

**GALLANT PRECISION MACHINING CO., LTD. AND  
SUBSIDIARIES  
CONSOLIDATED FINANCIAL STATEMENTS AND  
REVIEW REPORT OF INDEPENDENT  
ACCOUNTANTS  
FOR THE THREE-MONTH PERIODS ENDED  
MARCH 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.

## REVIEW REPORT OF INDEPENDENT ACCOUNTANTS

To Gallant Precision Machining Co., Ltd.

### **Introduction**

We have reviewed the accompanying consolidated balance sheets of Gallant Precision Machining Co., Ltd. and its subsidiaries as of March 31, 2020 and 2019, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the three-month periods then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, "Interim Financial Reporting," endorsed by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

### **Scope of Review**

Except as explained in the Basis for Qualified Conclusion paragraph, we conducted our reviews in accordance with Statement of Auditing Standards 65, "Review of Financial Information Performed by the Independent Auditor of the Entity". A review of the consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with the generally accepted auditing standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### **Basis for Qualified Conclusion**

As stated in Note 4(3) and 6(7), the consolidated financial statements included the financial statements of certain nonsignificant subsidiaries, which were not reviewed by independent accountants. These financial statements reflect total assets amounting to \$1,114,042 thousand and \$909,519 thousand, constituting 18% and 14% of consolidated total assets as of March 31, 2020 and 2019, respectively, total liabilities amounting to \$269,032 thousand and \$89,761 thousand, constituting 8% and 2% of consolidated total liabilities as of March 31, 2020 and 2019, respectively, and total comprehensive loss amounting to \$7,246 thousand and \$10,261 thousand, constituting 14% and 82% of consolidated total comprehensive loss for the three months ended March 31, 2020 and 2019, respectively. The investments accounted for using equity method amounting to \$35,986 thousand and \$43,660 thousand as of March 31, 2020 and 2019, respectively, and related share of the profit or loss amounting to \$2,279 thousand and \$359 thousand, constituting 4% and 3% of total consolidated comprehensive loss for the three-months ended March 31, 2020 and 2019, respectively.

### **Qualified Conclusion**

Based on our reviews except for the effects of the adjustments to the consolidated financial statements, if any, as might have been determined to be necessary had the financial statements of certain non-significant consolidated subsidiaries and equity accounted investee companies described in the Basis for Qualified Conclusion paragraph above been reviewed by independent accountants, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Gallant Precision Machining Co., Ltd. and its subsidiaries as of March 31, 2020 and 2019, and of its consolidated financial performance and its consolidated cash flows for the three months ended March 31, 2020 and 2019 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IASs 34, "Interim Financial Reporting" endorsed by the Financial Supervisory Commission of the Republic of China.

PricewaterhouseCoopers, Taiwan

May 7, 2020

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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.

**GALLANT PRECISION MACHINING CO., LTD. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**

(Expressed in thousands of New Taiwan dollars)

(The consolidated balance sheets as of March 31, 2020 and 2019 are reviewed, not audited)

	Assets	Notes	March 31, 2020		December 31, 2019		March 31, 2019	
			AMOUNT	%	AMOUNT	%	AMOUNT	%
<b>Current assets</b>								
1100	Cash and cash equivalents	6(1)	\$ 1,263,208	21	\$ 929,712	14	\$ 1,496,433	23
1110	Financial assets at fair value through profit or loss - current	6(2)	-	-	120,353	2	163,844	2
1136	Financial assets at amortized cost - current	6(4)	1,142,671	19	826,942	13	631,046	10
1150	Notes receivable, net	6(5)	54,654	1	48,652	1	46,574	1
1170	Accounts receivable, net	6(5)	1,389,653	23	2,338,746	36	1,658,898	25
1200	Other receivables		20,631	-	11,446	-	21,517	-
1210	Other receivables from related parties	7	-	-	40,179	1	199	-
130X	Inventories, net	6(6)	1,003,471	16	938,235	14	1,247,283	19
1410	Prepayments		82,140	1	38,745	1	47,440	1
1470	Other current assets		9,766	-	11,577	-	15,527	-
11XX	<b>Current Assets</b>		<u>4,966,194</u>	<u>81</u>	<u>5,304,587</u>	<u>82</u>	<u>5,328,761</u>	<u>81</u>
<b>Non-current assets</b>								
1517	Financial assets at fair value through other comprehensive income	6(3)	91,241	1	103,462	2	132,172	2
1535	Financial assets at amortized cost - non-current	6(4) and 8	23,454	-	22,227	-	26,670	1
1550	Investments accounted for using equity method	6(7)	35,986	1	63,780	1	43,660	1
1600	Property, plant and equipment, net	6(8) and 8	602,229	10	588,628	9	608,950	9
1755	Right-of-use assets	6(9)	239,057	4	244,535	4	262,301	4
1780	Intangible assets, net	6(10)	62,211	1	25,692	-	51,687	1
1840	Deferred income tax assets		95,349	2	95,031	2	91,578	1
1900	Other non-current assets		5,777	-	5,918	-	6,611	-
15XX	<b>Non-current assets</b>		<u>1,155,304</u>	<u>19</u>	<u>1,149,273</u>	<u>18</u>	<u>1,223,629</u>	<u>19</u>
1XXX	<b>Total assets</b>		<u>\$ 6,121,498</u>	<u>100</u>	<u>\$ 6,453,860</u>	<u>100</u>	<u>\$ 6,552,390</u>	<u>100</u>

(Continued)

**GALLANT PRECISION MACHINING CO., LTD. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**

(Expressed in thousands of New Taiwan dollars)

(The consolidated balance sheets as of March 31, 2020 and 2019 are reviewed, not audited)

	Liabilities and Equity	Notes	March 31, 2020		December 31, 2019		March 31, 2019	
			AMOUNT	%	AMOUNT	%	AMOUNT	%
	<b>Current liabilities</b>							
2100	Short-term loans	6(11)	\$ 1,062,011	17	\$ 1,118,987	17	\$ 831,260	13
2130	Contract liabilities-current	6(20)	239,774	4	144,695	2	65,645	1
2150	Notes payable		3,465	-	-	-	-	-
2170	Accounts payable	6(12)	792,364	13	968,510	15	1,380,766	21
2180	Payables to related parties	7	23,044	-	27,550	1	3,131	-
2200	Other payables	6(13)	264,439	4	321,108	5	316,728	5
2230	Current income tax liabilities		36,289	1	38,597	1	38,889	1
2250	Provisions for liabilities-current		105,526	2	143,885	2	163,858	2
2280	Lease liabilities-current		17,780	-	16,864	-	18,414	-
2300	Other current liabilities	6(14)	29,410	1	27,699	-	36,676	1
21XX	<b>Current Liabilities</b>		<u>2,574,102</u>	<u>42</u>	<u>2,807,895</u>	<u>43</u>	<u>2,855,367</u>	<u>44</u>
	<b>Non-current liabilities</b>							
2527	Contract liabilities-non-current	6(20)	-	-	-	-	940	-
2540	Long-term loans	6(14)	447,027	7	453,472	7	467,019	7
2570	Deferred income tax liabilities		67,588	1	69,632	1	69,928	1
2580	Lease liabilities-non-current		223,618	4	229,617	4	244,410	4
2600	Other non-current liabilities		71,092	1	72,808	1	79,565	1
25XX	<b>Non-current liabilities</b>		<u>809,325</u>	<u>13</u>	<u>825,529</u>	<u>13</u>	<u>861,862</u>	<u>13</u>
2XXX	<b>Total Liabilities</b>		<u>3,383,427</u>	<u>55</u>	<u>3,633,424</u>	<u>56</u>	<u>3,717,229</u>	<u>57</u>
	<b>Equity attributable to owners of parent company</b>							
	<b>Share capital</b>	6(16)						
3110	Share capital-common stock		1,651,361	27	1,651,361	26	1,651,361	25
	<b>Capital surplus</b>	6(17)						
3200	Capital surplus		199,091	3	199,091	3	199,091	3
	<b>Retained earnings</b>	6(18)						
3310	Legal reserve		123,722	2	123,722	2	86,712	1
3320	Special reserve		132,987	2	132,987	2	132,987	2
3350	Unappropriated retained earnings		350,880	6	375,897	6	328,347	5
	<b>Other equity interest</b>	6(19)						
3400	Other equity interest		( 112,503)	( 2)	( 96,405)	( 2)	( 5,564)	-
3500	Treasury shares	6(16)	( 34,769)	-	-	-	-	-
31XX	<b>Equity attributable to owners of the parent company</b>		<u>2,310,769</u>	<u>38</u>	<u>2,386,653</u>	<u>37</u>	<u>2,392,934</u>	<u>36</u>
36XX	<b>Non-controlling interest</b>		<u>427,302</u>	<u>7</u>	<u>433,783</u>	<u>7</u>	<u>442,227</u>	<u>7</u>
3XXX	<b>Total equity</b>		<u>2,738,071</u>	<u>45</u>	<u>2,820,436</u>	<u>44</u>	<u>2,835,161</u>	<u>43</u>
	<b>Contingent liabilities and unrecognized contract commitments</b>							
3X2X	<b>Total liabilities and equity</b>		<u>\$ 6,121,498</u>	<u>100</u>	<u>\$ 6,453,860</u>	<u>100</u>	<u>\$ 6,552,390</u>	<u>100</u>

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

**GALLANT PRECISION MACHINING CO., LTD. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
(Expressed in thousands of New Taiwan dollars, except earnings per share amount)  
(UNAUDITED)

	Items	Notes	Three-month periods ended March 31			
			2020		2019	
			AMOUNT	%	AMOUNT	%
4000	<b>Operating revenue</b>	6(20)	\$ 638,643	100	\$ 835,424	100
5000	<b>Operating costs</b>	6(6)(24)(25) and 7	( 453,234)	( 71)	( 664,534)	( 79)
5900	<b>Net operating margin</b>		<u>185,409</u>	<u>29</u>	<u>170,890</u>	<u>21</u>
	<b>Operating expenses</b>	6(24)(25)				
6100	Selling expenses		( 32,789)	( 5)	( 52,544)	( 7)
6200	General and administrative expenses		( 47,585)	( 8)	( 49,911)	( 6)
6300	Research and development expenses		( 79,407)	( 12)	( 76,998)	( 9)
6450	Impairment (loss) gain	12(2)	( 68,798)	( 11)	( 59,577)	( 7)
6000	<b>Total operating expenses</b>		<u>( 228,579)</u>	<u>( 36)</u>	<u>( 239,030)</u>	<u>( 29)</u>
6900	<b>Operating profit</b>		<u>( 43,170)</u>	<u>( 7)</u>	<u>( 68,140)</u>	<u>( 8)</u>
	<b>Non-operating income and expenses</b>					
7010	Other income	6(21)	18,539	3	22,715	2
7020	Other gains and losses	6(22)	13,890	2	7,925	1
7050	Finance costs	6(23)	( 9,058)	( 1)	( 8,480)	( 1)
7060	Share of profit of associates and joint ventures accounted for under equity method	6(7)	( 2,279)	-	( 359)	-
7000	<b>Total non-operating income and expenses</b>		<u>21,092</u>	<u>4</u>	<u>21,801</u>	<u>2</u>
7900	<b>Profit before tax</b>		<u>( 22,078)</u>	<u>( 3)</u>	<u>( 46,339)</u>	<u>( 6)</u>
7950	Income tax expense	6(26)	( 5,958)	( 1)	( 2,178)	-
8200	<b>Profit for the period</b>		<u>( \$ 28,036)</u>	<u>( 4)</u>	<u>( \$ 48,517)</u>	<u>( 6)</u>
	<b>Other comprehensive income for the period</b>					
	<b>Items that will not be reclassified subsequently to profit or loss:</b>					
8316	Unrealized loss on investments in equity instruments at fair value through other comprehensive income	6(2) 6(19)	( \$ 12,255)	( 2)	\$ 7,148	1
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(26)	<u>2,478</u>	-	<u>( 1,430)</u>	-
8310	<b>Items that will not be reclassified subsequently to profit or loss:</b>		<u>( 9,777)</u>	<u>( 2)</u>	<u>5,718</u>	<u>1</u>
	<b>Components of other comprehensive income that will be reclassified to profit or loss</b>					
8361	Cumulative translation differences of foreign operations	6(19)	( 14,274)	( 2)	30,263	3
8360	<b>Summary of Components of other comprehensive income that will be reclassified to profit or loss</b>		<u>( 14,274)</u>	<u>( 2)</u>	<u>30,263</u>	<u>3</u>
8300	<b>Other comprehensive income (loss) for the period</b>		<u>( \$ 24,051)</u>	<u>( 4)</u>	<u>\$ 35,981</u>	<u>4</u>
8500	<b>Total comprehensive income for the period</b>		<u>( \$ 52,087)</u>	<u>( 8)</u>	<u>( \$ 12,536)</u>	<u>( 2)</u>
	<b>Profit attributable to:</b>					
8610	Equity holders of the parent company		( \$ 25,017)	( 4)	( \$ 51,598)	( 6)
8620	Non-controlling interest		( 3,019)	-	3,081	-
	<b>Profit for the period</b>		<u>( \$ 28,036)</u>	<u>( 4)</u>	<u>( \$ 48,517)</u>	<u>( 6)</u>
	<b>Total comprehensive income attributable to:</b>					
8710	Equity holders of the parent company		( \$ 41,115)	( 6)	( \$ 24,691)	( 3)
8720	Non-controlling interest		( 10,972)	( 2)	12,155	1
	<b>Total comprehensive income for the period</b>		<u>( \$ 52,087)</u>	<u>( 8)</u>	<u>( \$ 12,536)</u>	<u>( 2)</u>
	<b>Earnings per share (In dollars)</b>					
9750	<b>Basic earnings per share</b>	6(27)	<u>( \$ 0.15)</u>		<u>( \$ 0.31)</u>	
9850	<b>Diluted earnings per share</b>	6(27)	<u>( \$ 0.15)</u>		<u>( \$ 0.31)</u>	

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

**GALLANT PRECISION MACHINING CO., LTD. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE THREE-MONTH PERIODS ENDED MARCH 31, 2020 AND 2019**  
(Expressed in thousands of New Taiwan dollars)  
(UNAUDITED)

Equity attributable to owners of the parent												
Retained Earnings												
Other Equity Interest												
Notes	Share capital- common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Cumulative translation differences of foreign operations	Unrealized gain(Loss) on financial assets at fair value through other comprehensive income	Treasure stock	Total	Non-controlling interest	Total equity	
<b>For the three-month period ended</b>												
<b>March 31, 2019</b>												
	Balance at January 1, 2019	\$ 1,651,361	\$ 199,091	\$ 86,712	\$ 132,987	\$ 379,945	(\$ 64,286)	\$ 31,815	\$ -	\$ 2,417,625	\$ 442,905	\$ 2,860,530
	Profit for the period	-	-	-	-	( 51,598)	-	-	-	( 51,598)	3,081	( 48,517)
	Other comprehensive income for the period	-	-	-	-	-	24,712	-	2,195	-	9,074	35,981
6(19)	Total comprehensive income for the period	-	-	-	-	( 51,598)	24,712	-	2,195	( 24,691)	12,155	( 12,536)
	Changes in non-controlling interest	-	-	-	-	-	-	-	-	-	( 12,833)	( 12,833)
	Balance at March 31, 2019	\$ 1,651,361	\$ 199,091	\$ 86,712	\$ 132,987	\$ 328,347	(\$ 39,574)	\$ 34,010	\$ -	\$ 2,392,934	\$ 442,227	\$ 2,835,161
<b>For the three-month period ended</b>												
<b>March 31, 2020</b>												
	Balance at January 1, 2020	\$ 1,651,361	\$ 199,091	\$ 123,722	\$ 132,987	\$ 375,897	(\$ 99,700)	\$ 3,295	\$ -	\$ 2,386,653	\$ 433,783	\$ 2,820,436
	Profit for the period	-	-	-	-	( 25,017)	-	-	-	( 25,017)	( 3,019)	( 28,036)
	Other comprehensive income for the period	-	-	-	-	-	( 10,537)	( 5,561)	-	( 16,098)	( 7,953)	( 24,051)
6(19)	Total comprehensive income for the period	-	-	-	-	( 25,017)	( 10,537)	( 5,561)	-	( 41,115)	( 10,972)	( 52,087)
	Treasury stock acquired	-	-	-	-	-	-	-	( 34,769)	( 34,769)	-	( 34,769)
6(16)	Changes in non-controlling interest	-	-	-	-	-	-	-	-	-	4,491	4,491
	Balance at March 31, 2020	\$ 1,651,361	\$ 199,091	\$ 123,722	\$ 132,987	\$ 350,880	(\$ 110,237)	(\$ 2,266)	(\$ 34,769)	\$ 2,310,769	\$ 427,302	\$ 2,738,071

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

GALLANT PRECISION MACHINING CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Expressed in thousands of New Taiwan dollars)

	Notes	For the three-month periods ended March 31	
		2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before tax		(\$ 22,078 )	(\$ 46,339 )
Adjustments			
Income and expenses having no effect on cash flow			
Depreciation	6(8)(9) (24)	12,595	12,658
Amortization	6(10)	3,853	10,822
Expected credit loss	12(2)	68,798	59,577
Gain on financial assets at fair value through profit or loss, net	6(22)	( 60 )	( 471 )
Interest expense	6(23)	9,058	8,480
Interest income	6(21)	( 5,434 )	( 8,996 )
Dividend income	6(21)	-	( 2,889 )
Share of profit of associates and joint ventures accounted for using equity method		2,279	359
Gain on disposal of investments accounted for using equity method	6(22)	-	( 3,075 )
Gain on lease modification	6(22)	( 6 )	-
Changes in assets/liabilities relating to operating activities			
Net changes in assets relating to operating activities			
Financial assets at fair value through profit or loss - current		120,413	115,357
Notes receivable		( 3,184 )	( 656 )
Accounts receivable		948,893	71,648
Other receivables		( 6,775 )	( 7,369 )
Other receivables - related parties		179	( 199 )
Inventories		( 23,365 )	( 23,780 )
Prepayments		( 29,297 )	( 12,404 )
Other current assets		1,772	( 3,250 )
Other non-current assets		70	16
Net changes in liabilities relating to operating activities			
Contract liabilities		94,656	( 2,342 )
Notes payable		3,465	-
Accounts payable		( 195,479 )	( 182,802 )
Accounts payable - related parties		( 4,062 )	( 5,803 )
Other payables		( 67,761 )	( 75,362 )
Provisions for liabilities		( 38,578 )	( 23,801 )
Unearned receipts		21	( 214 )
Other current liabilities		1,541	418
Accrued pension liabilities		( 1,424 )	( 1,448 )
Cash generated from operations		870,090	( 121,865 )
Interest received		10,090	12,398
Interest paid		( 10,507 )	( 7,039 )
Income tax paid		( 8,175 )	( 3,868 )
Net cash (used in) provided by operating activities		<u>861,498</u>	<u>( 120,374 )</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Proceeds from disposal of financial assets at amortized cost		\$ -	244,408
Acquisition of financial assets at amortized cost		( 324,204 )	-
Acquisition of property, plant and equipment	6(29)	( 1,716 )	( 6,505 )
Proceeds from disposal of property, plant and equipment		-	363
Acquisition of intangible assets		( 3,969 )	( 1,304 )
Refundable deposits refunded (paid)		736	517
Acquisition of subsidiaries ( after deduction of cash received)	6(28)	( 5,262 )	-
Net decrease in cash due to changes in consolidated entities		-	( 3,860 )
Net cash (used in) provided by investing activities		<u>( 334,415 )</u>	<u>233,619</u>
<b>CASH FLOWS FROM FINANCING ACTIVITY</b>			
Proceeds from short-term loans	6(30)	606,296	447,217
Repayment of short-term loans	6(30)	( 739,272 )	( 351,078 )
Repayment of long-term loans	6(30)	( 6,420 )	( 11,395 )
Guarantee deposits refunded	6(30)	-	( 99 )
Treasury stock acquired		( 34,769 )	-
Repayment of the principal portion of lease liabilities	6(30)	( 8,111 )	( 5,867 )
Net cash (used in) provided by financing activities		<u>( 182,276 )</u>	<u>78,778</u>
Effect of fluctuations in exchange rate		( 11,311 )	10,611
Net decrease in cash and cash equivalents		333,496	202,634
Cash and cash equivalents at beginning of period	6(1)	929,712	1,293,799
Cash and cash equivalents at end of period	6(1)	<u>\$ 1,263,208</u>	<u>\$ 1,496,433</u>

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

GALLANT PRECISION MACHINING CO., LTD. AND SUBSIDIARIES  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE THREE-MONTH PERIODS ENDED MARCH 31, 2020 AND 2019  
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

1. HISTORY AND ORGANIZATION

Gallant Precision Machining Co., Ltd. (the “Company”).

The Company was incorporated on December 22, 1978. The Company and its subsidiaries (collectively referred herein as the “Group”) are engaged in the design, manufacture and sale of molds and machinery, metal parts and mold parts, stamping parts and die-cast parts, and automated manufacturing systems and their unit equipment, as well as the management and investment in the relevant business.

The Company’s stock was listed on the Taipei Exchange (formerly named GreTai Securities Market), effective from February, 1998.

The Company merged with Syntran Co., Ltd (the “Syntran Company”) on August 3, 2007 (merger effective date). The Company was a surviving company and Syntran Company was a dissolved company. Syntran Company was incorporated in November 1994, mainly engaged in the research, development, manufacture and sale of DWDM automatic optical testing machines, DWDM module packaging machines, digital safety monitoring systems and nano functional powder and films.

The special shareholders' meeting of the Company resolved to spin-off its semiconductor business on December 15, 2010 and the GreTai Securities Market approved the spin-off and the Company’s stock listed on January 13, 2011. The Company transferred its semiconductor business and related investment to the Company's subsidiary – Gallant Micro. Machining Co., Ltd. on the spin-off effective day March 1, 2011. The equity interest in Gallant Micro. Machining Co., Ltd. held by the Company as of March 31, 2020 was 57.19%.

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

These consolidated financial statements were authorized for issuance by the Board of Directors on May 7, 2020.

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:

New Standards, Interpretations and Amendments	Effective Date by International Accounting Standards Board
Amendments to IAS 1 and IAS 8 “Definition of Material”	January 1, 2020
Amendments to IFRS 3 “Definition of a Business”	January 1, 2020
IFRS 9 “Financial Instruments”, IAS 39 “Financial Instruments: Recognition and Measurement” (“IAS 39”) and IFRS 7 “Financial Instruments: Disclosures” - Interest Rate Benchmark Reform	January 1, 2020

Except for the followings, the above standards and interpretations have no significant impact to the Group financial condition and operating result based on the Group assessment.

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

None.

(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 endorsed by the FSC effective as follows:

New Standards, Interpretations and Amendments	Effective Date by International Accounting Standards Board
Sale or contribution of assets between an investor and its associate or joint venture (amendments to IFRS 10 and IAS 28)	To be determined by International Accounting Standards Board
IFRS 17, 'Insurance Contracts'	January 1, 2021
IFRS 1, Classification of Liabilities as Current or Non-current	January 1, 2022

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

#### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted are consistent with Note 4 in the consolidated financial statements for the year ended December 31, 2019, except for the compliance statement, basis of preparations, basis of consolidation and additional policies as set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

- A. The consolidated financial statements of the Group have been prepared in accordance with the “Rules Governing the Preparation of Financial Statements by Securities Issuers” and IAS 34, “Interim Financial Reporting” as endorsed by the FSC.

B. Please refer to the Group’s consolidated financial statements for the year ended December 31, 2019.

(2) Basis of preparation

A. Except for the following items, these 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 at fair value through other comprehensive income.
- c. Defined benefit liabilities recognized based on the net amount of pension fund assets less present value of defined benefit obligation.

B. The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

(3) Basis of consolidation

A. Basis for preparation of consolidated financial statements:

- a. The basis for preparation of consolidated financial statements are consistent with those of the year ended December 31, 2019.

B. Subsidiaries included in the consolidated financial statements:

<u>Name of Investor</u>	<u>Name of subsidiary</u>	<u>Main Business Activities</u>	<u>Percentage of Ownership</u>			<u>Note</u>
			<u>March 31, 2020</u>	<u>December 31, 2019</u>	<u>March 31, 2019</u>	
Gallant Precision Machining Co., Ltd.	Gallant Micro. Machining Co., Ltd.	Manufacturing and selling of semiconductor related equipment and parts	57.19	57.19	57.19	
Gallant Precision Machining Co., Ltd.	Gallant-Rapid Corporation Ltd. (the “GRC”)	Investing in Gallant Precision Industries (Suzhou) Co., Ltd.	100	100	100	Note2
Gallant Precision Machining Co., Ltd.	Gallant Precision Machinery (BVI)Ltd. (the “GPM(BVI)”)	Investing in Gallant Precision Machinery (Xiamen) Co., Ltd.	100	100	100	Note2
Gallant Precision Machining Co., Ltd.	APEX-I International Co., Ltd.	Marketing and selling of process equipment of LCD and related parts.	100	100	100	Note2
Gallant Precision Machining Co., Ltd.	Chun-Zhun Enterprise Corporation Ltd. (the “CZE”)	Investing in Gallant Technology (Shenzhen) Co., Ltd.	100	100	100	Note2

Name of Investor	Name of subsidiary	Main Business Activities	Percentage of Ownership			Note
			March 31, 2020	December 31, 2019	March 31, 2019	
Gallant Micro. Machining Co., Ltd.	King Mechatronics Co., Ltd. (the "KMC")	Investing in Gallant Micro. Machining (Suzhou) Co., Ltd.	100	100	100	
Gallant Micro. Machining Co., Ltd.	Gallant Micro Machining (Malaysia) Sdn. Bhd. (the "GMMM")	Engaged in the import and export and trading business of semiconductor machines and related parts	100	100	100	
GRC	Gallant Precision Industries (Suzhou) Co., Ltd.	Manufacturing of optoelectronic products equipment, mechanical equipment and related parts	100	100	100	Note2
KMC	Investing in Gallant Micro. Machining (Suzhou) Co., Ltd.	Manufacturing and selling of precision mold and related parts	100	100	100	
GPM(BVI)	Gallant Precision Machinery (Xiamen) Co., Ltd.	Manufacturing of optoelectronic products equipment, mechanical equipment and related parts	100	100	100	Note2
Gallant Precision Machinery (Xiamen) Co., Ltd.	Gallant Biotech (Suzhou) Co., Ltd.	Engaged in technology development, consulting, promotion and transfer in biotechnology industry, as well as the agency service of product and technology and import and export business.	29.14	29.14	36.43	Note1 Note2
CZE	Gallant Technology (Shenzhen) Co., Ltd.	Manufacturing of medical and mechanical related equipment	100	100	100	Note2
Gallant Precision Industries (Suzhou) Co., Ltd.	Gallant International Trading Co., Ltd.	Engaged in selling of mechatronics equipment	100	100	100	Note2
Gallant Precision Industries (Suzhou) Co., Ltd.	Gallant Precision Intelligence Technology Co., Ltd.	Manufacturing of optoelectronic products equipment, mechanical equipment and related parts	60	60	60	Note2
Gallant International Trading Co., Ltd.	Suzhou Jianmeifu Optical Co., Ltd.	Engaged in wholesale and retail of contact lenses and related care products	100	100	100	Note2
Gallant Precision Machining Co., Ltd.	Utron Technologies Corp	Testing of wire and tools and testing equipment of PBC and related systems	76.02	42.2	-	Note2 Note3
Utron Technologies Corp	U Pin Precision Co., Ltd.	Planning, development, design and manufacturing of electrical logging fixture	69.04	69.04	69.04	Note2 Note3

Note1: As the Group has lost control of the subsidiary as of March 31, 2019, the investment was accounted using equity method after control was lost.

Note2: The financial statements of the entity as of March 31, 2020 and 2019 were not reviewed by the independent auditors as the entity did not meet the definition of significant subsidiary.

Note3: The Group acquired share of the company in January 2020. As the Group has substantial

control over the company, the investment has been included in the consolidated financial statement.

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

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

E. Significant restrictions: None.

F. Subsidiaries that have non-controlling interests that are material to the Group:

As of March 31, 2020, December 31, 2019 and March 31, 2019, the non-controlling interest amounted to \$427,302, \$433,783 and \$442,227, respectively. The information of non-controlling interest and respective subsidiaries is as follows:

Name of subsidiary	Principal place of business	Non-controlling interest					
		March 31, 2020		December 31, 2019		March 31, 2019	
		Amount	Ownership(%)	Amount	Ownership(%)	Amount	Ownership(%)
Gallant Micro. Machining Co., Ltd.	Taiwan	\$ 383,794	42.81	\$ 392,109	42.81	\$ 405,120	42.81

Summarized financial information of the subsidiaries:

Balance sheets

	Gallant Micro. Machining Co., Ltd. and its subsidiaries		
	March 31, 2020	December 31, 2019	March 31, 2019
Current assets	\$ 1,308,201	\$ 1,226,187	\$ 1,227,974
Non-current assets	382,110	364,009	347,275
Current liabilities	( 630,831)	( 506,746)	( 451,612)
Non-current liabilities	( 159,321)	( 167,522)	( 177,316)
Total net assets	\$ 900,159	\$ 915,928	\$ 946,321

Statements of comprehensive income

	Gallant Micro. Machining Co., Ltd. and its subsidiaries	
	For the three-month period ended March 31, 2020	For the three-month period ended March 31, 2019
Revenue	\$ 173,847	\$ 143,297
Profit before income tax	(\$ 1,978)	\$ 10,834
Income tax expense	( 1,028)	( 2,167)
Profit for the period from continuing operations	( 3,006)	8,667
Loss from discontinued operations	-	-
Profit for the period	( 3,006)	8,667
Other comprehensive income, net of tax	( 17,254)	21,172
Total comprehensive income for the period	(\$ 20,260)	\$ 29,839
Comprehensive income attributable to non-controlling interest	(\$ 8,314)	\$ 12,774
Dividends paid to non-controlling interest	\$ -	\$ -

## Statements of cash flows

	Gallant Micro. Machining Co., Ltd. and its subsidiaries	
	For the three-month period ended March 31, 2020	For the three-month period ended March 31, 2019
Net cash provided by (used in) operating activities	(\$ 18,281)	\$ 74,546
Net cash provided by (used in) investing activities	( 39,101)	( 52,827)
Net cash provided by (used in) financing activities	22,636	( 2,631)
Effect of exchange rates on cash and cash equivalents	( 4,047)	6,998
Increase (decrease) in cash and cash equivalents	( 38,793)	26,086
Cash and cash equivalents, beginning of period	535,320	507,972
Cash and cash equivalents, end of period	<u>\$ 496,527</u>	<u>\$ 534,058</u>

### (4) Employee benefits

Pensions

Defined benefit plans

Pension cost for the interim period is calculated on a year-to-date basis by using the pension cost rate derived from the actuarial valuation at the end of the prior financial year, adjusted for significant market fluctuations since that time and for significant curtailments, settlements, or other significant one-off events. And, the related information is disclosed accordingly.

### (5) Income tax

The interim period income tax expense is recognised based on the estimated average annual effective income tax rate expected for the full financial year applied to the pretax income of the interim period, and the related information is disclosed accordingly.

### (6) Business combinations

A. The Group uses the acquisition method to account for business combinations. The consideration transferred for an acquisition is measured as the fair value of the assets transferred, liabilities incurred or assumed and equity instruments issued at the acquisition date, plus the fair value of any assets and liabilities resulting from a contingent consideration arrangement. All acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. For each business combination, the Group measures at the

acquisition date components of non-controlling interests in the acquiree that are present ownership interests and entitle their holders to the proportionate share of the entity's net assets in the event of liquidation at either fair value or the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other non-controlling interests should be measured at the acquisition-date fair value.

- B. The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of any previous equity interest in the acquiree over the fair value of the identifiable assets acquired and the liabilities assumed is recorded as goodwill at the acquisition date. If the total of consideration transferred, non-controlling interest in the acquiree recognised and the fair value of previously held equity interest in the acquiree is less than the fair value of the identifiable assets acquired and the liabilities assumed, the difference is recognised directly in profit or loss on the acquisition date.

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

There have been no significant change as of March 31, 2020. Please refer to Note 5 in the consolidated financial statements for the year ended December 31, 2019.

## 6. DETAILS OF SIGNIFICANT ACCOUNTS

### (1) Cash and cash equivalents

	<u>March 31, 2020</u>	<u>December 31, 2019</u>	<u>March 31, 2019</u>
Cash on hand and revolving funds	\$ 316	\$ 262	\$ 613
Checking accounts	68	26	26
Demand deposits	1,262,824	929,424	1,495,794
Total	<u>\$ 1,263,208</u>	<u>\$ 929,712</u>	<u>\$ 1,496,433</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 Customs and others as collateral, and were classified as financial assets at amortised cost-current, financial assets at amortised cost-non-current. Please refer to note 8.

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

<u>Items</u>	<u>March 31, 2020</u>	<u>December 31, 2019</u>	<u>March 31, 2019</u>
Current items:			
Financial assets mandatorily at fair value through profit or loss			
Beneficiary certificates	\$ -	\$ 120,023	\$ 162,924
Valuation adjustment	-	330	920
	<u>\$ -</u>	<u>\$ 120,353</u>	<u>\$ 163,844</u>

- A. The Group recognized net gain of \$60 and \$471 on financial assets and liabilities designated as at fair value through profit or loss for the year ended December 31, 2020 and for the three-month periods ended March 31, 2019, respectively.
- B. The Group has no financial assets at fair value through profit or loss pledged to others.
- C. Information relating to credit risk of financial assets at fair value through profit or loss is provided in Note 12(2).

(3) Financial Assets Measured at Fair Value Through Other Comprehensive Income

Items	March 31, 2020	December 31, 2019	March 31, 2019
Non-current items:			
Equity instruments			
Non-Listed stocks	\$ 73,907	\$ 73,907	\$ 68,875
Valuation adjustment	17,334	29,555	63,297
Total	\$ 91,241	\$ 103,462	\$ 132,172

A. The Group has elected to classify investments that are considered to be strategic investments in Unicon Optical Co., Ltd., Shinyu Light Co., Ltd., PHOENIX & COPRORATION and POWER EVER ENTERPRISES LIMITED as financial assets at fair value through other comprehensive income. The fair value of such investments amounted to \$91,241, \$103,462 and \$132,172 as at March 31, 2020, December 31, 2019 and March 31, 2019, respectively.

B. Amounts recognised in profit or loss and other comprehensive income in relation to the financial assets at fair value through other comprehensive income are listed below:

	For the three-month period ended March 31, 2020.	For the three-month period ended March 31, 2019.
<u>Equity instruments at fair value through other comprehensive income:</u>		
Fair value change recognised in other comprehensive income	(\$ 12,255)	\$ 7,148

C. Information relating to credit risk of financial assets at fair value through other comprehensive income is provided in Note 12(2).

(4) Financial assets measured at amortized cost

Items	March 31, 2020	December 31, 2019	March 31, 2019
Current items:			
Time deposits	\$ 1,142,671	\$ 826,942	\$ 631,046
Non-current items:			
Time deposits	23,454	22,227	26,670
Total	\$ 1,166,125	\$ 849,169	\$ 657,716

A. The Group transacts with financial institutions with high credit quality.

B. Details of the Group's financial assets at amortised cost pledged to others as collateral are provided in Note 8.

C. Information relating to credit risk of financial assets measured at amortized cost is provided in Note 12(2).

(5) Notes and accounts receivable

	March 31, 2020	December 31, 2019	March 31, 2019
Notes receivable	\$ 54,654	\$ 48,652	\$ 46,574
Accounts receivable	\$ 1,622,181	\$ 2,502,954	\$ 1,843,137
Less: allowance for bad debts	( 232,528)	( 164,208)	( 184,239)
	<u>\$ 1,389,653</u>	<u>\$ 2,338,746</u>	<u>\$ 1,658,898</u>

A. The ageing analysis of notes and accounts receivable is as follows:

	March 31, 2020		December 31, 2019	
	Accounts receivable	Notes receivable	Accounts receivable	Notes receivable
Without past due	\$ 1,222,912	\$ 54,654	\$ 2,040,160	\$ 48,652
0 to 90 days	149,332	-	251,718	-
91 to 120 days	44,988	-	17,341	-
Over 120 days	204,949	-	193,735	-
	<u>\$ 1,622,181</u>	<u>\$ 54,654</u>	<u>\$ 2,502,954</u>	<u>\$ 48,652</u>

	March 31, 2019	
	Accounts receivable	Notes receivable
Without past due	\$ 1,342,907	\$ 46,574
0 to 90 days	248,409	-
91 to 120 days	15,458	-
Over 120 days	236,363	-
	<u>\$ 1,843,137</u>	<u>\$ 46,574</u>

The above ageing analysis was based on past due date.

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

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

(6) Inventories

	March 31, 2020		
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 101,321	(\$ 16,183)	\$ 85,138
Work in process	863,341	( 131,803)	731,538
Finished goods	201,181	( 22,099)	179,082
Inventory in transit	7,713	-	7,713
Total	<u>\$ 1,173,556</u>	<u>(\$ 170,085)</u>	<u>\$ 1,003,471</u>

December 31, 2019			
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 86,531	(\$ 16,412)	\$ 70,119
Work in process	859,667	( 113,052)	746,615
Finished goods	123,719	( 18,804)	104,915
Inventory in transit	16,586	-	16,586
Total	\$ 1,086,503	(\$ 148,268)	\$ 938,235

March 31, 2019			
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 101,616	(\$ 13,829)	\$ 87,787
Work in process	844,766	( 104,909)	739,857
Finished goods	435,886	( 16,741)	419,145
Inventory in transit	494	-	494
Total	\$ 1,382,762	(\$ 135,479)	\$ 1,247,283

The cost of inventories recognized as expense for the period:

	For the three-month period ended March 31, 2020	For the three-month period ended March 31, 2019
Cost of goods sold	\$ 431,417	\$ 704,572
(Gain on reversal of) loss on decline in market value	21,817 (	40,038)
	\$ 453,234	\$ 664,534

(7) Investments accounted for using equity method

	March 31, 2020	December 31, 2019	March 31, 2019
Associates			
Gallant Biotech (Suzhou) Co., Ltd.	\$ 6,352	\$ 8,189	\$ 15,862
Utron Technologies Corp	-	25,443	-
Sunengine Co., Ltd.	29,634	30,148	27,798
Total	\$ 35,986	\$ 63,780	\$ 43,660

A. In the first quarter of 2020, Gallant Biotech (Suzhou) Co., Ltd. increased capital by issue new shares, but the Group did not acquire shares. As a result, the investment was accounted using equity method after control was lost.

B. The Group acquired 33.82% shares of Utron Technologies Corp on January 3, 2020. As of March 31, 2020, the Group held of 76.02% ownership and has control over the company, the investment has been included in the consolidated financial statement.

### C. Associates

The carrying amount of the Group's interests in all individually immaterial associates and the Group's share of the operating results:

As of March 31, 2020, the carrying amount of the Group's individually immaterial associates amounted to \$35,986.

	For the three-month period ended March 31, 2020	For the three-month period ended March 31, 2019
Profit for the period from continuing operations	(\$ 7,415)	(\$ 6,569)
Total comprehensive income	<u>(\$ 7,415)</u>	<u>(\$ 6,569)</u>

(8) Property, plant and equipment

	<u>Land</u>	<u>Buildings</u>	<u>Machinery and equipment</u>	<u>Office equipment</u>	<u>Leased assets</u>	<u>Others</u>	<u>Total</u>
At January 1, 2020							
Cost	\$ 39,130	\$ 593,791	\$ 116,026	\$ 33,504	\$ 65,682	\$ 28,964	\$ 877,097
Accumulated depreciation and impairment	-	( 144,453)	( 90,884)	( 19,285)	( 16,356)	( 17,491)	( 288,469)
	<u>\$ 39,130</u>	<u>\$ 449,338</u>	<u>\$ 25,142</u>	<u>\$ 14,219</u>	<u>\$ 49,326</u>	<u>\$ 11,473</u>	<u>\$ 588,628</u>
2020							
Opening net book amount as at January 1	\$ 39,130	\$ 449,338	\$ 25,142	\$ 14,219	\$ 49,326	\$ 11,473	\$ 588,628
Additions	-	-	-	980	-	161	1,141
Additions - acquired through business combinations	11,290	647	4,001	385	-	4,107	20,430
Depreciation charge	-	( 3,173)	( 1,394)	( 1,419)	( 322)	( 1,364)	( 7,672)
Net exchange differences	-	( 58)	( 172)	( 49)	-	( 19)	( 298)
Closing net book amount as at March 31	<u>\$ 50,420</u>	<u>\$ 446,754</u>	<u>\$ 27,577</u>	<u>\$ 14,116</u>	<u>\$ 49,004</u>	<u>\$ 14,358</u>	<u>\$ 602,229</u>
At March, 31, 2020							
Cost	\$ 50,420	\$ 605,269	\$ 123,580	\$ 32,813	\$ 65,682	\$ 32,988	\$ 910,752
Accumulated depreciation and impairment	-	( 158,515)	( 96,003)	( 18,697)	( 16,678)	( 18,630)	( 308,523)
	<u>\$ 50,420</u>	<u>\$ 446,754</u>	<u>\$ 27,577</u>	<u>\$ 14,116</u>	<u>\$ 49,004</u>	<u>\$ 14,358</u>	<u>\$ 602,229</u>

	Land	Buildings	Machinery and equipment	Office equipment	Leased assets	Others	Construction in progress and equipment under installation	Total
At January 1, 2019								
Cost	\$ 39,130	\$ 598,415	\$ 122,736	\$ 39,940	\$ 66,694	\$ 43,664	\$ 6,029	\$ 916,608
Accumulated depreciation and impairment	-	(136,882)	(90,963)	(21,323)	(16,068)	(28,875)	-	(294,111)
	<u>\$ 39,130</u>	<u>\$ 461,533</u>	<u>\$ 31,773</u>	<u>\$ 18,617</u>	<u>\$ 50,626</u>	<u>\$ 14,789</u>	<u>\$ 6,029</u>	<u>\$ 622,497</u>
2019								
Opening net book amount as at January 1	\$ 39,130	\$ 461,533	\$ 31,773	\$ 18,617	\$ 50,626	\$ 14,789	\$ 6,029	\$ 622,497
Additions	-	-	585	1,887	-	1,160	-	3,632
Disposals	-	-	-	-	-	(363)	-	(363)
Depreciation charge	-	(3,109)	(1,282)	(1,706)	(334)	(1,090)	-	(7,521)
Transferred out due to consolidation	-	-	(1,748)	(1,505)	-	(800)	(6,155)	(10,208)
Net exchange differences	-	31	504	165	-	87	126	913
Closing net book amount as at March 31	<u>\$ 39,130</u>	<u>\$ 458,455</u>	<u>\$ 29,832</u>	<u>\$ 17,458</u>	<u>\$ 50,292</u>	<u>\$ 13,783</u>	<u>\$ -</u>	<u>\$ 608,950</u>
At March 31, 2019								
Cost	\$ 39,130	\$ 593,769	\$ 122,876	\$ 38,210	\$ 65,682	\$ 29,540	\$ -	\$ 889,207
Accumulated depreciation and impairment	-	(135,314)	(93,044)	(20,752)	(15,390)	(15,757)	-	(280,257)
	<u>\$ 39,130</u>	<u>\$ 458,455</u>	<u>\$ 29,832</u>	<u>\$ 17,458</u>	<u>\$ 50,292</u>	<u>\$ 13,783</u>	<u>\$ -</u>	<u>\$ 608,950</u>

A. Amount of borrowing costs capitalized as part of property, plant and equipment were \$0 and \$0 for the three month periods ended March 31, 2020 and 2019, respectively.

B. The significant components of buildings include main plants improvement and structure, which are depreciated over 10 and 50 years.

C. Information about the property, plant and equipment that were pledged to others as collaterals is provided in Note 8.

D. The above property, plant and equipment of the Group were for their own used.

(9) Leasing arrangements—lessee

A. The Group leases various assets including land, buildings, business vehicles, multifunction printers. Rental contracts are typically made for periods of 1 to 38 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>March 31, 2020</u>	<u>December 31, 2019</u>	<u>March 31, 2019</u>
	Carrying amount	Carrying amount	Carrying amount
Land	\$ 210,471	\$ 214,408	\$ 218,925
Buildings	28,394	29,875	42,845
Office equipment (multifunction printers)	192	252	430
Transportation equipment	-	-	101
	<u>\$ 239,057</u>	<u>\$ 244,535</u>	<u>\$ 262,301</u>

	<u>For the three-month period</u> <u>ended March 31, 2020</u>	<u>For the three-month period</u> <u>ended March 31, 2019</u>
	Depreciation charge	Depreciation charge
Land	\$ 1,489	\$ 1,506
Buildings	3,375	3,538
Office equipment (multifunction printers)	59	59
Transportation equipment	-	34
	<u>\$ 4,923</u>	<u>\$ 5,137</u>

C. For the three-month period ended March 31, 2020 and 2019, respectively, the additions to right-of-use assets were \$0 and \$0.

D. The information on income and expense accounts relating to lease contracts is as follows:

	<u>For the three-month</u> <u>period ended March 31,</u> <u>2020</u>	<u>For the three-month</u> <u>period ended March 31,</u> <u>2019</u>
Items affecting profit or loss		
Interest expense on lease liabilities	\$ 1,120	\$ 1,290
Expense on short-term lease contracts	3,201	3,273
Expense on leases of low-value assets	36	30

E. For the three-month period ended March 31, 2020 and 2019, respectively, the Group's total cash outflow for leases were \$12,468 and \$9,170.

F. Extension and termination options

In determining the lease term, the Group takes into consideration all facts and circumstances that create an economic incentive to exercise an extension option. The assessment of lease period is reviewed if a significant event occurs which affects the assessment.

(10) Intangible assets

	2020			
	<u>Trademarks and licences</u>	<u>Software</u>	<u>Goodwill</u>	<u>Total</u>
At January 1				
Cost	\$ 126,740	\$ 20,336	\$ -	\$ 147,076
Accumulated amortization and impairment	( 115,094)	( 6,290)	-	( 121,384)
	<u>\$ 11,646</u>	<u>\$ 14,046</u>	<u>\$ -</u>	<u>\$ 25,692</u>
At January 1	\$ 11,646	\$ 14,046	\$ -	\$ 25,692
Additions - acquired separately	-	3,945	-	3,945
Additions - acquired through business combinations	-	-	36,432	36,432
Amortization charge	( 2,653)	( 1,200)	-	( 3,853)
Net exchange differences	-	( 5)	-	( 5)
At March 31	<u>\$ 8,993</u>	<u>\$ 16,786</u>	<u>\$ 36,432</u>	<u>\$ 62,211</u>
At March 31				
Cost	\$ 126,740	\$ 25,034	\$ 36,432	\$ 188,206
Accumulated amortization and impairment	( 117,747)	( 8,248)	-	( 125,995)
	<u>\$ 8,993</u>	<u>\$ 16,786</u>	<u>\$ 36,432</u>	<u>\$ 62,211</u>
	2019			
	<u>Trademarks and licences</u>	<u>Software</u>	<u>Goodwill</u>	<u>Total</u>
At January 1				
Cost	\$ 126,740	\$ 21,060	\$ 4,341	\$ 152,141
Accumulated amortization and impairment	( 81,343)	( 4,741)	( 96)	( 86,180)
	<u>\$ 45,397</u>	<u>\$ 16,319</u>	<u>\$ 4,245</u>	<u>\$ 65,961</u>
At January 1	\$ 45,397	\$ 16,319	\$ 4,245	\$ 65,961
Additions - acquired separately	-	318	-	318
Transferred out due to consolidation	-	-	( 3,892)	( 3,892)
Amortisation charge	( 9,488)	( 971)	( 363)	( 10,822)
Net exchange differences	-	33	89	122
At March 31	<u>\$ 35,909</u>	<u>\$ 15,699</u>	<u>\$ 79</u>	<u>\$ 51,687</u>
At March 31				
Cost	\$ 126,740	\$ 21,379	\$ 4,245	\$ 152,364
Accumulated amortization and impairment	( 90,831)	( 5,680)	( 4,166)	( 100,677)
	<u>\$ 35,909</u>	<u>\$ 15,699</u>	<u>\$ 79</u>	<u>\$ 51,687</u>

(11) Short-term borrowings

Type of borrowings	March 31, 2020	Interest rate range	Collateral
Unsecured Banking Loan	\$ 1,010,011	1.08%~3.22%	None
Secured Loan	52,000	1.70%	Land and plant
	<u>1,062,011</u>		
Type of borrowings	December 31, 2019	Interest rate range	Collateral
Unsecured Banking Loan	\$ 1,118,987	1.08%~2.90%	None
Type of borrowings	March 31, 2019	Interest rate range	Collateral
Unsecured Banking Loan	\$ 831,260	1.2%~3.62%	None

(12) Accounts payable

	March 31, 2020	December 31, 2019	March 31, 2019
Accounts payable	\$ 690,882	\$ 848,802	\$ 1,214,216
Estimated accounts payable	101,482	119,708	166,550
	<u>\$ 792,364</u>	<u>\$ 968,510</u>	<u>\$ 1,380,766</u>

(13) Others accounts payable

	March 31, 2020	December 31, 2019	March 31, 2019
Accrued salaries	\$ 130,871	\$ 173,863	\$ 106,336
Accrued employees' bonuses and directors' remuneration	76,433	82,939	100,532
Payables on equipment - Fixed assets	509	1,084	3,366
Payables on equipment - Intangible assets	252	277	571
Others	56,374	62,945	105,923
	<u>\$ 264,439</u>	<u>\$ 321,108</u>	<u>\$ 316,728</u>

(14) Long-term borrowings

Type of borrowings	Borrowing period and repayment term	Interest rate range	Collateral	March 31,2020
Mortgage borrowings	Borrowing period is from July 31, 2008 to July 31, 2023; interest is repayable monthly and principal is repayable through August, 2010 to July, 2023.	1.22%	Note A	\$ 21,620
Unsecured borrowing	Borrowing period is from July 31, 2008 to July 31, 2023; interest is repayable monthly and principal is repayable through August, 2010 to July, 2023.	1.32%	None	5,774
Mortgage borrowings	Borrowing period is from September 27, 2019 to September 27, 2021; interest is repayable monthly and principal is repayable in September, 2021.	1.36%	Note A 、 Note C	350,000

<u>Type of borrowings</u>	<u>Borrowing period and repayment term</u>	<u>Interest rate range</u>	<u>Collateral</u>	<u>March 31,2020</u>
Mortgage borrowings	Borrowing period is from June 14, 2017 to June 14, 2032; interest is repayable monthly and principal is repayable monthly through June, 2018 to June, 2032.	1.45%	Note A	75,250
Mortgage borrowings	Borrowing period is from July 13, 2017 to July 13, 2022; The principal is repayable every 6 months in 8 installments.	1.20%	Note A	14,375
				<u>467,019</u>
Less: current portion				( 19,992)
				<u>\$ 447,027</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>
Mortgage borrowings	Borrowing period is from July 31, 2008 to July 31, 2023; interest is repayable monthly and principal is repayable through August, 2010 to July, 2023.	1.22%	Note A	\$ 23,206
Unsecured borrowing	Borrowing period is from July 31, 2008 to July 31, 2023; interest is repayable monthly and principal is repayable through August, 2010 to July, 2023.	1.32%	None	6,197
Mortgage borrowings	Borrowing period is from September 27, 2019 to September 27, 2021; interest is repayable monthly and principal is repayable in September, 2021.	1.36%	Note A , Note B	350,000
Mortgage borrowings	Borrowing period is from June 14, 2017 to June 14, 2032; interest is repayable monthly and principal is repayable monthly through June, 2018 to June, 2032.	1.45%	Note A	76,786
Mortgage borrowings	Borrowing period is from July 13, 2017 to July 13, 2022; The principal is repayable every 6 months in 8 installments.	1.20%	Note A	17,250
				<u>473,439</u>
Less: current portion				( 19,967)
				<u>\$ 453,472</u>

Type of borrowings	Borrowing period and repayment term	Interest rate range	Collateral	March 31, 2019
Mortgage borrowings	Borrowing period is from July 31, 2008 to July 31, 2023; interest is repayable monthly and principal is repayable through August, 2010 to July, 2023.	1.22%	Note A	\$ 28,458
Unsecured borrowing	Borrowing period is from July 31, 2008 to July 31, 2023; interest is repayable monthly and principal is repayable through August, 2010 to July, 2023.	1.32%	None	7,596
Mortgage borrowings	Borrowing period is from September 25, 2018 to September 24, 2020; interest is repayable monthly and principal is repayable in September, 2020.	1.37%	Note A & Note C	350,000
Unsecured borrowing	Borrowing period is from August 14, 2017 to August 14, 2019; interest is repayable monthly and principal is repayable through July, 2018 to July, 2019.	1.60%	None	8,333
Mortgage borrowings	Borrowing period is from June 14, 2017 to June 14, 2032; interest is repayable monthly and principal is repayable monthly through June, 2018 to June, 2032.	1.45%	Note A	81,393
Mortgage borrowings	Borrowing period is from July 13, 2017 to July 13, 2022; The principal is repayable every 6 months in 8 installments.	1.20%	Note A	20,125
				<u>495,905</u>
Less: current portion				( 28,886)
				<u>\$ 467,019</u>

Note A: Details of long-term borrowings pledged as collateral are provided in Note 8.

Note B:(a) In order to repay the existing financial liabilities and enrich the medium-term working capital, the Company entered into a comprehensive credit contract amounting to \$800 million with China Trust Commercial Bank on September 27, 2019. The Company also applied for a drawdown of \$350,000 from the credit line granted by China Trust Commercial Bank in September, 2019.

(b) According to the notice of credit between the Company and China Trust Commercial Bank, the financial ratios in the Company's annual and semi-annual consolidated financial statements should be maintained as follows:

- i . Current ratio: the ratio of current assets divided by current liabilities shall be maintained above 120% (inclusive).
- ii . Financial gearing ratio: the total of short-term borrowings, corporate bonds due within one year, mid and long-term borrowings due within one year and long-term borrowings, divided by the tangible net worth shall not exceed 60%
- iii. Net tangible net worth: the shareholders' equity after deducting intangible assets shall not be less than NT\$2,200,000 (inclusive)

Note C:(a) In order to repay the existing financial liabilities and enrich the medium-term working capital, the Company entered into a comprehensive credit contract amounting to \$800 million with China Trust Commercial Bank on September 11, 2018. The Company also applied for a drawdown of \$220,000 and \$130,000 from the credit line granted by China Trust Commercial Bank in September and October 2018. The borrowings has been repaid in September 2019.

(b) According to the notice of credit between the Company and China Trust Commercial Bank, the financial ratios in the Company's annual and semi-annual consolidated financial statements should be maintained as follows:

- i . Current ratio: the ratio of current assets divided by current liabilities shall be maintained above 120% (inclusive).
- ii . Gearing ratio: the ratio of total liabilities divided by tangible net worth shall not be more than 120%.
- iii. Financial gearing ratio: the total of short-term borrowings, corporate bonds due within one year, mid and long-term borrowings due within one year and long-term borrowings, divided by the tangible net worth shall not exceed 60%.
- iv. Net tangible net worth: the shareholders' equity after deducting intangible assets shall not be less than NT\$2,200,000 (inclusive).

#### (15) Pensions

- A. (a) The Company and its domestic subsidiaries have a defined benefit pension plan in accordance with the Labor Standards Law, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Law. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company and its domestic subsidiaries contributes monthly an amount equal to 2% and 7% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Company and its domestic subsidiaries would assess the balance in the aforementioned labor pension reserve account by the end of December 31, every year. If the account balance is not enough to pay the pension calculated by the aforementioned method, to the labors expected to be qualified for retirement next year, the Company and its domestic subsidiaries will make contribution for the deficit by next March.
- (b) For the aforementioned pension plan, the Group recognized pension costs of \$174 and \$255 for the three month periods ended March 31, 2020 and 2019, respectively.
- (c) Expected contributions to the defined benefit pension plans of the Group for the year ended December 31, 2020 are \$7,767.
- B. (a) Effective July 1, 2005, the Company and its domestic subsidiaries (APEX-I International Co., Ltd. and Gallant Micro. Machining Co., Ltd. ) have 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 and its domestic subsidiaries 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) Gallant Precision Industries (Suzhou) Co., Ltd., Gallant Micro Machining (Suzhou) Co., Ltd., Gallant Precision Machinery (Xiamen) Co., Ltd., Gallant Technology (Shenzhen) Co., Ltd., Gallant Precision Intelligence Technology Co., Ltd. Gallant International Trading Co., Ltd. and Suzhou Jianmeifu Optical Co., Ltd., have a defined contribution plan. Monthly contributions to an independent fund administered by the government in accordance with the pension regulations in the People's Republic of China (PRC.) are based on certain percentage of employees' monthly salaries and wages. The contribution percentage was 10% to 20%. Other than the monthly contributions, the Group has no further obligations.

C. Gallant-Rapid Corporation Ltd., Gallant Micro Machining (Malaysia) Sdn. Bhd., Ltd., King Mechatronics Co., Ltd., Chun-Zhun Enterprise Corporation Ltd., Gallant Precision Machinery (BVI) Ltd. did not have a pension plan.

D. The pension costs under defined contribution pension plans of the Group for the three month periods ended March 31, 2020 and 2019 were \$7,036 and \$9,269, respectively.

(16) Share capital

A. As of March 31, 2020, the Company's authorized capital was \$2,500,000, consisting of 250,000 thousand shares of ordinary stock, and the paid-in capital was \$1,651,361 with a par value of \$10 (in dollars) per share. All proceeds from shares issued have been collected.

Movements in the number of the Company's ordinary shares outstanding are as follows:

	2020	Unit: shares in thousands 2019
At January 1	165,136	165,136
Treasury stock acquired	( 2,021 )	-
At March 31	<u>163,115</u>	<u>165,136</u>

B. On March 24, 2020, the Board of directors resolved to acquire 6,000 thousands shares of the Company. All the acquired shares will be reissued to employees. As of March 31, 2020, the Company has acquired 2021 thousands shares.

C. Treasury shares

(a) Reason for share reacquisition and movements in the number of the Company's treasury shares are as follows:

Name of company holding the shares	Reason for reacquisition	March 31, 2020	
		Number of shares	Carrying amount
The Company	To be reissued to employees	2,021	\$ 34,769

(b) Pursuant to the R.O.C. Securities and Exchange Act, the number of shares bought back as treasury share should not exceed 10% of the number of the Company's issued and outstanding shares and the amount bought back should not exceed the sum of retained earnings, paid-in capital in excess of par value and realised capital surplus.

(c) Pursuant to the R.O.C. Securities and Exchange Act, treasury shares should not be pledged as collateral and is not entitled to dividends before it is reissued.

(d) Pursuant to the R.O.C. Securities and Exchange Act, treasury shares should be reissued to the employees within three years from the reacquisition date and shares not reissued within the three-year period are to be retired.

(17) 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 Law requires that the amount of capital surplus to be capitalized 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.

Details of Capital surplus:

	<u>Share premium</u>	<u>Treasury share transactions</u>	<u>Difference between consideration and carrying amount of subsidiaries acquired or disposed</u>	<u>Net change in equity of associates</u>	<u>Employee stock option</u>	<u>Total</u>
At January 1, 2020 and March 31, 2020	<u>\$ 127,167</u>	<u>\$ 31,399</u>	<u>\$ 11,750</u>	<u>\$ 24,329</u>	<u>\$ 4,446</u>	<u>\$ 199,091</u>
	<u>Share premium</u>	<u>Treasury share transactions</u>	<u>Difference between consideration and carrying amount of subsidiaries acquired or disposed</u>	<u>Net change in equity of associates</u>	<u>Employee stock option</u>	<u>Total</u>
At January 1, 2019 and March 31, 2019	<u>\$ 127,167</u>	<u>\$ 31,399</u>	<u>\$ 11,750</u>	<u>\$ 24,329</u>	<u>\$ 4,446</u>	<u>\$ 199,091</u>

(18) Retained earnings

- A. Under the Company's Articles of Incorporation, the current year's earnings, if any, shall first be used to pay all taxes and offset prior years' operating losses and then 10% of the remaining amount shall be set aside as legal reserve. When such legal reserve amounts to the total authorized capital, the Company shall not be subject to this requirement. The Company may then appropriate or reverse a certain amount as special reserve according to the demand for the business or relevant regulations. After the distribution of earnings, the remaining earnings and prior years' undistributed earnings may be appropriated according to a resolution of the Board of Directors adopted in the shareholders' meeting. The ratio of cash dividend shall not be less than 10% of the shareholders' dividend.
- 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 distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital.
- C.(a) 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.
- (b) The amounts previously set aside by the Company as special reserve on initial application of IFRSs in accordance with Jin-Guan-Zheng-Fa-Zi Letter No. 1010012865, dated April 6, 2012, shall be reversed proportionately when the relevant assets are used, disposed of or reclassified subsequently. Such amounts are reversed upon disposal or reclassified if the assets are investment property of land, and reversed over the use period if the assets are investment property other than land. As of the date of transition, the Company recognized \$132,987 special reserve.
- D. On March 24, 2020 and June 25, 2019, respectively, the Board of directors proposed to distribute earnings for 2019 and the shareholders resolved that total dividends for the distribution of earnings for the year of 2018 was as following:

	2019		2018	
	Amount	Earnings per share(In dollars)	Amount	Earnings per share(In dollars)
Legal reserve	\$ -	\$ -	\$ 37,010	\$ -
Cash dividends	247,704	1.500	214,677	1.300
Total	<u>\$ 247,704</u>	<u>\$ 1.500</u>	<u>\$ 251,687</u>	<u>\$ 1.300</u>

(19) Other equity items

	2020		
	Available-for-sale investment	Currency translation	Total
At January 1	\$ 3,295	(\$ 99,700)	(\$ 96,405)
Revaluation	( 5,561)	-	( 5,561)
Currency translation differences: -group	-	( 10,537)	( 10,537)
At March 31	<u>(\$ 2,266)</u>	<u>(\$ 110,237)</u>	<u>(\$ 112,503)</u>

	2019		
	Unrealised gains (losses) on valuation	Currency translation	Total
At January 1	\$ 31,815	(\$ 64,286)	(\$ 32,471)
Revaluation	2,195	-	2,195
Currency translation differences:—group	-	24,712	24,712
At March 31	<u>\$ 34,010</u>	<u>(\$ 39,574)</u>	<u>(\$ 5,564)</u>

(20) Operating revenue

	For the three-month period ended March 31, 2020	For the three-month period ended March 31, 2019
Revenue from Contracts with Customers	<u>\$ 638,643</u>	<u>\$ 835,424</u>

A. Disaggregation of revenue from contracts with customers

The Group derives revenue from the transfer of goods and services over time and at a point in time in the following major product lines and geographical regions:

For the three-month period ended March 31, 2020	Taiwan	China	Other	Total
Total segment revenue	\$ 266,349	\$ 410,848	\$ 19,618	\$ 696,815
Inter-segment revenue	( 35,833)	( 22,339)	-	( 58,172)
Revenue from external customer contracts	<u>\$ 230,516</u>	<u>\$ 388,509</u>	<u>\$ 19,618</u>	<u>\$ 638,643</u>
Timing of revenue recognition				
At a point in time	\$ 227,171	\$ 387,986	\$ 19,203	\$ 634,360
Over time	3,345	523	415	4,283
	<u>\$ 230,516</u>	<u>\$ 388,509</u>	<u>\$ 19,618</u>	<u>\$ 638,643</u>

For the three-month period ended March 31, 2019	Taiwan	China	Other	Total
Total segment revenue	\$ 278,508	\$ 629,353	\$ 10,550	\$ 918,411
Inter-segment revenue	( 77,984)	( 5,003)	-	( 82,987)
Revenue from external customer contracts	<u>\$ 200,524</u>	<u>\$ 624,350</u>	<u>\$ 10,550</u>	<u>\$ 835,424</u>
Timing of revenue recognition				
At a point in time	\$ 195,233	\$ 615,999	\$ 10,402	\$ 821,634
Over time	5,290	8,352	148	13,790
	<u>\$ 200,524</u>	<u>\$ 624,350</u>	<u>\$ 10,550</u>	<u>\$ 835,424</u>

B. Contract liabilities

The Group has recognized the following revenue-related contract assets and liabilities:

	March 31, 2020	December 31, 2019	March 31, 2019
Contract liabilities:			
Contract liabilities-Deposit	<u>\$ 239,774</u>	<u>\$ 144,695</u>	<u>\$ 66,585</u>

C. Revenue recognized that was included in the contract liability balance at the beginning of the period

	<u>For the three-month period ended March 31, 2020</u>	<u>For the three-month period ended March 31, 2019</u>
Revenue recognized that was included in the contract liability balance at the beginning of the period		
Deposit	\$ 26,025	\$ 43,404
Total	<u>\$ 26,025</u>	<u>\$ 43,404</u>

(21) Other income

	<u>For the three-month period ended March 31, 2020</u>	<u>For the three-month period ended March 31, 2019</u>
Interest income	\$ 5,434	\$ 8,996
Rental revenue	3,874	3,846
Government subsidy income	1,911	5,562
Dividends income	-	2,889
Others	7,320	1,422
	<u>\$ 18,539</u>	<u>\$ 22,715</u>

(22) Other gains and losses

	<u>For the three-month period ended March 31, 2020</u>	<u>For the three-month period ended March 31, 2019</u>
Net gains (losses) on financial assets and liabilities at fair value through profit or loss	\$ 60	\$ 471
Gains on disposal of investments	-	3,075
Gains arising from lease modifications	6	-
Net currency exchange (losses) gains	13,944	4,387
Others	(120)	(8)
Total	<u>\$ 13,890</u>	<u>\$ 7,925</u>

(23) Finance costs

	<u>For the three-month period ended March 31, 2020</u>	<u>For the three-month period ended March 31, 2019</u>
Interest expense	\$ 9,058	\$ 8,480

(24) Expenses by nature

	<u>For the three-month period ended March 31, 2020</u>	<u>For the three-month period ended March 31, 2019</u>
Employee benefit expense	\$ 183,340	\$ 213,646
Depreciation charges	\$ 12,595	\$ 12,658
Amortization charges on intangible assets	<u>\$ 3,853</u>	<u>\$ 10,822</u>

(25) Employee benefit expense

	<u>For the three-month period ended March 31, 2020</u>	<u>For the three-month period ended March 31, 2019</u>
Wages and salaries	\$ 152,999	\$ 179,779
Labour and health insurance fees	15,776	16,900
Pension costs	7,210	9,524
Other personnel expenses	7,355	7,443
	<u>\$ 183,340</u>	<u>\$ 213,646</u>

- A. Under the Company's Articles of Incorporation, the Company shall distribute not less than 1% and not more than 12% of its annual profit as the employee compensation, and not more than 3% of its annual profit as the director remuneration. However, if the Company has an accumulated deficit, then it should be offset first.

Employee remuneration could be paid by cash or shares, and entitled to receive the cash or shares may include the employees of subsidiaries of the Company meeting certain specific requirements.

The term "profit" used in the first paragraph refers to the profit before tax before deducting the employee compensation and director remuneration. The distribution of employee compensation and director remuneration shall be in a board meeting that registers two-thirds of directors in attendance, and the resolution must receive support from half of participating members. The resolution should be reported to the shareholders at shareholders' meeting.

- B. For the years ended March 31, 2020 and 2019, employees' compensation was accrued at \$0 and \$0, respectively; directors' and supervisors' remuneration was accrued at \$0 and \$0, respectively.

The employees' compensation of \$39,008 and directors' and supervisors' remuneration of \$6,612 for 2019 as resolved by the meeting of Board of Directors on March 24, 2020 were in agreement with those amounts recognized in the 2019 financial statements.

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

(26) Income tax

A. Income tax expense

(a) Components of income tax expense:

	<u>For the three-month period ended March 31, 2020</u>	<u>For the three-month period ended March 31, 2019</u>
Current tax:		
Current tax on profits for the period	\$ 2,713	\$ 4,083
Prior year income tax (over) underestimate	3,163	-
Total current tax	<u>5,876</u>	<u>4,083</u>
Deferred tax:		
Origination and reversal of temporary differences	82	( 1,905 )
Total deferred tax	<u>82</u>	<u>( 1,905 )</u>
Income tax expense	<u>\$ 5,958</u>	<u>\$ 2,178</u>

(b) The income tax (charge)/credit relating to components of other comprehensive income is as follows:

	<u>For the three-month period ended March 31, 2020</u>	<u>For the three-month period ended March 31, 2019</u>
Share of other comprehensive income of associates	(\$ 2,478)	\$ 1,430

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

(27) Earnings per share

	<u>For the three-month period ended March 31, 2020</u>		
	<u>Amount after tax</u>	<u>Weighted average number of ordinary shares outstanding (share in thousands)</u>	<u>Earnings per share (in dollars)</u>
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	(\$ 25,017)	165,107	(\$ 0.15)

	<u>For the three-month period ended March 31, 2019</u>		
	<u>Amount after tax</u>	<u>Weighted average number of ordinary shares outstanding (share in thousands)</u>	<u>Earnings per share (in dollars)</u>
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	(\$ 51,598)	165,136	(\$ 0.31)

Since potentially dilutive ordinary share by the compensation paid to employees has anti-dilutive effects for the three month period ended March 31, 2020 and 2019, respectively and excluded from the computation of diluted earnings per share accordingly. The amount of basic earnings per share is the same as the diluted earnings per share.

(28) Business combinations

A. On January 3, 2020, the Group acquired 33.82% of the share capital of Utron Technologies Corp for \$23,672 and held 76.02% of the equity until March 31, 2020, and obtained the control over Utron Technologies Corp. The main business of company are testing of wire and tools and sales of testing equipment of PBC and related systems. As a result of the acquisition, the Group is expected to increase its position in these markets. It also expects to reduce costs through economies of scale.

B. The following table summarizes the consideration paid for Utron Technologies Corp and the fair values of the assets acquired and liabilities assumed at the acquisition date, as well as the fair value of the non-controlling interest at the acquisition date:

	<u>Acquisition date</u>
Purchase consideration	
Cash paid	\$ 23,672
Fair value of equity interest in Utron Technologies Corp held before the business combination	25,443
Fair value of the non – controlling interest	<u>4,491</u>
	<u>53,606</u>
Fair value of the identifiable assets acquired and liabilities assumed	
Cash	18,410
Accounts receivable	72,491
Other accounts receivable	6,911
Inventories	42,737
Prepayments	14,375
Property, plant and equipment	20,430
Other non-current assets	690
Bank borrowings	( 76,000)
Accounts payable	( 27,417)
Other accounts payable	( 54,512)
Provisions for liabilities	( 248)
Unearned receipts	( 576)
Other current assets	( 117)
Total identifiable net assets	<u>17,174</u>
Goodwill	<u>\$ 36,432</u>

C. Non-controlling interests are measured by the non-controlling interest's proportion share in the recognized amounts of the acquiree's identifiable net assets. The fair value of the identifiable net assets are still being assessed. The purchase price allocation will be completed within one year.

D. The operating revenue included in the consolidated statement of comprehensive income since January 3, 2020 contributed by Utron Technologies Corp was \$23,500. Utron Technologies Corp also contributed profit before income tax of \$1,775 over the same period. Had Utron Technologies Corp been consolidated from January 1, 2020, the consolidated statement of comprehensive income would show operating revenue of \$23,500 and profit before income tax of \$1,775.

(29) Supplemental cash flow information

Investing activities with partial cash payments

	<u>For the three-month period ended March 31, 2020</u>	<u>For the three-month period ended March 31, 2019</u>
Purchase of property, plant and equipment	\$ 1,141	\$ 3,632
Add: opening balance of payable on equipment	1,084	6,239
Less: ending balance of payable on equipment	( 509)	( 3,366)
Cash paid during the year	<u>\$ 1,716</u>	<u>\$ 6,505</u>

(30) Changes in liabilities from financing activities

	Short-term borrowings	Long-term borrowings	Guarantee deposits received	Leases liabilities	Liabilities from financing activities-gross
At January 1, 2020	\$ 1,118,987	\$ 473,439	\$ 2,336	\$ 246,481	\$ 1,841,243
Changes in cash flow from financing activities	(132,976)	(6,420)	-	(8,111)	(147,507)
Changes in acquisition of subsidiaries	76,000	-	-	-	76,000
Changes in other non-cash items	-	-	-	3,028	3,028
At March 31, 2020	<u>\$ 1,062,011</u>	<u>\$ 467,019</u>	<u>\$ 2,336</u>	<u>\$ 241,398</u>	<u>\$ 1,772,764</u>

	Short-term borrowings	Long-term borrowings	Guarantee deposits received	Leases liabilities	Liabilities from financing activities-gross
At January 1, 2019	\$ 735,121	\$ 507,300	\$ 2,435	\$ 267,264	\$ 1,512,120
Changes in cash flow from financing activities	96,139	(11,395)	(99)	(4,440)	80,205
At March 31, 2019	<u>\$ 831,260</u>	<u>\$ 495,905</u>	<u>\$ 2,336</u>	<u>\$ 262,824</u>	<u>\$ 1,592,325</u>

7. RELATED-PARTY TRANSACTIONS

(1) Names and relationship of related parties

<u>Names of related parties</u>	<u>Relationship with the Company</u>
Hitachi Zosen GPM Technology ( Suzhou ) Co.,Ltd.	Associate
Utron Technologies Corp.	Associate
C SUN Mfg. Ltd.	Substantive related party
Fujian Chengzhe Automation Technology Co.Ltd	Substantive related party

Note: The Group increase to acquire shares of Utron Technologies Corp on January 3, 2020 and has control over the company. As the company became a subsidiary of the Group, the balance of other receivables from related parties was been eliminated.

(2) Significant related party transactions

A. Purchases:

	<u>For the three-month period ended March 31, 2020</u>	<u>For the three-month period ended March 31, 2019</u>
Purchases of goods:		
Substantive related party	<u>\$ 18,248</u>	<u>\$ 2,014</u>

The purchase prices of transactions with related parties and non-related parties were negotiated in consideration of the differences of product and the complexity of production. There were no similar transaction types with non-related parties. The transactions with related parties are subject to the terms and conditions agreed upon by both parties. The payment terms are 90 days after the date of acceptance on a monthly basis.

B. Payables to related parties:

	<u>March 31, 2020</u>	<u>December 31, 2019</u>	<u>March 31, 2019</u>
Accounts payable:			
Substantive related party	\$ <u>23,044</u>	\$ <u>27,550</u>	\$ <u>3,131</u>

C. Receivables from related parties:

	<u>March 31, 2020</u>	<u>December 31, 2019</u>	<u>March 31, 2019</u>
Accounts receivable:			
Associates	\$ <u>-</u>	\$ <u>179</u>	\$ <u>199</u>

D. Loans to /from related parties:

Loans to related parties:

a. Outstanding balance:

	<u>March 31, 2020</u>	<u>December 31, 2019</u>	<u>March 31, 2019</u>
Associates	\$ <u>-</u>	\$ <u>40,000</u>	\$ <u>-</u>

b. Interest income:

	<u>Years ended December 31, 2020</u>	<u>Years ended December 31, 2019</u>
Associates	\$ <u>-</u>	\$ <u>-</u>

The loans to associates are repayable monthly over 1 years and carry interest at 2% per annum for the years ended December 31, 2020.

E. Other transactions:

	<u>For the three-month period ended March 31, 2020</u>		<u>For the three-month period ended March 31, 2019</u>	
	<u>Items</u>	<u>Amount</u>	<u>Items</u>	<u>Amount</u>
Substantive related party	Research and development expenses	\$ <u>-</u>	Research and development expenses	\$ <u>534</u>
Associates	rental expenses	<u>-</u>	rental expenses	<u>15</u>
Associates	Sales of services	<u>1,187</u>	Sales of services	<u>199</u>

(3) Key management compensation

	<u>For the three-month period ended March 31, 2020</u>	<u>For the three-month period ended March 31, 2019</u>
Payroll and Salaries and other short-term employee benefits	\$ 17,863	\$ 19,085
Post-employment benefits	366	338
Total	<u>\$ 18,229</u>	<u>\$ 19,423</u>

## 8. PLEDGED ASSETS

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

<u>Pledged asset</u>	<u>Book value</u>			<u>Purpose</u>
	<u>March 31, 2020</u>	<u>December 31, 2019</u>	<u>March 31, 2019</u>	
Time deposits (shown as "financial assets at amortised cost non-current")	\$ 23,454	\$ 22,227	\$ 26,670	Exercise guarantee for construction and customs deposit
Property, plant and equipment	527,439	530,710	540,521	Long-term borrowings
	<u>\$ 550,893</u>	<u>\$ 552,937</u>	<u>\$ 567,191</u>	

## 9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

### Contingent liabilities

As of March 31, 2020 and December 31, 2019 and March 31, 2019, the bank open a guarantee letter for the Company due to business tender and guarantee for construction amounting to \$38,853, \$64,971 and \$205,648, respectively.

## 10. SIGNIFICANT DISASTER LOSS

None.

## 11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

None.

## 12. OTHERS

### (1) Capital management

No significant change was made during the three-month period ended March 31, 2019. For more information, please refer to note 12 in the Group's consolidated financial statements for the year ended December 31, 2018.

## (2) Financial instruments

### A. Financial instruments by category

	<u>March 31, 2020</u>	<u>December 31, 2019</u>	<u>March 31, 2019</u>
<u>Financial assets</u>			
Financial assets measured at fair value through profit or loss			
Financial assets mandatorily measured at fair value through profit or loss	\$ -	\$ 120,353	\$ 163,844
Financial assets at fair value through other comprehensive income	91,241	103,462	132,172
Financial assets at amortised cost/Loans and receivables			
Cash and cash equivalents	1,263,208	929,712	1,496,433
Financial assets at amortised cost	1,166,125	849,169	657,716
Notes receivables	54,654	48,652	46,574
Accounts receivables	1,389,653	2,338,746	1,658,898
Other accounts receivables (related party)	20,631	51,625	21,716
Guarantee deposits paid	5,382	5,842	6,462
	<u>\$ 3,990,894</u>	<u>\$ 4,447,561</u>	<u>\$ 4,183,815</u>
<u>Financial liabilities</u>			
Financial liabilities at amortised cost			
Short-term borrowings	\$ 1,062,011	\$ 1,118,987	\$ 831,260
Contract liabilities	239,774	-	-
Notes payable	3,465	-	-
Accounts payable (related party)	815,408	996,060	1,383,897
Other accounts payable	264,439	321,108	316,728
Long-term borrowings (including current portion)	467,019	473,439	495,905
Guarantee deposits received	2,336	2,336	2,336
	<u>\$ 2,854,452</u>	<u>\$ 2,911,930</u>	<u>\$ 3,030,126</u>
Leases liabilities	<u>\$ 241,399</u>	<u>\$ 246,481</u>	<u>\$ 262,824</u>

### B. Financial risk management policies

No significant change was made during the three-month period ended March 31, 2020. For more information, please refer to note 12 in the Group's consolidated financial statements for the year ended December 31, 2019.

### C. Significant financial risks and degrees of financial risks

There was no significant change in the reporting period. Please refer to Note 12 in the consolidated financial statements for the year ended December 31, 2019, except for the items explained below:

(a) Market risk

Foreign exchange risk

- i . The Group's businesses involve some non-functional currency operations (the Company's and certain subsidiaries' functional currency: NTD; other certain subsidiaries' functional currency: RMB and MYR). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

	March 31, 2020		
	Foreign currency amount (In thousands)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 59,812	30.23	\$ 1,807,822
JPY:NTD	47,701	0.2788	13,299
RMB:NTD	8,983	4.255	38,221
USD: RMB	4,305	7.1034	130,113
<u>Non-monetary items</u> : None			
<u>Financial liability</u>			
<u>Monetary items</u>			
USD:NTD	\$ 73,631	30.23	\$ 2,225,484
JPY:NTD	54,458	0.2788	15,183
RMB:NTD	4,140	4.255	17,617
<u>Non-monetary items</u> :None			

	December 31, 2019		
	Foreign currency amount (In thousands)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 77,187	29.98	\$ 2,314,067
JPY:NTD	79,198	0.2760	21,859
RMB:NTD	3,977	4.305	17,122
USD: RMB	3,681	6.964	110,369
<u>Non-monetary items</u> :None			
<u>Financial liability</u>			
<u>Monetary items</u>			
USD:NTD	\$ 30,513	29.98	\$ 914,794
JPY:NTD	82,078	0.2760	22,653
RMB:NTD	7,163	4.305	30,838
<u>Non-monetary items</u> :None			

		March 31, 2019		
		Foreign currency amount (In thousands)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)				
<u>Financial assets</u>				
<u>Monetary items</u>				
USD:NTD	\$	41,691	30.82	\$ 1,284,923
JPY:NTD		326,253	0.2783	90,796
RMB:NTD		33,817	4.472	151,229
USD: RMB		3,033	6.729	91,281
<u>Non-monetary items</u> :None				
<u>Financial liability</u>				
<u>Monetary items</u>				
USD:NTD	\$	20,225	30.82	\$ 623,346
JPY:NTD		351,787	0.2783	97,902
RMB:NTD		7,293	4.472	32,616
<u>Non-monetary items</u> :None				

- ii . Total exchange loss, including realized and unrealized arising from significant foreign exchange variation on the monetary items held by the Group for the three-month periods ended March 31, 2020 and 2019, amounted to \$13,944 and \$4,387, respectively.
- iii. Analysis of foreign currency market risk arising from significant foreign exchange variation:

		For the three-month period ended March 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>				
USD:NTD	1%	\$	18,078	\$ -
JPY:NTD	1%		133	-
RMB:NTD	1%		382	-
USD: RMB	1%		1,301	-
<u>Financial liability</u>				
<u>Monetary items</u>				
USD:NTD	1%	(\$	22,255)	\$ -
JPY:NTD	1%	(	152)	-
RMB:NTD	1%	(	176)	-

		For the three-month period ended March 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>				
	USD:NTD	1%	\$ 12,849	\$ -
	JPY:NTD	1%	908	-
	RMB:NTD	1%	1,512	-
	USD: RMB	1%	913	-
<u>Financial liability</u>				
<u>Monetary items</u>				
	USD:NTD	1%	(\$ 6,234)	\$ -
	JPY:NTD	1%	( 979)	-
	RMB:NTD	1%	( 326)	-

#### Price risk

- A. The Group's equity securities, which are exposed to price risk, are the held financial assets at fair value through profit or loss, and 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. Diversification of the portfolio is done in accordance with the limits set by the Group.
- B. The Group's investments in equity securities comprise domestic listed and unlisted stocks, shares and open-end funds issued by the domestic companies. 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 with all other variables held constant, post-tax profit for the years ended March 31, 2020 and 2019 would have increased/decreased by \$0 and \$1,638, respectively, as a result of gains/losses on equity securities classified as at fair value through profit or loss. Other components of equity would have increased/decreased by \$912 and \$1,322, respectively, as a result of gains/losses on equity securities other comprehensive income classified as available-for-sale equity investment and available-for-sale financial assets equity investment at fair value through other comprehensive income.

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

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. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. During the periods ended March 31, 2020 and 2019, the Group's borrowings at variable rate were denominated in the NTD, JPY, USD. If the interest rate had increased/decreased by 1%, the amount of cash flow out for the three-month periods ended March 31, 2020 and 2019 would have increased/decreased by \$9,961 and \$11,000, respectively.

(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.
- 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 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.
- vi. The Group classifies customer's accounts receivable, in accordance with credit rating of customer. The Group applies the simplified approach using provision matrix, loss rate methodology to estimate expected credit loss under the provision matrix basis.
- vii. The Group wrote-off the financial assets, which cannot be reasonably expected to be recovered, after initiating recourse procedures. However, the Group will continue executing the recourse procedures to secure their rights.
- viii. The Group used the forecastability of Panel industry research report to adjust historical and timely information to assess the default possibility of accounts receivable. The provision matrix as of March 31, 2020, December 31, 2019 and March 31, 2019 is as follows:

March 31, 2020	Without past due	Up to 0 -90 days	Up to 91 -120 days	Up to 120 days	Total
Expected loss rate	0.00%-0.60%	0.01%-28.02%	0.26%-32.67%	0.95%-100%	
Total book value	\$ 1,222,912	\$ 149,332	\$ 44,988	\$ 204,949	\$1,622,181
Loss allowance	\$ 5,120	\$ 29,823	\$ 15,866	\$ 181,719	\$ 232,528

December 31, 2019	Without past due	Up to 0 -90 days	Up to 91 -120 days	Up to 120 days	Total
Expected loss rate	0.00%-0.60%	0.01%-28.02%	0.26%-32.67%	0.95%-100%	
Total book value	\$ 2,040,160	\$ 251,718	\$ 17,341	\$ 193,735	\$2,502,954
Loss allowance	\$ 4,257	\$ 16,594	\$ 4,506	\$ 138,851	\$ 164,208

March 31, 2019	Without past due	Up to 0 -90 days	Up to 91 -120 days	Up to 120 days	Total
Expected loss rate	0.01%-0.6%	0.01%-28.20%	0.26%-32.67%	0.95%-100%	
Total book value	\$ 1,342,907	\$ 248,409	\$ 15,458	\$ 236,363	\$1,843,137
Loss allowance	\$ 4,733	\$ 25,232	\$ 7,512	\$ 146,762	\$ 184,239

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

	For the three-month period ended March 31, 2020
	<u>Accounts receivable</u>
At January 1	\$ 164,208
Provision for impairment	71,407
Reversal of impairment loss	( 2,609 )
Write-offs	( 239 )
Effect of foreign exchange	( 239 )
At March 31	<u>\$ 232,528</u>

	For the three-month period ended March 31, 2019
	<u>Accounts receivable</u>
At January 1_IAS 39	\$ 124,279
Provision for impairment	66,199
Reversal of impairment loss	( 6,622 )
Effect of foreign exchange	383
At March 31	<u>\$ 184,239</u>

- x. For investments in debt instruments at amortised cost and the credit rating levels are presented below:

	<u>For the three-month period ended March 31, 2020</u>			
	<u>Lifetime</u>			
	<u>12 months</u>	<u>Significant increase in credit risk</u>	<u>Impairment of credit</u>	<u>Total</u>
Financial assets at amortised cost				
Group 1	\$ 530,127	\$ -	\$ -	\$ 530,127
Group 2	616,744	-	-	616,744
Group 3	19,254	-	-	19,254
	<u>\$ 1,166,125</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,166,125</u>

For the year ended December 31, 2019				
	12 months	Lifetime		Total
		Significant increase in credit risk	Impairment of credit	
Financial assets at amortised cost				
Group 1	\$ 157,399	\$ -	\$ -	\$ 157,399
Group 2	672,610	-	-	672,610
Group 3	19,160	-	-	19,160
	<u>\$ 849,169</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 849,169</u>
For the three-month period ended March 31, 2019				
	12 months	Lifetime		Total
		Significant increase in credit risk	Impairment of credit	
Financial assets at amortised cost				
Group 1	\$ 127,346	\$ -	\$ -	\$ 127,346
Group 2	507,892	-	-	507,892
Group 3	22,478	-	-	22,478
	<u>\$ 657,716</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 657,716</u>
Group 3:Taiwai Bank				
Group 3:China Bank				
Group 3:Other regional Bank				

(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.
- 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 interest bearing current accounts, beneficiary certificates and financial assets at amortised cost (the period of time deposits are between 3 and 12 months), choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient head-room as determined by the above-mentioned forecasts. As at March 31, 2020, December 31, 2019 and March 31, 2019, the Group held money market position of \$2,405,495, \$1,876,719 and \$2,290,684, respectively, that are expected to readily generate cash inflows for managing liquidity risk.
- iii. The Company has the following undrawn borrowing facilities:

	March 31, 2020	December 31, 2019	March 31, 2019
Floating rate:			
Expiring within one year	\$ 1,765,135	\$ 1,655,853	\$ 1,403,093
Expiring beyond one year	50,000	50,000	20,000
	<u>\$ 1,815,135</u>	<u>\$ 1,705,853</u>	<u>\$ 1,423,093</u>

The facilities expiring within one year are annual facilities subject to review at various dates during 2020. The other facilities have been arranged to help finance the proposed

equipment manufacturing and research and development business activities of the Group. Please refer to note 12.

- 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. The amounts disclosed in the table are the contractual undiscounted cash flows.

Non-derivative financial liabilities:

March 31, 2020	Less than 3 months	3 months and 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Short-term borrowings	\$ 551,896	\$ 510,115	\$ -	\$ -	\$ -
Notes payable	3,465	-	-	-	-
Accounts payable (related party)	384,235	431,173	-	-	-
Other payables (related party)	149,892	114,547	-	-	-
Leases liabilities	5,524	16,541	19,131	28,783	240,750
Long-term borrowings (including current portion)	5,135	21,106	373,670	34,856	46,904

Non-derivative financial liabilities:

December 31, 2019	Less than 3 months	3 months and 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Short-term borrowings	\$ 609,227	\$ 509,760	\$ -	\$ -	\$ -
Accounts payable (related party)	446,644	235,118	-	314,298	-
Other payables (related party)	226,691	94,417	-	-	-
Leases liabilities	5,564	15,745	20,610	30,225	245,588
Long-term borrowings (including current portion)	8,018	18,275	374,883	39,908	48,604

Non-derivative financial liabilities:

March 31, 2019	Less than 3 months	3 months and 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Short-term borrowings	\$ 511,348	\$ 319,912	\$ -	\$ -	\$ -
Accounts payable (related party)	607,488	251,283	-	524,297	829
Other payables (related party)	198,668	117,969	91	-	-
Leases liabilities	5,911	17,338	21,747	42,196	253,792
Long-term borrowings (including current portion)	11,316	24,604	373,806	49,342	53,740

Derivative financial liabilities:

As at March 31, 2020, December 31, 2019 and March 31, 2019: None.

(3) Fair value information

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

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The fair value of the Group's investment in listed stocks, 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. The fair value of the Group's investment in most derivative instruments is included in Level 2.

Level 3: Unobservable inputs for the asset or liability. The fair value of the Group's investment in equity investment without active market and investment property is included in Level 3.

B. Financial instruments not measured at fair value

The Group's financial instruments not measured at fair value (the carrying amounts of cash and cash equivalents, notes receivable, accounts receivable, other receivables, guarantee deposits paid, deposit account(over 3 months), short-term borrowings, contract liabilities, accounts payable, other payables, lease payments (shown as other current assets and other non-current assets) and long-term borrowings (including current portion) 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 are as follows:

(a) The related information of natures of the assets and liabilities is as follows:

March 31, 2020	<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 other comprehensive income				
Equity securities	\$ -	\$ -	\$ 91,241	\$ 91,241
December 31, 2019	<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				
Beneficiary certificates	\$ 120,353	\$ -	\$ -	\$ 120,353
Financial assets at fair value through other comprehensive income				
Equity securities	-	-	103,462	103,462
Total	<u>\$ 120,353</u>	<u>\$ -</u>	<u>\$ 103,462</u>	<u>\$ 223,815</u>
March 31, 2019	<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				
Beneficiary certificates	\$ 163,844	\$ -	\$ -	\$ 163,844
Financial assets at fair value through other comprehensive income				
Equity securities	-	-	132,172	132,172
Total	<u>\$ 163,844</u>	<u>\$ -</u>	<u>\$ 132,172</u>	<u>\$ 296,016</u>

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

- i . The instruments the Group used market quoted prices as their fair values (that is, Level 1) are listed below by characteristics:

	<u>Listed shares</u>	<u>Closed-end fund</u>	<u>Open-end fund</u>
Market quoted price	Closing price	Closing price	Net asset value

- ii . Except for financial instruments with active markets, the fair value of other financial instruments is measured by using valuation techniques or by reference to counterparty quotes. The fair value of financial instruments measured by using valuation techniques can be referred to current fair value of instruments with similar terms and characteristics in substance, discounted cash flow method or other valuation methods, including calculated by applying model using market information available at the consolidated balance sheet date (i.e. yield curves on the Taipei Exchange, average commercial paper interest rates quoted from Reuters).
- iii. When assessing non-standard and low-complexity financial instruments, for example, debt instruments without active market, and options, the Group adopts valuation technique that is widely used by market participants. The inputs used in the valuation method to measure these financial instruments are normally observable in the market.
- iv. The valuation of derivative financial instruments is based on valuation model widely accepted by market participants, such as present value techniques and option pricing models.
- v. The output of valuation model is an estimated value and the valuation technique may not be able to capture all relevant factors of the Group's financial and non-financial instruments. Therefore, the estimated value derived using valuation model is adjusted accordingly with additional inputs, for example, model risk or liquidity risk and etc. In accordance with the Group's management policies and relevant control procedures relating to the valuation models used for fair value measurement, management believes adjustment to valuation is necessary in order to reasonably represent the fair value of financial instruments at the consolidated balance sheet. The inputs and pricing information used during valuation are carefully assessed and adjusted based on current market conditions.
- vi. The Group takes into account adjustments for credit risks to measure the fair value of financial instruments to reflect credit risk of the counterparty and the Group's credit quality.

D. For the March 31, 2020, December 31, 2019 and March 31, 2019, there was no transfer into or out from Level 3.

E. The following chart is the financial instruments movement of Level 3 for the three-month periods ended March 31, 2020 and 2019:

	<u>For the three-month period ended March 31, 2020</u>	<u>For the three-month period ended March 31, 2019</u>
	<u>equity instrument</u>	<u>equity instrument</u>
At January 1	\$ 103,462	\$ 125,024
Gains and losses recognized in other comprehensive income	( 12,221)	7,148
At March 31	<u>\$ 91,241</u>	<u>\$ 132,172</u>

F. For the three-month periods ended March 31, 2020 and 2019, there was no transfer into or out from Level 3.

G. Finance segment is in charge of valuation procedures for fair value measurements being categorized within Level 3, which is to verify independent fair value of financial instruments. Such assessment is to ensure the valuation results are reasonable by applying independent information to make results close to current market conditions, confirming the resource of information is independent, reliable and in line with other resources and represented as the exercisable price, and frequently calibrating valuation model, performing back-testing, updating inputs used to the valuation model and making any other necessary adjustments to the fair value.

H. The following is the qualitative information of significant unobservable inputs and sensitivity analysis of changes in significant unobservable inputs to valuation model used in Level 3 fair value measurement:

	<u>March 31, 2020</u>	<u>Valuation technique</u>	<u>Significant unobservable input</u>	<u>Range (weighted average)</u>	<u>Relationship of inputs to fair value</u>
Derivative equity instrument:					
Unlisted shares	\$ 80,316	Market comparable companies Net asset value	Price to book ratio multiple	0.66~3.42	The higher the multiple, the higher the fair value Not applicable
Unlisted shares	10,925		Not applicable	-	
	<u>December 31, 2019</u>	<u>Valuation technique</u>	<u>Significant unobservable input</u>	<u>Range (weighted average)</u>	<u>Relationship of inputs to fair value</u>
Derivative equity instrument:					
Unlisted shares	\$ 92,625	Market comparable companies Net asset value	Price to book ratio multiple	0.91~3.26	The higher the multiple, the higher the fair value Not applicable
Unlisted shares	10,837		Not applicable	-	
	<u>March 31, 2019</u>	<u>Valuation technique</u>	<u>Significant unobservable input</u>	<u>Range (weighted average)</u>	<u>Relationship of inputs to fair value</u>
Derivative equity instrument:					
Unlisted shares	\$ 131,271	Market comparable companies	Price to book ratio multiple	0.73~3.04	The higher the multiple, the higher the fair value

I. The Group has carefully assessed the valuation models and assumptions used to measure fair value; therefore, the fair value measurement is reasonable. However, use of different valuation models or assumptions may result in difference measurement. The following is the effect of profit or loss or of other comprehensive income from financial assets categorized within Level 3 if the inputs used to valuation models have changed:

		<u>March 31, 2020</u>			
		<u>Recognized in profit or loss</u>		<u>Recognized in other comprehensive income</u>	
<u>Input</u>	<u>Change</u>	<u>Favourable change</u>	<u>Unfavourable change</u>	<u>Favourable change</u>	<u>Unfavourable change</u>
Financial assets					
Equity instrument	Price to book ratio multiple	±1%	\$ -	\$ -	\$ 800 (\$ 802)

				December 31, 2019			
				Recognized in profit or loss		Recognized in other comprehensive income	
		Input	Change	Favourable change	Unfavourable change	Favourable change	Unfavourable change
Financial assets							
Equity instrument	Price to book ratio multiple		±1%	\$ -	\$ -	\$ 928	(\$ 926)
				March 31, 2019			
				Recognized in profit or loss		Recognized in other comprehensive income	
		Input	Change	Favourable change	Unfavourable change	Favourable change	Unfavourable change
Financial assets							
Equity instrument	Price to book ratio multiple		±1%	\$ -	\$ -	\$ 703	(\$ 704)

### 13. SUPPLEMENTARY DISCLOSURES

#### (1) Significant transactions information

- A. Loans to others: Please refer to table 1.
- B. Provision of endorsements and guarantees to others: Please refer to table 2.
- C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to table 3.
- 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 NT\$300 million or 20% of paid-in capital or more: None.
- F. Disposal of real estate reaching NT\$300 million or 20% of paid-in capital or more: None.
- G. Purchases or sales of goods from or to related parties reaching NT\$100 million or 20% of paid-in capital or more: None.
- H. Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more: None.
- I. Trading in derivative instruments undertaken during the reporting periods: Please refer to Notes: 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 6.

(4) Information of major shareholder

Information of major shareholder: Please refer to table 7.

14. SEGMENT INFORMATION

(1) General information

Management has determined the reportable operating segments based on the reports reviewed by the chief operating decision-maker that are used to make strategic decisions.

There is no material change in the Group's segment, classified basis and measurement of segment information.

(2) Information about segment

The segment information provided to the chief operating decision-maker for the reportable segments is as follows:

For the three-month period ended March 31, 2020

	<u>Gallant Precision Machining Co., Ltd</u>	<u>Gallant-Rapid Corporation Ltd.</u>	<u>Gallant Micro. Machining Co., Ltd.</u>	<u>Gallant Precision Machinery (BVI)Ltd.</u>	<u>Chun-Zhun Enterprise Corporation (BVI)Ltd.</u>	<u>APEX-I International Co., Ltd.</u>	<u>elimination</u>	<u>Amount</u>
Revenue from external customers	<u>\$ 422,977</u>	<u>\$ 21,728</u>	<u>\$ 173,847</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 20,091</u>	<u>\$ -</u>	<u>\$ 638,643</u>
Inter-segment revenue	<u>\$ 2,019</u>	<u>\$ 21,686</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(\$ 23,705)</u>	<u>\$ -</u>
Segment income	<u>(\$ 21,979)</u>	<u>\$ 5,600</u>	<u>\$ 3,994</u>	<u>(\$ 295)</u>	<u>(\$ 5)</u>	<u>\$ 7,781</u>	<u>(\$ 17,174)</u>	<u>(\$ 22,078)</u>
Total segment assets	<u>\$ 4,814,819</u>	<u>\$ 342,046</u>	<u>\$ 1,690,311</u>	<u>\$ 357,038</u>	<u>\$ 13,096</u>	<u>\$ 97,162</u>	<u>(\$ 1,192,974)</u>	<u>\$ 6,121,498</u>

For the three-month period ended March 31, 2019

	<u>Gallant Precision Machining Co., Ltd</u>	<u>Gallant-Rapid Corporation Ltd.</u>	<u>Gallant Micro. Machining Co., Ltd.</u>	<u>Gallant Precision Machinery (BVI)Ltd.</u>	<u>Chun-Zhun Enterprise Corporation (BVI)Ltd.</u>	<u>APEX-I International Co., Ltd.</u>	<u>elimination</u>	<u>Amount</u>
Revenue from external customers	<u>\$ 648,341</u>	<u>\$ 12,508</u>	<u>\$ 143,422</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 31,153</u>	<u>\$ -</u>	<u>\$ 835,424</u>
Inter-segment revenue	<u>\$ 2,688</u>	<u>\$ 55,157</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(\$ 57,845)</u>	<u>\$ -</u>
Segment income	<u>(\$ 53,324)</u>	<u>\$ 14,976</u>	<u>(\$ 641)</u>	<u>(\$ 1,630)</u>	<u>(\$ 99)</u>	<u>\$ 11,524</u>	<u>(\$ 17,145)</u>	<u>(\$ 46,339)</u>
Total segment assets	<u>\$ 5,419,611</u>	<u>\$ 407,421</u>	<u>\$ 1,575,249</u>	<u>\$ 388,653</u>	<u>\$ 14,408</u>	<u>\$ 90,445</u>	<u>(\$ 1,343,397)</u>	<u>\$ 6,552,390</u>

(3) Reconciliation for segment income (loss)

- A. Sales between segments are carried out at arm's length. The revenue from external customers reported to the chief operating decision-maker is measured in a manner consistent with that in the statement of comprehensive income.

A reconciliation of reportable segment income or loss to the income/(loss) before tax from continuing operations for the three-month periods ended March 31, 2020 and 2019 is provided as follows:

	<u>For the three-month period ended March 31, 2020</u>	<u>For the three-month period ended March 31, 2019</u>
Reportable segments income/(loss)	(\$ 4,904)	(\$ 29,194)
Other	( 17,174)	( 17,145)
Income/(loss) before tax from continuing operations	<u>(\$ 22,078)</u>	<u>(\$ 46,339)</u>

- B. The amounts provided to the chief operating decision-maker with respect to total assets are measured in a manner consistent with that of the financial statements.

A reconciliation of assets of reportable segment and total assets is as follow:

	<u>March 31, 2020</u>	<u>March 31, 2019</u>
Assets of reportable segments	\$ 7,314,472	\$ 7,895,787
Elimination of intersegment assets	( 1,192,974)	( 1,343,397)
Total assets	<u>\$ 6,121,498</u>	<u>\$ 6,552,390</u>

Table 1

**GALLANT PRECISION MACHINING CO., LTD. AND SUBSIDIARIES**  
**FINANCINGS PROVIDED**  
**FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2020**

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

No.	Financing Company	Counter-party	Financial Statement Account	Related Party	Maximum Balance for the Period	Ending Balance	Amount Actually Drawn	Interest Rate	Nature for Financing	Transaction Amounts	Reason for Financing	Allowance for Bad Debt	Collateral		Financing Limits for Each Borrowing Company(Note 1)	Financing Company's Total Financing Amount Limits (Note 1)	Footnote
													Item Promised note	Value			
1	Gallant Micro-Machining Co., Ltd.	Utron Technologies Corp	Other receivables -related parties	Y	\$ 50,000	\$ 50,000	\$ 40,000	No less than 2%	Short-term financing	-	Operating need	-	Item Promised note	50,000	\$ 89,651	\$ 179,302	
2	Utron Technologies Corp	U Pin Precision Co., Ltd.	Other receivables -related parties	Y	\$ 6,000	\$ 6,000	\$ 6,000	No less than 2%	Short-term financing	-	Operating need	-	-	-	\$ 6,673	\$ 6,673	

Note1 : The subsidiaries of the Company are in accordance with the "Procedures for Provision of Loans" :

(1) Total financing amount limits: Total financing amount limits shall not exceed 40% of the net worth of the Company.

(2) The need for short-term financing: The total loan amount is limited to 20% of the company's net worth. The total amount for lending to a company for funding for a short-term period shall not exceed 10% of the net worth of the Company.

Note2 : When a public company whose loans of funds were resolved by the board of directors in accordance with paragraph 1 of Article 14 of Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies, although the fund have not drawn down, the company shall announce the amount of loans of funds which resolved by the board of directors to disclose exposure risks. However, if the subsequent funds are repaid, the balance after repayment should be disclosed to reflect the adjustment of risk. If a public company whose chairperson be authorized within a certain monetary limit resolved by the board of directors, and within a period not to exceed one year, to give loans in installments or to make a revolving credit line available for the counterparty to draw down in accordance with paragraph 2 of Article 14 of Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies, the company shall announce the amount of loans of funds which resolved by the board of directors. Although the funds will be repaid later, considering the possibility of refinancing the loan, the company shall announce the amount of loans of funds which resolved by the board of directors.

Table 1

Table 2

**GALLANT PRECISION MACHINING CO., LTD. AND SUBSIDIARIES**  
**ENDORSEMENTS/GUARANTEES PROVIDED**  
**FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2020**

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

No.	Endorsement/ Guarantee Provider	Guaranteed Party		Limits on Endorsement/ Guarantee Amount Provided to Each Guaranteed Party(Note1)	Maximum Balance for the Period Party(Note1)	Ending Balance	Amount Actually Drawn	Amount of Endorsement/ Guarantee Collateralized by Properties	Ratio of Accumulated Endorsement/ Guarantee to Net Equity per Latest Financial Statements	Maximum Endorsement/ Guarantee Amount Allowable(Note1)	Guarantee Provided by Parent Company	Guarantee Provided by A Subsidiary	Guarantee Provided to Subsidiaries in Mainland China	Footnote
		Name	Nature of Relationship											
0	Gallant Precision Machining Co., Ltd.	APEX-I International Co., Ltd.	Subsidiary	462,154	100,000	100,000	-	-	4.19	1,155,385	Y	N	N	

Note1: Total endorsement/ guarantee amount limits shall not exceed 50% of the net worth of the Company. The total endorsement/ guarantee amount to a company shall not exceed 20% of the net worth of the Company.

Note2: Limits on endorsement/ guarantee amount is based on the amount of the endorsement/ guarantee contract or notes were signed between guaranteed party and financial institutions.

Table 2

Table 3

**GALLANT PRECISION MACHINING CO., LTD. AND SUBSIDIARIES**  
**MARKETABLE SECURITIES HELD (NOT INCLUDING SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES)**  
**MARCH 31, 2020**

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

Held Company Name	Marketable Securities Type and Name	Relationship with the company	Financial Statement Account	March 31, 2020				Footnote
				Shares/Units	Carrying Value	Percentage of Ownership	Fair Value	
Gallant-Rapid Corporation Ltd.	Phoenix Pioneer Technology Co., Ltd.	-	Financial assets at fair value through other comprehensive income-non-current	669,375	10,925	0.59	10,925	
King Mechatronics Co., Ltd.	POWER EVER ENTFRPRISES LIMITED	-	Financial assets at fair value through other comprehensive income-non-current	624,726	79,590	10.15	79,590	
APEX-I International Co., Ltd.	Shinyu Light Co., Ltd.	-	Financial assets at fair value through other comprehensive income-non-current	286,891	726	1.98	726	

Table 3

Table 4

**GALLANT PRECISION MACHINING CO., LTD. AND SUBSIDIARIES**  
**INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS**  
**FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2020**

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

No. (Note 1)	Company Name	Counter Party	Nature of Relationship (Note 2)	Intercompany Transactions			Percentage of Consolidated Net Revenue or Total Assets(Note 3)
				Financial Statements Item	Amount	Terms	
0	Gallant Precision Machining Co., Ltd	Gallant Precision Intelligence Technology Co., Ltd.	1	Purchases	\$ 17,071	subject to the terms and conditions agreed upon by both parties	2.67
0	Gallant Precision Machining Co., Ltd	Gallant Precision Intelligence Technology Co., Ltd.	1	Accounts payable	17,216	subject to the terms and conditions agreed upon by both parties	0.28
1	Gallant Micro. Machining Co., Ltd.	King Mechatronics Co., Ltd.	3	Sales	21,460	subject to the terms and conditions agreed upon by both parties	3.36
1	Gallant Micro. Machining Co., Ltd.	King Mechatronics Co., Ltd.	3	Accounts receivable	13,028	subject to the terms and conditions agreed upon by both parties	0.21
1	Gallant Micro. Machining Co., Ltd.	Utron Technologies Corp	3	Other accounts receivable	40,000	No	0.65
2	King Mechatronics Co., Ltd.	Gallant Micro. Machining (Suzhou) Co., Ltd.	3	Purchases	12,168	subject to the terms and conditions agreed upon by both parties	1.91
2	King Mechatronics Co., Ltd.	Gallant Micro. Machining (Suzhou) Co., Ltd.	3	Accounts payable	22,186	subject to the terms and conditions agreed upon by both parties	0.36

Note 1: The information of transactions between the Company and the consolidated subsidiaries should be noted in "Number" column.

(1) Number 0 represents the Company.

(2) The consolidated subsidiaries are numbered in order from number 1.

Note 2: The transaction relationships with the counterparties are as follows:

(1) The Company to the consolidated subsidiaries.

(2) The consolidated subsidiaries to the Company.

(3) The consolidated subsidiaries to another consolidated subsidiaries.

Note3: In calculating the ratio, the transaction amount is divided by consolidated total assets for balance sheet accounts and is divided by consolidated total revenues for income statement accounts.

Note4: The information only disclosing for the amount of transactions are more than \$10,000 and counter parties shall not disclose.

Table 4

Table 5

**GALLANT PRECISION MACHINING CO., LTD. AND SUBSIDIARIES**  
**NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEEES OVER WHICH THE COMPANY EXERCISES**  
**SIGNIFICANT INFLUENCE (EXCLUDING INFORMATION ON INVESTMENT IN MAINLAND CHINA)**  
**FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2020**

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

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of March 31, 2020			Net Income (Losses) of the Investee	Share of Profits/Losses of Investee	Footnote
				March 31, 2020	December 31, 2019	Shares	Percentage of Ownership	Carrying Value			
Gallant Precision Machining Co., Ltd.	Gallant-Rapid Corporation Ltd.	British Virgin Islands	Investing in Gallant Precision Industries (Suzhou) Co., Ltd.	\$ 459,050	\$ 459,050	13,560,000	100.00	\$ 213,234	\$ 6,517	\$ 6,517	
Gallant Precision Machining Co., Ltd.	Gallant Precision Machinery (BV) Ltd.	British Virgin Islands	Investment Gallant Precision Machinery ( Xiamen ) Co., Ltd.	660,506	660,506	20,289,000	100.00	355,319	( 295 )	( 295 )	
Gallant Precision Machining Co., Ltd.	APEX-I International Co., Ltd.	Taiwan	Marketing and selling of process equipment of LCD and related parts.	46,657	46,657	6,600,000	100.00	88,109	6,224	6,224	
Gallant Precision Machining Co., Ltd.	Chun-Zhun Enterprise Corpration Ltd.	British Virgin Islands	Investing in Gallant Technology (Shenzhen) Co., Ltd. and Chun-Zhun Precision Machining (Guang Zhou Nan Sha) Corporation	125,671	125,671	3,576,000	100.00	10,089	( 5 )	( 5 )	
Gallant Precision Machining Co., Ltd.	Sunengine Co., Ltd.	Taiwan	Manufacturing and selling of battery and energy technology services business	366,877	366,877	2,156,954	37.84	29,634	( 1,359 )	( 514 )	
Gallant Precision Machining Co., Ltd.	Gallant Micro. Machining Co., Ltd.	Taiwan	Manufacturing and selling of semiconductor related equipment and parts	379,182	379,182	16,171,750	57.19	512,712	( 2,167 )	( 1,239 )	
Gallant Micro. Machining Co., Ltd.	King Mechatronics Co., Ltd.	British Virgin Islands	Investment Gallant Micro. Machining (Suzhou) Co., Ltd.	393,508	393,508	2,780,645	100.00	691,750	3,834	3,834	
Gallant Micro. Machining Co., Ltd.	Gallant Micro Machining(Malaysia) Sdn. Bhd.	Malaysia	Engaged in the import and export and trading business of semiconductor substrate machines and related parts	3,992	3,992	500,000	100.00	2,711	27	27	
Gallant Micro. Machining Co., Ltd.	Utron Technologies Corp	Taiwan	Testing of wire and tools and sales of testing equipment of PBC and related systems	53,212	29,540	2,660,600	76.02	47,340	( 2,335 )	( 1,775 )	
Utron Technologies Corp	U Pin Precision Co., Ltd.	Taiwan	Planning, development, design and manufacturing of electrical logging fixture	7,636	7,636	763,715	69.04	471	( 901 )	( 622 )	

Note: Original investment amount has translated to New Taiwan Dollars at the closing exchange rate.

Table 5

Table 6

**GALLANT PRECISION MACHINING CO., LTD. AND SUBSIDIARIES**  
**INFORMATION ON INVESTMENT IN MAINLAND CHINA**  
**FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2020**

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

Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital	Method of Investment	Accumulated Outflow of Investment from Taiwan as of January 1, 2020	Investment Flows		Accumulated Outflow of Investment from Taiwan as of March 31, 2020	Net Income (Losses) of the Investee Company	Percentage of Ownership	Share of Profits/Losses	Carrying Amount as of March 31, 2020	Accumulated Inward Remittance of Earnings as of March 31, 2020	Footnote
					Outflow	Inflow							
Gallant Precision Industries (Suzhou) Co., Ltd.	Manufacturing of optoelectronic products equipment, mechanical equipment and related parts	\$ 191,022	2	\$ 158,409	\$ -	\$ -	\$ 158,409	\$ 6,364	100.00	\$ 6,364	\$ 179,327	-	Note2- 2.C
											\$		
Gallant Precision Machinery (Xiamen) Co., Ltd.	Manufacturing of optoelectronic products equipment, mechanical equipment and related parts	577,298	2	577,298	-	-	577,298	( 297)	100.00	( 297)	356,620	-	Note2- 2.C
Gallant Technology (Shenzhen) Co., Ltd.	Manufacturing of medical and mechanical related equipment	63,049	2	63,049	-	-	63,049	-	100.00	-	9,988	-	Note2- 2.C
CHUN-ZHUN Precision Machining(Guang Zhou Nan Sha)Corporation	-	-	2	49,176	-	-	49,176	-	-	-	-	-	Note2- 2.C
Suzhou Top Creation Machines Co., Ltd	Manufacturing of wet production equipment for PBC	166,238	2	31,700	-	-	31,700	-	10.15	-	79,590	4,728	Note2- 2.C
Gallant Micro. Machining (Suzhou) Co., Ltd.	Manufacturing and selling of precision mold and related parts	137,524	2	243,102	-	-	243,102	3,886	57.19	2,222	619,219	-	Note2- 2.B
Hitachi Zosen GPM Technology (Suzhou) Co., Ltd.	Manufacturing and selling of kinds of film forming system, filling and packaging system and related services.	161,690	3	-	-	-	-	( 3,875)	30.00	-	-	-	Note2- 2.C
Gallant International Trading Co., Ltd.	Engaged in selling of mechanical equipment	29,785	3	-	-	-	-	( 177)	100.00	( 177)	6,036	-	Note2- 2.C
Suzhou Jianmeifu Optical Co., Ltd.	Engaged in wholesale and retail of contact lenses and related care products	17,020	3	-	-	-	-	( 93)	100.00	( 93)	713	-	Note2- 2.C
Gallant Precision Intelligence Technology Co., Ltd.	Manufacturing of optoelectronic products equipment, mechanical equipment and related parts	42,550	3	-	-	-	-	( 3,131)	60.00	( 1,879)	56,863	-	Note2- 2.C
Gallant Biotech (Suzhou) Co., Ltd.	Manufacturing, research, development and selling of medical equipment	43,096	3	-	-	-	-	( 6,056)	29.14	( 1,765)	1,742	-	Note2- 2.C

Table 6

Investee Company	Accumulated Investment in Mainland China as of March 31, 2020	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
Gallant Precision Machining Co., Ltd.	\$ 847,932	\$ 1,010,664	\$ 1,386,461
Gallant Micro. Machining Co., Ltd.	274,802	274,802	540,095

Note1: There are three methods of investment as follows

- (1) Directly invest in Mainland China.
- (2) Indirectly invest in Mainland China.
- (3) Others.

Note2: Share of Profits/Losses recognized for the year ended December, 2015:

- (1) No investment income (loss) recognition.
- (2) There are three basis for investment income (loss) recognition.
  - A. The basis for investment income (loss) recognition is from the financial statements which were based on the audited and attested by international accounting firm which has cooperative relationship with accounting firm in R.O.C.
  - B. The basis for investment income (loss) recognition is from the financial statements which were based on the audited and attested by R.O.C. parent company's CPA.
  - C. Others (The basis for investment income (loss) recognition is from the non-audited financial statements prepared by the investees.

Note3: The amounts of paid-in capital and accumulated beginning and ending balance have translated to New Taiwan Dollars at the closing exchange rate.

Table 6-1

Table 7

GALLANT PRECISION MACHINING CO., LTD. AND SUBSIDIARIES  
 INFORMATION OF MAJOR SHAREHLDER  
 FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2020

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

Shareholders	Shares	
	Total Shares Owned	Ownership Percentage
C SUN Mfg. Ltd.	32,944,827	19.95%

Table 7