>

	2019		
	January 1	Recognised in profit or loss	December 31
Temporary differences:			
—Deferred tax assets:			
Unrealised loss on market value decline and obsolete inventory	\$ 12,538	\$ 5,240	\$ 17,778
Unrealised exchange loss	1,336	580	1,916
Unused vacation time bonus	431	355	786
Unused gross margin	5,130	( 4,219)	911
Unused impairment loss	27,075	( 15,678)	11,397
Subtotal	<u>\$ 46,510</u>	<u>(\$ 13,722)</u>	<u>\$ 32,788</u>
—Deferred tax liabilities:			
Unrealised exchange gain	(\$ 209)	\$ 76	(\$ 133)
Subtotal	<u>(\$ 209)</u>	<u>\$ 76</u>	<u>(\$ 133)</u>
Total	<u>\$ 46,301</u>	<u>(\$ 13,646)</u>	<u>\$ 32,655</u>

D. The amounts of deductible temporary difference that are not recognised as deferred tax assets are as follows: None.

E. The Company's income tax returns through 2018 have been assessed and approved by the Tax Authority.

(24) Earnings per share

	Year ended December 31, 2020		
	Amount after tax	Weighted average number of ordinary shares outstanding (share in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 168,996	117,341	\$ 1.44
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 168,996	117,341	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	848	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 168,996	118,189	\$ 1.43
	Year ended December 31, 2019		
	Amount after tax	Weighted average number of ordinary shares outstanding (share in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 143,714	117,341	\$ 1.22
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 143,714	117,341	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	964	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 143,714	118,305	\$ 1.21

(25) Supplemental cash flow information

Investing activities with partial cash payments

	Year ended December 31, 2020	Year ended December 31, 2019
Purchase of property, plant and equipment	\$ 80,110	\$ 281,841
Add: Opening balance of payable on equipment	22,110	36,179
Ending balance of prepayment for equipment	65,256	75,121
Less: Ending balance of payable on equipment	( 14,850)	( 22,110)
Opening balance of prepayment on equipment	( 75,121)	( 121,414)
Cash paid during the year	<u>\$ 77,505</u>	<u>\$ 249,617</u>

(26) Changes in liabilities from financing activities

	Short-term borrowings	Long-term borrowings	Lease liabilities	Liabilities from financing activities-gross
At January 1, 2020	\$ 30,000	\$ 165,984	\$ 7,519	\$ 203,503
Changes in cash flow from financing activities	( 15,000)	( 27,739)	( 2,701)	( 45,440)
Changes in other non-cash items	-	-	1,510	1,510
At December 31, 2020	<u>\$ 15,000</u>	<u>\$ 138,245</u>	<u>\$ 6,328</u>	<u>\$ 159,573</u>

	Short-term borrowings	Long-term borrowings	Lease liabilities	Liabilities from financing activities-gross
At January 1, 2019	\$ 20,000	\$ 200,749	\$ 8,978	\$ 229,727
Changes in cash flow from financing activities	10,000	( 34,765)	( 2,341)	( 27,106)
Changes in other non-cash items	-	-	882	882
At December 31, 2019	<u>\$ 30,000</u>	<u>\$ 165,984</u>	<u>\$ 7,519</u>	<u>\$ 203,503</u>

## 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, 2020	Year ended December 31, 2019
Sales of goods:		
Viking Electronics (WUXI) CO., LTD.	\$ 422,865	\$ 279,797
Subsidiaries	86,392	94,152
	<u>\$ 509,257</u>	<u>\$ 373,949</u>

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, 2020	Year ended December 31, 2019
Purchases of goods:		
Subsidiaries	\$ 18,997	\$ 12,692
Entities having significant influence on the Company	26,108	15,900
Total	<u>\$ 45,105</u>	<u>\$ 28,592</u>

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

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Accounts receivable:		
Viking Electronics (WUXI) CO., LTD.	\$ 237,778	\$ 163,914
Subsidiaries	19,549	11,305
Other receivables:		
Entities having significant influence on the Company	<u>471</u>	<u>492</u>
Total	<u>\$ 257,798</u>	<u>\$ 175,711</u>

D. Payables to related parties

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Accounts payable:		
Subsidiaries	\$ 4,567	\$ 4,493
Entities having significant influence on the Company	<u>3,195</u>	<u>1,357</u>
Subtotal	7,762	5,850
Other payables:		
Subsidiaries	<u>449</u>	<u>914</u>
Total	<u>\$ 8,211</u>	<u>\$ 6,764</u>

E. Others

	<u>Year ended December 31, 2020</u>	<u>Year ended December 31, 2019</u>
Commissions Expense:		
Subsidiaries	<u>\$ 1,794</u>	<u>\$ 2,216</u>

(3) Key management compensation

	<u>Year ended December 31, 2020</u>	<u>Year ended December 31, 2019</u>
Salaries and other short-term employee benefits	<u>\$ 26,933</u>	<u>\$ 30,408</u>

## 8. PLEDGED ASSETS

Pledged asset	Book value		Purpose
	December 31, 2020	December 31, 2019	
Land	\$ 229,932	\$ 229,932	Bank loan(Note 1)
Buildings and structures	164,339	170,743	Bank loan(Note 1)
Machinery	16,341	20,059	Bank loan(Note 2)
Time deposits (shown as other current assets- others)	1,800	1,800	Customs security deposit for importing raw materials
	<u>\$ 412,412</u>	<u>\$ 422,534</u>	

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, 2020	December 31, 2019
Machinery	<u>\$ 40,550</u>	<u>\$ 26,812</u>

## 10. SIGNIFICANT DISASTER LOSS

None.

## 11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

The information regarding the appropriations of 2020 earnings is provided in Note 6(14).

## 12. OTHERS

### (五) 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.

During the year ended December 31, 2020 the Company's strategy, which was unchanged from 2019, was to maintain the gearing ratio under 50%.

(六) Financial instruments

A. Financial instruments by category

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>Financial assets</u>		
Financial assets at fair value through profit or loss		
Financial assets mandatorily measured at fair value through profit or loss	\$ 252,211	\$ 199,463
Financial assets at amortised cost/		
Loans and receivables		
Cash and cash equivalents	325,142	387,272
Notes receivable	3,051	2,508
Accounts receivable (including related parties)	527,921	402,711
Other receivables (including related parties)	9,030	5,346
Guarantee deposits paid	922	925
Other financial assets	1,800	1,800
	<u>\$ 1,120,077</u>	<u>\$ 1,000,025</u>
<u>Financial liabilities</u>		
Financial liabilities at amortised cost		
Short-term borrowings	\$ 15,000	\$ 30,000
Notes payable	4,196	2,080
Accounts payable(including related parties)	143,030	95,719
Other accounts payable(including related parties)	164,716	162,558
Long-term borrowings (including current portion)	138,245	165,984
Guarantee deposits received	4,129	4,347
Lease liability	6,328	7,519
	<u>\$ 475,644</u>	<u>\$ 468,207</u>

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

- i. 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.
- ii. 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.
- iii. The Company's businesses involve some non-functional currency operations (the Company's and certain subsidiaries' functional currency: NTD; other certain subsidiaries' functional currency: USD or RMB ). 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, 2020		
		Foreign currency		
		amount		Book value
		(In thousands)	Exchange rate	(NTD)
(Foreign currency: functional currency)				
<u>Financial assets</u>				
<u>Monetary items</u>				
EUR:NTD	EUR	745	35.02	\$ 26,083
USD:NTD	USD	12,408	28.48	353,390
HKD:NTD	HKD	4,385	3.67	16,108
RMB:NTD	RMB	57,083	4.38	249,852
<u>Non-Monetary items</u>				
USD:NTD	USD	8,608	28.48	\$ 245,163
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD:NTD	USD	843	28.48	\$ 24,007
<u>Non-Monetary items: None</u>				

December 31, 2019				
Foreign currency				
amount		Book value		
(In thousands)		Exchange rate	(NTD)	
(Foreign currency: functional currency)				
<u>Financial assets</u>				
<u>Monetary items</u>				
EUR:NTD	EUR	885	33.59	\$ 29,732
USD:NTD	USD	11,293	29.98	338,566
HKD:NTD	HKD	3,070	3.85	11,817
RMB:NTD	RMB	48,447	4.31	208,562
<u>Non-Monetary items</u>				
USD:NTD	USD	7,021	29.98	\$ 210,483
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD:NTD	USD	393	29.98	\$ 11,795
<u>Non-Monetary items: None</u>				

- iv. 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 :

Year ended December 31, 2020				
Foreign exchange gains (losses)				
Foreign currency				
amount		Book value		
(In thousands)		Exchange rate	(NTD)	
(Foreign currency: functional currency)				
<u>Financial assets</u>				
<u>Monetary items</u>				
EUR:NTD	-	33.78	\$	1,578
USD:NTD	-	29.55	(	23,160)
HKD:NTD	-	3.81	(	136)
RMB:NTD	-	4.28		2,308
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD:NTD	-	29.55	\$	1,673

		<u>Year ended December 31, 2019</u>		
		<u>Foreign exchange gains (losses)</u>		
		Foreign currency		
		amount		
		<u>(In thousands)</u>	<u>Exchange rate</u>	<u>Book value</u>
(Foreign currency: functional currency)				
<u>Financial assets</u>				
<u>Monetary items</u>				
EUR:NTD	-	34.61	(\$	1,314)
USD:NTD	-	30.91	(	2,840)
HKD:NTD	-	3.94		301
RMB:NTD	-	4.47	(	8,331)
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD:NTD	-	30.91	\$	162
v. Analysis of foreign currency market risk arising from significant foreign exchange variation:				

		<u>Year ended December 31, 2020</u>		
		<u>Sensitivity analysis</u>		
		<u>Degree of variation</u>	<u>Effect on profit or loss</u>	<u>Effect on other comprehensive income</u>
(Foreign currency: functional currency)				
<u>Financial assets</u>				
<u>Monetary items</u>				
EUR:NTD	1%	\$	261	\$ -
USD:NTD	1%		3,534	-
HKD:NTD	1%		161	-
RMB:NTD	1%		2,499	-
<u>Non-Monetary items</u>				
USD:NTD	1%		-	\$ 2,452
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD:NTD	1%	(\$	240)	\$ -

	Year ended December 31, 2019		
	Sensitivity analysis		
	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
EUR:NTD	1%	\$ 297	\$ -
USD:NTD	1%	3,386	-
HKD:NTD	1%	118	-
RMB:NTD	1%	2,086	-
<u>Non-Monetary items</u>			
USD:NTD	1%	-	\$ 2,105
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	1%	(\$ 118)	\$ -

#### 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. 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, 2020 and 2019 would have increased/decreased by \$2,522 and \$1,995, respectively, as a result of other comprehensive income classified as equity investment at fair value through other comprehensive income.

#### Cash flow and fair value interest rate risk

- iv. 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. During the years ended December 31, 2020 and 2019, the Group's borrowings at variable rate were denominated in the New Taiwan Dollars (NTD) and United States Dollars (USD).
- v. Based on the simulations performed, the impact on post-tax profit of a 1% shift would be a maximum increase or decrease of \$1,226 and \$1,568 for the years ended December 31, 2020 and 2019, 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 Company 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 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. As at December 31, 2020 and 2019, 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
<u>December 31, 2020</u>						
Expected loss rate	0%	0.59%	20.00%	30.00%	100.00%	
Total book value	\$ 502,212	\$ 26,048	\$ 2,062	\$ 1,738	\$ 145	\$ 532,205
Loss allowance	-	( 154)	( 413)	( 521)	( 145)	( 1,233)
<u>December 31, 2019</u>						
Expected loss rate	0%	0.03%	20.00%	30.00%	33.05%	
Total book value	\$ 377,007	\$ 22,623	\$ 58	\$ 7,034	\$ 935	\$ 407,657
Loss allowance	-	( 7)	( 12)	( 2,110)	( 309)	( 2,438)

ix. Movements in relation to the Company applying the simplified approach to provide loss allowance for accounts and notes receivable are as follows:

	<u>December 31, 2020</u>	
	<u>Accounts receivable</u>	<u>Notes receivable</u>
At January 1	\$ 2,438	\$ -
Reversal of impairment loss	( 1,205)	-
At December 31	<u>\$ 1,233</u>	<u>\$ -</u>
	<u>December 31, 2019</u>	
	<u>Accounts receivable</u>	<u>Notes receivable</u>
At January 1	\$ 3,226	\$ -
Provision for impairment	94	-
Written-offs during the year	( 882)	-
At December 31	<u>\$ 2,438</u>	<u>\$ -</u>

(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 Group has the following undrawn borrowing facilities:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Floating rate	0.91%~1.41%	1.15%~1.30%
Expiring within one year	<u>\$ 565,000</u>	<u>\$ 750,000</u>

iv. The table below analyses the Group's non-derivative financial liabilities and net-settled or gross-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date for non-derivative 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, 2020	Less than 60 days	Between 61 days and 90 days	Between 91 days and 180 days	Between 181 days and 360 days	Over 360 days	Total
Short-term borrowings	\$ 5,024	\$ 10,003	\$ -	\$ -	\$ -	\$ 15,027
Notes payable	1,840	2,356	-	-	-	4,196
Accounts payable (including related parties)	80,507	32,643	29,880	-	-	143,030
Other payables (including related parties)	113,183	12,968	5,782	32,783	-	164,716
Lease liability	460	220	623	964	4,208	6,475
Long-term borrowings (including current portion)	5,657	1,702	7,370	14,722	114,030	143,481

Non-derivative financial liabilities:

December 31, 2019	Less than 60 days	Between 61 days and 90 days	Between 91 days and 180 days	Between 181 days and 360 days	Over 360 days	Total
Short-term borrowings	\$ 10,039	\$ 20,007	\$ -	\$ -	\$ -	\$ 30,046
Notes payable	1,119	856	105	-	-	2,080
Accounts payable (including related parties)	56,343	25,290	14,086	-	-	95,719
Other payables (including related parties)	114,835	9,806	4,938	32,979	-	162,558
Lease liability	402	189	568	1,136	5,463	7,758
Long-term borrowings (including current portion)	5,723	1,737	7,456	14,888	144,777	174,581

(七) 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. 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:

<u>December 31, 2020</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets:				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Equity securities	<u>\$ 252,211</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 252,211</u>
<u>December 31, 2019</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets:				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Equity securities	<u>\$ 199,463</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 199,463</u>

(b) The methods and assumptions the Company used to measure fair value are as follows:

Market quoted price	<u>Open-end fund</u>
	Net asset value

D. For the years ended December 31, 2020 and 2019, there was no transfer between Level 1 and Level 2.

E. For the years ended December 31, 2020 and 2019, there was no transfer into or out from Level 3.

(4) Information on the effect of the COVID-19 pandemic on the Group's operation of 2020

For the year ended December 31, 2020, the China subsidiaries have been forced to shutdown due to the COVID-19 pandemic. Because the main production base is in Taiwan, and subsidiaries are subsequently returning to work as of December 31, 2020, there was tentatively no significant effect on the Company's operation. The Company will continually follow up the pandemic to immediately response by adjusting strategy.

### 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.

#### (4) Information on major shareholders

Please refer to table 8.

### 14. SEGMENT INFORMATION

Not applicable.

VIKING TECH CORPORATION and Subsidiaries

Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures)

December 31, 2020

Securities held by	Marketable securities and securities	Relationship with the securities issuer	General ledger account	Expressed in thousands of NTD				
				As of December 31, 2020				
				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	361,998	\$ 5,014	N/A	\$ 5,014	
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	3,321	N/A	3,321	
VIKING TECH CORPORATION	Jih Sun China Harvest Balanced Fund-USD	None	Financial asset at fair value through profit or loss – current	4,517	1,842	N/A	1,842	
VIKING TECH CORPORATION	Jih Sun Global Smart Car Fund-USD	None	Financial asset at fair value through profit or loss – current	7,796	3,494	N/A	3,494	
VIKING TECH CORPORATION	Union Money Market Fund	None	Financial asset at fair value through profit or loss – current	9,017,675	120,022	N/A	120,022	
VIKING TECH CORPORATION	Nomura Global Financial Bond Fund-Accu.-TWD	None	Financial asset at fair value through profit or loss – current	197,562	2,203	N/A	2,203	
VIKING TECH CORPORATION	Franklin Templeton SinoAm Emerging Markets Bond Fund-Accu.-TWD	None	Financial asset at fair value through profit or loss – current	300,000	2,631	N/A	2,631	
VIKING TECH CORPORATION	Jih Sun Money Market Fund	None	Financial asset at fair value through profit or loss – current	4,025,125	60,176	N/A	60,176	
VIKING TECH CORPORATION	Prudential Financial Money Market Fund	None	Financial asset at fair value through profit or loss – current	316,106	5,043	N/A	5,043	
VIKING TECH CORPORATION	Franklin Templeton Sinoam Money Market Fund	None	Financial asset at fair value through profit or loss – current	3,867,145	40,328	N/A	40,328	
VIKING TECH CORPORATION	Union Emerging Asia Bond Fund-Accu.-TWD	None	Financial asset at fair value through profit or loss – current	260,584	3,040	N/A	3,040	
VIKING TECH CORPORATION	Nomura China Bond Fund-Accu.-USD	None	Financial asset at fair value through profit or loss – current	6,371	1,914	N/A	1,914	
VIKING TECH CORPORATION	Union APEC Balanced Fund-CNH A	None	Financial asset at fair value through profit or loss – current	18,450	1,423	N/A	1,423	
VIKING TECH CORPORATION	Union 2022 Asia Emerging Markets Bond Fund-USD	None	Financial asset at fair value through profit or loss – current	5,937	1,760	N/A	1,760	
					<u>\$ 252,211</u>		<u>\$ 252,211</u>	

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, 2020

Table 2

Expressed in thousands of NTD

(Except as otherwise indicated)

Purchaser/seller	Counterparty	Relationship with the Counterparty	Purchases (sales)	Amount	Transaction		Differences in transaction		Notes/accounts receivable (payable)		Footnote
					Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	
VIKING TECH CORPORATION	Viking Electronics (WUXI) CO., LTD.	Subsidiary	Sales	\$ 422,865	19.89%	150 days payment	N/A	N/A	\$ 237,778	45.77%	

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, 2020

Table 3

Expressed in thousands of NTD

(Except as otherwise indicated)

Creditor	Counterparty	Relationship with the counterparty	Balance as at December 31, 2020		Overdue receivables			Amount collected subsequent to the balance sheet date	Allowance for Creditor Counterparty doubtful accounts
			Amount	Turnover rate (Note )	Amount	Action taken			
VIKING TECH CORPORATION	Viking Electronics (WUXI) CO., LTD.	Subsidiary	\$ 237,778	2.11	\$ -	N/A	\$ 69,482	\$ -	

Note : Disclosed after converting to annual turnover rate.

VIKING TECH CORPORATION and Subsidiaries  
Significant inter-company transactions during the reporting period  
Year ended December 31, 2020

Table 4

Expressed in thousands of NTD

Number (Note 1)	Company name	Counterparty(Note 2)	Relationship (Note 3)	Transaction			Percentage of consolidated total operating revenues or total assets (Note 4)
				General ledger account	Amount	Transaction terms	
0	VIKING TECH CORPORATION	Viking Electronics (WUXI) CO., LTD.	1	Accounts receivable	\$ 237,778	150 days payment	7%
0	VIKING TECH CORPORATION	Viking Electronics (WUXI) CO., LTD.	1	Sales	422,865	"	20%
0	VIKING TECH CORPORATION	Viking Electronics (WUXI) CO., LTD.	1	Cost of sales	18,997	90 days payment	1%
0	VIKING TECH CORPORATION	Viking Tech America Corporation	1	Accounts receivable	19,549	60 days payment	1%
0	VIKING TECH CORPORATION	Viking Tech America Corporation	1	Sales	86,392	"	4%

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 : 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 3 : 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 on accumulated transaction amount for the period to consolidated total operating revenues for income statement accounts.

Note 4 : Only disclose the transaction amount over 10 million.

VIKING TECH CORPORATION and Subsidiaries  
Information on investees(not including investees in Mainland China)  
Year ended December 31, 2020

Table 5

Investor	Investee	Location	Main business activities	Initial investment amount			Ownership	Book value	Net profit (loss) of the investee for the year ended December 31, 2020	Investment income (loss) recognised by the Company for the year ended December 31, 2020	Footnote
				Balance as at December 31, 2020	Balance as at December 31, 2019	Number of shares					
VIKING TECH CORPORATION	Viking Global Tech Co., Ltd.	British Virgin Islands	Broad businesses and investments	\$ 111,311	\$ 111,311	7,000	100	\$ 245,163	\$ 32,786	\$ 32,786	Note1
Viking Global Tech Co., Ltd.	Lead Brand Co., Ltd.	St. Vincent	Sale of thin film passive components	-	-	-	100	45,448	1,646	1,646	
Viking Global Tech Co., Ltd.	Viking Tech Electronics Limited	Hong Kong	Manufacturing and sale of passive components and thermistors	74,411	74,411	-	100	175,303	23,304	23,304	
Viking Global Tech Co., Ltd.	Grand Barry International Limited	British Virgin Islands	Manufacturing and sale of passive components and thermistors	23,766	23,766	-	100	24,412	7,836	7,836	
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	23,392	10,407	7,884	Note2

Note1 : 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.

Note2 : In July 2013, Grand Barry International Limited increased its investments in the amount of \$3,001 in Viking Tech America Corporation. Its ownership of the investee declined to 76% since it did not participate in the investee's capital increase in proportion to its previous ownership, and Grand Barry International Limited did not lose its control over the subsidiaries. The difference between carrying amount and net acquisition value were adjusted in equity amounting to \$1,482.

VIKING TECH CORPORATION and Subsidiaries  
Information on investments in Mainland China  
Year ended December 31, 2020

Table 6

Expressed in thousands of NTD

Investee in Mainland China	Main business Activities	Paid-in capital (Note1)	Investment method ( Note 2 )	Mainland China as of January 1, 2020	Amount remitted from Taiwan to Mainland China/ Accumulated amount of remittance from Taiwan to		Amount remitted back to Taiwan for the year ended December 31, 2020	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2020	Net income of investee for the year ended December 31, 2020	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2020 ( Note5.(2).B )	Book value of investments in Mainland China as of December 31, 2020	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2020	Footnote
					Remitted to Mainland China	Remitted back to Taiwan								
Viking Electronics (WUXI) CO., LTD.	Manufacturing and sale of passive	\$ 170,880	( 3 )	\$ 170,880	\$ -	\$ -	\$ 170,880	\$ 23,304	100	\$ 23,304	\$ 175,303	\$ -		
<u>Company name</u>	<u>as of December 31, 2020</u>	<u>Investment amount approved by The Investment Commission of the Ministry of Economic Affairs (MOEA)</u>	<u>Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA</u>											
Viking Electronics (WUXI) CO., LTD.	\$	170,880	\$	170,880	\$	1,571,254								

Note 1: The paid-in capital was translated into NTD from USD 6,000 at the exchange rate on reporting date.

Note 2: 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 3: 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 4: 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 5: 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, 2020

Table 7

Expressed in thousands of NTD

Investee in Mainland China	Sale (purchase)		Property transaction		Accounts receivable (payable)		Provision of endorsements/guarantees or collaterals		Financing		Interest during the		Others	
	Amount	%	Amount	%	Balance at December 31, 2020	%	Balance at December 31, 2020	Purpose	Maximum balance during the year ended December 31, 2020	Balance at December 31, 2020	Interest rate	year ended December 31, 2020		
Viking Electronics (WUXI) CO., LTD.	\$ 422,865	19.89%	\$ -	-	\$ 237,778	47.91%	\$ -	-	\$ -	-	\$ -	-	\$ -	-
Viking Electronics (WUXI) CO., LTD.	( 23,916)	1.48%	-	-	( 4,567)	2.14%	-	-	-	-	-	-	-	-

VIKING TECH CORPORATION and Subsidiaries

Major shareholders information

December 31,2020

Table 8

Name of major shareholders	Shares	
	Number of shares held	Ownership (%)
Guangdong Fenghua Advanced Technology (Holding) Co., Ltd.	46,936,337	40.00%
Thye Ming Industrial Co., Ltd.	9,209,010	7.84%

VIKING TECH CORPORATION  
CASH AND CASH EQUIVALENTS  
DECEMBER 31, 2020  
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Statement 1

Item	Description			Amount
Cash :				
Cash on hand				\$ 1,046
Cash in banks				
Checking accounts deposits				102
Demand deposits				
–TWD				166,061
–RMB	RMB	2,758,501.32	at exchange rate of 4.377	12,074
–USD	USD	4,125,937.29	at exchange rate of 28.48	117,507
–HKD	HKD	3,284,548.23	at exchange rate of 3.673	12,064
–EUR	EUR	465,095.97	at exchange rate of 35.02	16,288
				<u>\$ 325,142</u>

VIKING TECH CORPORATION  
ACCOUNTS RECEIVABLE  
DECEMBER 31, 2020  
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Statement 2

<u>Customer name</u>	<u>Description</u>	<u>Amount</u>	<u>Footnote</u>
General customers :			
A		\$ 25,135	
B		17,757	
C		17,622	
D		16,960	
Others		<u>194,353</u>	None of the balances of each remaining item is greater than 5% of this account balance.
		271,827	The amount of over a year past due was \$145.
Less: Allowance for bad debts		( <u>1,233</u> )	
		<u>270,594</u>	
Related parties :			
Viking Electronics (WUXI) CO., LTD.		237,778	
Viking Tech America Corporation		<u>19,549</u>	
		<u>257,327</u>	
		<u>\$ 527,921</u>	

VIKING TECH CORPORATION  
INVENTORIES  
DECEMBER 31, 2020  
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Statement 3

<u>Item</u>	<u>Description</u>	<u>Amount</u>		<u>Footnote</u>
		<u>Cost</u>	<u>Net realisable value</u>	
Raw materials		\$ 234,179	\$ 228,415	
Work in progress		188,314	167,061	
Finished goods		137,807	128,842	
Merchandise		18,246	18,130	
		<u>578,546</u>	<u>\$ 542,448</u>	
Less: Allowance for valuation loss and obsolete and slow-moving inventories		( 73,652)		
		<u>\$ 504,894</u>		

**VIKING TECH CORPORATION**  
**CHANGES IN INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD**  
**YEAR ENDED DECEMBER 31, 2020**  
**(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)**

Statement 4

Investee	Balance at January 1, 2020		Additions		Deductions		Balance at December 31, 2020			Market value or net equity value		Collateral	Footnote
	Shares	Amount	Shares	Amount (Note)	Shares	Amount	Shares	Ownership	Amount	Unit	Total		
Viking Global Tech Co., Ltd.	7,000	\$ 210,483	-	\$ 34,680	-	\$ -	7,000	100%	\$ 245,163	\$ 35.023	\$ 245,163		

Note : It included share of investment income of subsidiaries accounted for using equity method and exchange differences on translation valuated by subsidiaries accounted for using equity method.

VIKING TECH CORPORATION  
MOVEMENT ON PROPERTY, PLANT AND EQUIPMENT  
YEAR ENDED DECEMBER 31, 2020  
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Statement 5

Item	Balance at January 1, 2020	Additions	Deductions	Balance at December 31, 2020	Collateral	Footnote
Land	\$ 229,932	\$ -	\$ -	\$ 229,932	Note 1	
Buildings and structures	538,126	4,110	-	542,236	Note 1	
Machinery	1,290,010	71,375	( 96,598)	1,264,787	Note 2	
Equipment under installation	-	2,613	-	2,613		
Others	17,859	2,011	( 3,703)	16,167		
	<u>\$ 2,075,927</u>	<u>\$ 80,109</u>	<u>(\$ 100,301)</u>	<u>\$ 2,055,735</u>		

Note 1: Land, buildings and structures amounting to \$394,271 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 \$16,341 at book value were pledged to The Shanghai Commercial & Savings Bank, Ltd. as collateral for the borrowings.

VIKING TECH CORPORATION  
MOVEMENT ON ACCUMULATED DEPRECIATION OF PROPERTY, PLANT AND EQUIPMENT  
YEAR ENDED DECEMBER 31, 2020  
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Statement 6

<u>Item</u>	<u>Balance at January 1, 2020</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance at December 31, 2020</u>	<u>Footnote</u>
Buildings and structures	\$ 247,157	\$ 35,292	\$ -	\$ 282,449	
Machinery	564,056	149,547	( 75,742)	637,861	
Others	8,258	3,554	( 3,703)	8,109	
	<u>\$ 819,471</u>	<u>\$ 188,393</u>	<u>(\$ 79,445)</u>	<u>\$ 928,419</u>	



VIKING TECH CORPORATION  
STATEMENT OF TRADE PAYABLES  
DECEMBER 31, 2020

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Statement 7

Client Name	Description	Amount	Note
General customers :			
W		\$ 15,390	
U		11,499	
X		11,189	
Others			None of the balances of each remaining item is greater than 5% of this account balance.
		<u>97,190</u>	
Subtotal		<u>135,268</u>	
Related parties :			
Viking Electronics (WUXI) CO., LTD.		4,567	
Guangdong Fenghua Advanced Technology (Holding) Co.,Ltd.		<u>3,195</u>	
Subtotal		<u>7,762</u>	
		<u>\$ 143,030</u>	

VIKING TECH CORPORATION  
SHORT-TERM BORROWINGS  
DECEMBER 31, 2020

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Statement 8

<u>Type of borrowings</u>	<u>Description</u>	<u>Balance at December 31, 2020</u>	<u>Term</u>	<u>Interest rate range</u>	<u>Loan Commitments</u>	<u>Collateral</u>	<u>Footnote</u>
Unsecured borrowings	Mega International Commercial Bank Co., Ltd.	\$ 10,000	2020.10.01~2021.09.30	0.98%	\$ 150,000	None	
Unsecured borrowings	Taiwan Cooperative Bank Co., Ltd.	<u>5,000</u>	2020.12.18~2021.12.18	1.15%	150,000	None	
		<u>\$ 15,000</u>					

VIKING TECH CORPORATION  
LONG-TERM BORROWINGS  
DECEMBER 31, 2020

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Statement 9

<u>Creditor</u>	<u>Description</u>	<u>Amount</u>	<u>Borrowing period</u>	<u>Interest rate range</u>	<u>Collateral</u>	<u>Footnote</u>
Land Bank of Taiwan		\$ 56,434	2013.9.27~2027.1.19	1.11%	Land 、 Buildings	
The Shanghai Commercial & Savings Bank, Ltd.		11,250	2017.2.20~2022.1.15	1.15%	Machinery	
Chang Hwa Commercial Bank		34,878	2017.10.25~2027.10.25	1.11%	Land 、 Buildings	
Chang Hwa Commercial Bank		<u>35,683</u>	2018.2.7~2027.10.25	1.11%	Land 、 Buildings	
Subtotal		138,245				
Less: Current portion		( <u>27,968</u> )				
		<u>\$ 110,277</u>				

VIKING TECH CORPORATION  
OPERATING REVENUE  
FOR THE YEAR ENDED DECEMBER 31, 2020  
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Statement 10

<u>Items</u>	<u>Quantity</u>	<u>Amount</u>	<u>Footnote</u>
Sale Revenue :			
Thick and thin film passive components	16,449,792 thousand pieces	\$ 1,769,427	
Less: Sales returns, discounts, and allowances	62,092 thousand pieces	( 5,696)	
		<u>\$ 1,763,731</u>	

**VIKING TECH CORPORATION**  
**OPERATING COSTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**  
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Statement 11

Items	Description	Amount
The cost of sales		
Beginning merchandise	\$	9,622
Add: Purchased during the year		230,214
Transferred from expenses		1,285
Less: Ending balance of merchandise at December 31	(	18,246)
Merchandise scrapped	(	385)
Cost of sales		<u>222,490</u>
Cost of goods sold		
Beginning raw materials		215,743
Add: Purchased during the year		480,028
Less: Ending balance of raw materials at December 31	(	234,179)
Transferred to expenses	(	93,517)
Raw materials scrapped	(	583)
Direct materials used		367,492
Direct labour		191,818
Manufacturing expense		<u>615,291</u>
Manufacturing costs		1,174,601
Add: Work in progress at beginning of year		171,655
Less: Work in progress at end of year	(	188,314)
Work in progress scrapped	(	15,547)
Work in progress sold	(	284)
Transferred to expenses	(	4,332)
Finished goods cost		1,137,779
Add: Finished goods at beginning of year		119,621
Less: Finished goods at end of year	(	137,807)
Transferred to expenses	(	13,722)
Finished goods scrapped	(	10,489)
Cost of goods sold		1,095,382
Work in progress sold		284
Inventory valuation loss		11,769
Revenue from sale of scraps	(	3,548)
Other operating costs		<u>10,511</u>
Total operating costs	\$	<u>1,336,888</u>

VIKING TECH CORPORATION  
MANUFACTURING EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2020

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Statement 12

<u>Item</u>	<u>Description</u>	<u>Amount</u>	<u>Footnote</u>
Depreciation expense		\$ 153,905	
Wages and salaries		113,605	
Indirect material		92,160	
Utilities expense		54,821	
Repair fee		39,670	
Other expenses		161,130	None of the balances of each remaining item is greater than 5% of this account balance.
		<u>\$ 615,291</u>	

VIKING TECH CORPORATION  
SELLING EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2020

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Statement 13

<u>Item</u>	<u>Description</u>	<u>Amount</u>	<u>Footnote</u>
Wages and salaries		\$ 37,220	
Import / export (customs) expense		19,092	
Insurance expense		5,916	
Other expenses		<u>16,977</u>	None of the balances of each remaining item is greater than 5% of this account balance.
		<u>\$ 79,205</u>	

VIKING TECH CORPORATION  
ADMINISTRATIVE EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2020

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Statement 14

<u>Item</u>	<u>Description</u>	<u>Amount</u>	<u>Footnote</u>
Wages and salaries		\$ 61,797	
Depreciation expense		32,147	
Other expenses		<u>35,187</u>	None of the balances of each remaining item is greater than 5% of this account balance.
		<u>\$ 129,131</u>	



VIKING TECH CORPORATION  
RESEARCH AND DEVELOPMENT EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2020

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Statement 15

<u>Item</u>	<u>Description</u>	<u>Amount</u>	<u>Footnote</u>
Wages and salaries		\$ 29,529	
Laboratory fee		8,350	
Depreciation expense		4,949	
Repairs expense		5,272	
Other expenses		<u>11,220</u>	None of the balances of each remaining item is greater than 5% of this account balance.
		<u>\$ 59,320</u>	

**VIKING TECH CORPORATION**  
**DETAILS OF EMPLOYEE BENEFITS, DEPRECIATION AND AMORTIZATION EXPENSES BY FUNCTION**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Statement 16

By nature \ By function	2020			2019		
	Classified as operating costs	Classified as operating expenses	Total	Classified as operating costs	Classified as operating expenses	Total
Employee benefit expense						
Wages and salaries	\$ 294,499	\$ 106,705	\$ 401,204	\$ 276,744	\$ 104,153	\$ 380,897
Labour and health insurance fees	27,609	9,322	36,931	29,101	9,233	38,334
Pension costs	10,923	4,887	15,810	11,192	4,596	15,788
Directors' remuneration	-	16,955	16,955	-	17,509	17,509
Others	17,249	4,407	21,656	17,357	4,276	21,633
Depreciation	153,905	37,116	191,021	146,167	40,856	187,023
Amortisation	-	3,520	3,520	-	3,485	3,485

Note:

1. As of December 31, 2020 and 2019, the Company had 687 and 691 employees, including 9 and 9 directors, respectively.
2. A company whose stock is listed for trading on the stock exchange or over-the-counter securities exchange shall additionally disclose the following information :
  - (1) Average employee benefit expense in current year is 701 thousand dollars ('total employee benefit expense for the current year - total directors' remuneration for the current year' / 'the number of employees in the current year - the number of non-employee directors in the current year').  
Average employee benefit expense in previous year is 670 thousand dollars ('total employee benefit expense for the previous year - total directors' remuneration for the previous year' / 'the number of employees in the previous year - the number of non-employee directors in the previous year').
  - (2) Average employees salaries in current year is 592 thousand dollars (total salaries and wages for the current year / 'the number of employees in the current year - the number of non-employee directors in the current year').  
Average employees salaries in previous year is 559 thousand dollars (total salaries and wages for the previous year / 'the number of employees in the previous year - the number of non-employee directors in the previous year').
  - (3) Adjustments of average employees salaries is 5.90% ('the average employee salaries and wages for the current year - the average employee salaries and wages for the previous year' / the average employee salaries and wages for the previous year).
  - (4) The Company has no supervisor.
  - (5) Under the Company's Articles of Incorporation, the profit of the current year shall be distributed 10% as employees' compensation and distributed 5% as directors' and supervisors' remuneration. Except for the basic salary, the Company distributed bonus to employees based on operating condition to strengthen coherence and encourage employees participating in the Company's operation whereby they can jointly share the operating results of the Company. Directors' remuneration was distributed from earnings, the remuneration was determined based on the participation frequency and contribution in the Company's operation during the fiscal year when distributing directors' remuneration. When the Company's directors executing on position of one's own, the determination of remuneration was authorised to the Board of Directors based on the standard within the foreign and domestic industries. Directors' and managers' remunerations were proposed by the remuneration committee and reported to and approved by the Board of Directors in accordance with the regulations.

Viking Tech Corporation

Chairman Tsai, Kao-Ming