

**GALLANT PRECISION MACHINING CO., LTD. AND
SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS AND
REVIEW REPORT OF INDEPENDENT
ACCOUNTANTS
FOR THE SIX-MONTH PERIODS ENDED JUNE 30,
2020 AND 2019**

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 June 30, 2020 and 2019, and the related consolidated statements of comprehensive income for the three-month and six-month periods ended June 30, 2020 and 2019, respectively, changes in equity and cash flows for the six-month periods ended June 30, 2020 and 2019, 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," as 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 \$1,016,003 thousand and \$872,904 thousand, constituting 17% and 13% of consolidated total assets as of June 30, 2020 and 2019, respectively, total liabilities amounting to \$269,956 thousand and \$94,307 thousand, constituting 7% and 2% of consolidated total liabilities as of June 30, 2020 and 2019, respectively, and total comprehensive (loss) income amounting to (\$12,618) thousand, \$5,149 thousand, (\$19,864) thousand and (\$5,112) thousand, constituting (28%), 9%, (294%) and (11%) of consolidated total comprehensive income (loss) for the three-month periods ended June 30, 2020 and 2019, and for the six-month periods ended June 30, 2020 and 2019, respectively. The investments accounted for using equity method amounting to \$29,165 thousand and \$70,026 thousand as of June 30, 2020 and 2019, respectively, and related share of the profit or loss amounting to \$2,843 thousand, \$2,987 thousand, \$5,122 thousand and \$3,346 thousand, constituting (6%), (5%), 76% and (8%) of total consolidated comprehensive income (loss) for the three-month periods ended June 30, 2020 and 2019, and for the six-months periods ended June 30, 2020 and 2019, respectively.

Qualified Conclusion

Based on our reviews except for the effects of the adjustments, if any, as might have been determined to be necessary had the financial statements of certain 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 June 30, 2020 and 2019, and of its consolidated financial performance for the three-month periods ended June 30, 2020 and 2019, and for the six-month periods ended June 30, 2020 and 2019, respectively and its consolidated cash flows for the six-month periods ended June 30, 2020 and 2019 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IASs 34, "Interim Financial Reporting" as endorsed by the Financial Supervisory Commission of the Republic of China.

PricewaterhouseCoopers, Taiwan
August 13, 2020

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)

June 30, 2020, December 31, 2019 and June 30, 2019 (June 30, 2020 and 2019 are reviewed, not audited)

Assets	Notes	June 30, 2020		December 31, 2019		June 30, 2019		
		AMOUNT	%	AMOUNT	%	AMOUNT	%	
Current assets								
1100	Cash and cash equivalents	6(1)	\$ 1,890,975	31	\$ 929,712	14	\$ 1,283,242	20
1110	Financial assets at fair value through profit or loss - current	6(2)	-	-	120,353	2	53,697	1
1136	Financial assets at amortized cost - current	6(4)	532,387	9	826,942	13	856,846	13
1150	Notes receivable, net	6(5)	44,796	1	48,652	1	15,759	-
1170	Accounts receivable, net	6(5)	1,326,023	22	2,338,746	36	1,854,875	29
1180	Accounts receivable, related parties net	7	3,024	-	-	-	-	-
1200	Other receivables		14,929	-	11,446	-	6,742	-
1210	Other receivables to related parties	7	-	-	40,179	1	196	-
130X	Inventories, net	6(6)	1,017,377	17	938,235	14	1,206,320	19
1410	Prepayments		74,739	1	38,745	1	29,610	-
1470	Other current assets		10,199	-	11,577	-	10,441	-
11XX	Current Assets		<u>4,914,449</u>	<u>81</u>	<u>5,304,587</u>	<u>82</u>	<u>5,317,728</u>	<u>82</u>
Non-current assets								
1517	Financial assets at fair value through other comprehensive income - non-current	6(3)	113,747	2	103,462	2	82,099	1
1535	Financial assets at amortized cost - non-current	6(4)and 8	22,573	-	22,227	-	31,988	1
1550	Investments accounted for using equity method	6(7)	29,165	-	63,780	1	70,026	1
1600	Property, plant and equipment, net	6(8)and 8	595,833	10	588,628	9	601,544	9
1755	Right-of-use assets	6(9)	264,622	4	244,535	4	256,854	4
1780	Intangible assets, net	6(10)	59,453	1	25,692	-	41,124	1
1840	Deferred income tax assets		96,622	2	95,031	2	93,306	1
1900	Other non-current assets		6,361	-	5,918	-	6,281	-
15XX	Non-current assets		<u>1,188,376</u>	<u>19</u>	<u>1,149,273</u>	<u>18</u>	<u>1,183,222</u>	<u>18</u>
1XXX	Total assets		<u>\$ 6,102,825</u>	<u>100</u>	<u>\$ 6,453,860</u>	<u>100</u>	<u>\$ 6,500,950</u>	<u>100</u>

(Continued)

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

(Expressed in thousands of New Taiwan dollars)

June 30, 2020, December 31, 2019 and June 30, 2019 (June 30, 2020 and 2019 are reviewed, not audited)

Liabilities and Equity	Notes	June 30, 2020		December 31, 2019		June 30, 2019		
		AMOUNT	%	AMOUNT	%	AMOUNT	%	
Current liabilities								
2100	Short-term loans	6(11)	\$ 1,095,560	18	\$ 1,118,987	17	\$ 880,768	14
2130	Contract liabilities-current	6(20)	174,117	3	144,695	2	132,271	2
2150	Notes payable		1,564	-	-	-	-	-
2170	Accounts payable	6(12)	745,846	12	968,510	15	1,204,033	18
2180	Accounts payables to related parties	7	55,867	1	27,550	1	4,649	-
2200	Other payables	6(13)	553,992	9	321,108	5	565,145	9
2230	Current income tax liabilities		12,187	-	38,597	1	14,215	-
2250	Provisions for liabilities - current		103,532	2	143,885	2	160,032	2
2280	Lease liabilities-current		19,145	-	16,864	-	28,401	-
2300	Other current liabilities	6(14)	33,943	1	27,699	-	35,017	1
21XX	Current Liabilities		<u>2,795,753</u>	<u>46</u>	<u>2,807,895</u>	<u>43</u>	<u>3,024,531</u>	<u>46</u>
Non-current liabilities								
2540	Long-term loans	6(14)	506,322	8	453,472	7	463,467	7
2570	Deferred income tax liabilities		73,472	1	69,632	1	64,428	1
2580	Lease liabilities-non-current		248,290	4	229,617	4	229,494	4
2600	Other non-current liabilities		53,861	1	72,808	1	77,769	1
25XX	Non-current liabilities		<u>881,945</u>	<u>14</u>	<u>825,529</u>	<u>13</u>	<u>835,158</u>	<u>13</u>
2XXX	Total Liabilities		<u>3,677,698</u>	<u>60</u>	<u>3,633,424</u>	<u>56</u>	<u>3,859,689</u>	<u>59</u>
Equity attributable to owners of parent company								
Share capital								
3110	Share capital - common stock	6(16)	1,651,361	27	1,651,361	26	1,651,361	25
Capital surplus								
3200	Capital surplus	6(17)	199,091	3	199,091	3	199,091	3
Retained earnings								
3310	Legal reserve	6(18)	148,486	3	123,722	2	123,722	2
3320	Special reserve		132,987	2	132,987	2	132,987	2
3350	Unappropriated retained earnings		115,311	2	375,897	6	175,928	3
Other equity interest								
3400	Other equity interest	6(19)	(112,735)	(2)	(96,405)	(2)	(58,952)	(1)
3500	Treasury shares	6(16)	(108,425)	(2)	-	-	-	-
31XX	Equity attributable to owners of the parent company		<u>2,026,076</u>	<u>33</u>	<u>2,386,653</u>	<u>37</u>	<u>2,224,137</u>	<u>34</u>
36XX	Non-controlling interest		<u>399,051</u>	<u>7</u>	<u>433,783</u>	<u>7</u>	<u>417,124</u>	<u>7</u>
3XXX	Total equity		<u>2,425,127</u>	<u>40</u>	<u>2,820,436</u>	<u>44</u>	<u>2,641,261</u>	<u>41</u>
Significant contingent liabilities and unrecognized contract commitments								
3X2X	Total liabilities and equity		<u>\$ 6,102,825</u>	<u>100</u>	<u>\$ 6,453,860</u>	<u>100</u>	<u>\$ 6,500,950</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)
(REVIEWED, NOT AUDITED)

Items	Notes	For the three-month periods ended June 30				For the six-month periods ended June 30				
		2020		2019		2020		2019		
		AMOUNT	%	AMOUNT	%	AMOUNT	%	AMOUNT	%	
4000	Operating revenue	6(20)	\$ 726,612	100	\$ 1,062,764	100	\$ 1,365,255	100	\$ 1,898,188	100
5000	Operating costs	6(6)(25)(26)								
		and7	(506,350)	(70)	(757,874)	(71)	(959,584)	(70)	(1,422,408)	(75)
5900	Net operating margin		<u>220,262</u>	<u>30</u>	<u>304,890</u>	<u>29</u>	<u>405,671</u>	<u>30</u>	<u>475,780</u>	<u>25</u>
	Operating expenses	6(25)(26)								
6100	Selling expenses		(34,664)	(5)	(55,925)	(5)	(67,453)	(5)	(108,469)	(6)
6200	General and administrative expenses		(56,277)	(8)	(66,091)	(6)	(103,862)	(8)	(116,002)	(6)
6300	Research and development expenses		(98,787)	(13)	(67,843)	(7)	(178,194)	(13)	(144,841)	(8)
6450	Impairment loss (gain)	12(2)	4,200	1	(8,103)	(1)	(64,598)	(5)	(67,680)	(3)
6000	Total operating expenses		<u>(185,528)</u>	<u>(25)</u>	<u>(197,962)</u>	<u>(19)</u>	<u>(414,107)</u>	<u>(31)</u>	<u>(436,992)</u>	<u>(23)</u>
6900	Operating profit		<u>34,734</u>	<u>5</u>	<u>106,928</u>	<u>10</u>	<u>(8,436)</u>	<u>(1)</u>	<u>38,788</u>	<u>2</u>
	Non-operating income and expenses									
7100	Interest income	6(21)	3,489	-	4,832	-	8,923	1	13,828	1
7010	Other income	6(22)	42,697	6	7,586	1	55,802	4	21,305	1
7020	Other gains and losses	6(23)	(15,665)	(2)	12,542	1	(1,775)	-	20,467	1
7050	Finance costs	6(24)	(6,555)	(1)	(9,044)	(1)	(15,613)	(1)	(17,524)	(1)
7060	Share of profit of associates and joint ventures accounted for under equity method	6(7)	(2,843)	-	(2,987)	-	(5,122)	(1)	(3,346)	-
7000	Total non-operating income and expenses		<u>21,123</u>	<u>3</u>	<u>12,929</u>	<u>1</u>	<u>42,215</u>	<u>3</u>	<u>34,730</u>	<u>2</u>
7900	Profit before tax		<u>55,857</u>	<u>8</u>	<u>119,857</u>	<u>11</u>	<u>33,779</u>	<u>2</u>	<u>73,518</u>	<u>4</u>
7950	Income tax expense	6(27)	(11,511)	(2)	(5,709)	-	(17,469)	(1)	(7,887)	(1)
8200	Profit for the period		<u>\$ 44,346</u>	<u>6</u>	<u>\$ 114,148</u>	<u>11</u>	<u>\$ 16,310</u>	<u>1</u>	<u>\$ 65,631</u>	<u>3</u>
	Other comprehensive income for the period									
	Components of other comprehensive income that will not be reclassified to profit or loss									
8316	Unrealized loss on investments in equity instruments at fair value through other comprehensive income	6(2)(19)	\$ 22,540	3	(\$ 43,735)	(4)	\$ 10,285	1	(\$ 36,587)	(2)
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(27)	(4,535)	(1)	3,677	-	(2,057)	-	2,247	-
8310	Items that will not be reclassified subsequently to profit or loss		<u>18,005</u>	<u>2</u>	<u>(40,058)</u>	<u>(4)</u>	<u>8,228</u>	<u>1</u>	<u>(34,340)</u>	<u>(2)</u>
	Components of other comprehensive income that will be reclassified to profit or loss									
8361	Cumulative translation differences of foreign operations	6(19)	(17,014)	(2)	(16,995)	(2)	(31,288)	(2)	13,268	1
8360	Summary of Components of other comprehensive income that will be reclassified to profit or loss		<u>(17,014)</u>	<u>(2)</u>	<u>(16,995)</u>	<u>(2)</u>	<u>(31,288)</u>	<u>(2)</u>	<u>13,268</u>	<u>1</u>
8300	Other comprehensive income (loss) for the Period		<u>\$ 991</u>	<u>-</u>	<u>(\$ 57,053)</u>	<u>(6)</u>	<u>(\$ 23,060)</u>	<u>(1)</u>	<u>(\$ 21,072)</u>	<u>(1)</u>
8500	Total comprehensive income for the period		<u>\$ 45,337</u>	<u>6</u>	<u>\$ 57,095</u>	<u>5</u>	<u>(\$ 6,750)</u>	<u>-</u>	<u>\$ 44,559</u>	<u>2</u>
	Profit attributable to:									
8610	Equity holders of the parent company		\$ 36,899	5	\$ 99,268	10	\$ 11,882	1	\$ 47,670	2
8620	Non-controlling interest		7,447	1	14,880	1	4,428	-	17,961	1
	Profit for the period		<u>\$ 44,346</u>	<u>6</u>	<u>\$ 114,148</u>	<u>11</u>	<u>\$ 16,310</u>	<u>1</u>	<u>\$ 65,631</u>	<u>3</u>
	Total comprehensive income attributable to:									
8710	Equity holders of the parent company		\$ 36,667	5	\$ 45,880	4	(\$ 4,448)	-	\$ 21,189	1
8720	Non-controlling interest		8,670	1	11,215	1	(2,302)	-	23,370	1
	Total comprehensive income for the period		<u>\$ 45,337</u>	<u>6</u>	<u>\$ 57,095</u>	<u>5</u>	<u>(\$ 6,750)</u>	<u>-</u>	<u>\$ 44,559</u>	<u>2</u>
	Earnings per share (In dollars)	6(27)								
9750	Basic earnings per share		<u>\$ 0.23</u>		<u>\$ 0.60</u>		<u>\$ 0.07</u>		<u>\$ 0.29</u>	
	Earnings per share (In dollars)	6(27)								
9850	Diluted earnings per share (In dollars)		<u>\$ 0.23</u>		<u>\$ 0.59</u>		<u>\$ 0.07</u>		<u>\$ 0.28</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 SIX-MONTH PERIODS ENDED JUNE 30, 2020 AND 2019
(Expressed in thousands of New Taiwan dollars)
(UNAUDITED)

Equity attributable to owners of the parent												
	Notes	Retained Earnings					Other Equity Interest					
		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	Treasury stock	Total	Non- controlling interest	Total equity
For the six-month period ended June 30, 2019												
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		-	-	-	-	47,670	-	-	-	47,670	17,961	65,631
Other comprehensive income for the period	6(19)	-	-	-	-	-	11,584	(38,065)	(26,481)	-	5,409	(21,072)
Total comprehensive income for the period		-	-	-	-	47,670	11,584	(38,065)	-	21,189	23,370	44,559
Distribution of 2018 earnings:												
Legal reserve		-	-	37,010	-	(37,010)	-	-	-	-	-	-
Cash dividends		-	-	-	-	(214,677)	-	-	(214,677)	-	-	(214,677)
Recognition of changes in equities of subsidiaries		-	-	-	-	-	-	-	-	(12,837)	(12,837)	-
Changes in non-controlling interest		-	-	-	-	-	-	-	-	(36,314)	(36,314)	-
Balance at June 30, 2019		<u>\$ 1,651,361</u>	<u>\$ 199,091</u>	<u>\$ 123,722</u>	<u>\$ 132,987</u>	<u>\$ 175,928</u>	<u>(\$ 52,702)</u>	<u>(\$ 6,250)</u>	<u>\$ -</u>	<u>\$ 2,224,137</u>	<u>\$ 417,124</u>	<u>\$ 2,641,261</u>
For the six-month period ended June 30, 2020												
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		-	-	-	-	11,882	-	-	-	11,882	4,428	16,310
Other comprehensive income for the period	6(19)	-	-	-	-	-	(20,992)	4,662	(16,330)	(6,730)	(23,060)	-
Total comprehensive income for the period		-	-	-	-	11,882	(20,992)	4,662	(4,448)	(2,302)	(6,750)	-
Distribution of 2019 earnings:												
Legal reserve		-	-	24,764	-	(24,764)	-	-	-	-	-	-
Cash dividends		-	-	-	-	(247,704)	-	-	(247,704)	-	-	(247,704)
Treasury stock acquired	6(16)	-	-	-	-	-	-	-	(108,425)	(108,425)	-	(108,425)
Changes in non-controlling interest		-	-	-	-	-	-	-	-	(32,430)	(32,430)	-
Balance at June 30, 2020		<u>\$ 1,651,361</u>	<u>\$ 199,091</u>	<u>\$ 148,486</u>	<u>\$ 132,987</u>	<u>\$ 115,311</u>	<u>(\$ 120,692)</u>	<u>\$ 7,957</u>	<u>(\$ 108,425)</u>	<u>\$ 2,026,076</u>	<u>\$ 399,051</u>	<u>\$ 2,425,127</u>

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)
(UNAUDITED)

	Notes	For the six-month periods ended June 30	
		2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		\$ 33,779	\$ 73,518
Adjustments			
Income and expenses having no effect on cash flow			
Depreciation	6(8) (9)(25)	25,918	25,144
Amortization	6(10) (25)	7,296	21,368
Expected credit loss (gain)	12(2)	64,598	67,680
Gain on financial assets at fair value through profit or loss, net	6(23)	(60)	(599)
Interest expense	6(24)	15,613	17,016
Interest income	6(21)	(8,923)	(13,828)
Dividend income	6(22)	(1,880)	(2,889)
Share of profit of associates and joint ventures accounted for using equity method		5,122	3,346
Loss on disposal of property, plant and equipment, net	6(22)	1,024	213
Gain on disposal of investments accounted for using equity method	6(23)	(15,875)	-
Gain on lease modification	6(23)	(312)	-
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	225,632
Notes receivable		6,456	29,868
Accounts receivable		1,001,787	(133,696)
Accounts receivable - related partie	(	( 3,024)	-
Other receivables	(	( 5,925)	11,633
Other receivables - related parties	(	177	(192)
Inventories	(	( 47,084)	16,113
Prepayments	(	( 22,477)	5,292
Other current assets		1,226	1,765
Other non-current assets	(	( 1,233)	40
Net changes in liabilities relating to operating activities			
Contract liabilities		29,055	63,353
Notes payable		1,564	-
Accounts payable	(	( 231,677)	(358,844)
Accounts payable - related parties	(	( 29,763)	(4,153)
Other payables	(	( 62,579)	(71,868)
Provisions for liabilities	(	( 40,477)	(27,554)
Unearned receipts		20	1,716
Other current liabilities		2,258	1,852
Net defined benefit liability	(	( 18,851)	(2,900)
Cash generated from operations		885,692	(50,974)
Interest received		18,464	13,023
Dividend received		1,676	-
Interest paid	(	( 17,536)	(17,297)
Income tax paid	(	( 43,599)	(27,343)
Net cash provided by (used in) operating activities		844,697	(82,591)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposal of financial assets at amortized cost		\$ 279,839	\$ 4,745
Acquisition of investments accounted for using equity method		-	(46,035)
Proceeds from disposal of investments accounted for using equity method	6(7)	21,374	-
Acquisition of property, plant and equipment	6(30)	(4,461)	(10,007)
Proceeds from disposal of property, plant and equipment		-	352
Acquisition of intangible assets	(	( 4,776)	(1,689)
Refundable deposits refunded		976	796
Acquisition of subsidiaries (after deduction of cash received)	6(29)	(5,262)	-
Net cash provided by (used in) investing activities		287,690	(51,838)
CASH FLOWS FROM FINANCING ACTIVITY			
Proceeds from short-term loans	6(31)	1,483,390	1,140,750
Repayment of short-term loans	6(31)	(1,574,817)	(995,103)
Proceeds from long-term loans	6(31)	68,000	-
Repayment of long-term loans	6(31)	(9,978)	(19,918)
Guarantee paid refunded (deposits)	6(31)	570	(98)
Treasury stock acquired	6(16)	(108,425)	-
Repayment of the principal portion of lease liabilities	6(31)	(12,719)	(11,727)
Decrease in non-controlling interests		(605)	-
Net cash (used in)provided by financing activities		(154,584)	113,904
Effect of fluctuations in exchange rate		(16,540)	9,968
Net increase in cash and cash equivalents		961,263	(10,557)
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)	\$ 1,890,975	\$ 1,283,242

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 SIX-MONTH PERIODS ENDED JUNE 30, 2020 AND 2019
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)
(UNAUDITED)

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 June 30, 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 August 13, 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
Amendments to IFRS 16, “Covid-19-related rent concessions”	June 1, 2020

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
Amendments to IFRS 3 “Reference to the Conceptual Framework”	January 1, 2022
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, 2023
Amendments to IFRS 17, 'Insurance Contracts'	January 1, 2023
IFRS 1, Classification of Liabilities as Current or Non-current	January 1, 2022
Amendments to IAS 16 “Property, Plant and Equipment - Proceeds before Intended Use”	January 1, 2022
Amendments to IAS 37 “Onerous Contracts—Cost of Fulfilling a Contract”	January 1, 2022
Annual Improvements to IFRS Standards 2018-2020	January 1, 2022

The above standards and interpretations have no significant impact to the Group’s financial condition and 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:

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:

Name of Investor	Name of subsidiary	Main Business Activities	Percentage of Ownership			Note
			June 30, 2020	December 31, 2019	June 30, 2019	
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	Note1 Note2
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
CZE	Gallant Technology (Shenzhen) Co., Ltd.	Manufacturing of medical and mechanical related equipment	-	100	100	Note1 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	-	Note2 Note3 Note4

Note1: The subsidiary has been completed the dissolution and liquidation procedures in June 30, 2020. The Group recognized loss on disposal of investment amounted to \$1,632.

Note2: The financial statements of the entity as of June 30, 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.

Note4: The Group disposed of all the shares of U PIN PRECISION CO., LTD. in May 2020, the investment has not 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 June 30, 2020, December 31, 2019 and June 30, 2019, the non-controlling interest amounted to \$399,051, \$433,783 and \$417,124, respectively. The information of non-controlling interest and respective subsidiaries is as follows:

Name of subsidiary	Principal place of business	Non-controlling interest					
		June 30, 2020		December 31, 2019		June 30, 2019	
		Amount	Ownership(%)	Amount	Ownership(%)	Amount	Ownership(%)
Gallant Micro. Machining Co., Ltd.	Taiwan	\$ 360,064	42.81	\$ 392,109	42.81	\$ 378,705	42.81

Summarized financial information of the subsidiaries:

Balance sheets

	Gallant Micro. Machining Co., Ltd. and its subsidiaries		
	June 30, 2020	December 31, 2019	June 30, 2019
Current assets	\$ 1,331,789	\$ 1,226,187	\$ 1,323,931
Non-current assets	424,591	364,009	368,152
Current liabilities	(659,719)	(506,746)	(643,982)
Non-current liabilities	(253,074)	(167,522)	(163,484)
Total net assets	\$ 843,587	\$ 915,928	\$ 884,617

Statements of comprehensive income

	Gallant Micro. Machining Co., Ltd. and its subsidiaries	
	For the three-month period ended June 30, 2020	For the three-month period ended June 30, 2019
Revenue	\$ 183,244	\$ 214,288
Profit before income tax	\$ 26,922	\$ 39,983
Income tax expense	(6,795)	(8,325)
Profit for the period from continuing operations	20,127	31,658
Loss from discontinued operations	-	-
Profit for the period	20,127	31,658
Other comprehensive income, net of tax	8,735	(8,533)
Total comprehensive income for the period	\$ 28,862	\$ 23,125
Comprehensive income attributable to non-controlling interest	\$ 11,997	\$ 9,900
Dividends paid to non-controlling interest	\$ 36,314	\$ 36,314
	Gallant Micro. Machining Co., Ltd. and its subsidiaries	
	For the six-month period ended June 30, 2020	For the six-month period ended June 30, 2019
Revenue	\$ 357,091	\$ 357,585
Profit before income tax	\$ 24,944	\$ 50,817
Income tax expense	(7,823)	(10,492)
Profit for the period from continuing operations	17,121	40,325
Loss from discontinued operations	-	-
Profit for the period	17,121	40,325
Other comprehensive income, net of tax	(8,519)	12,639
Total comprehensive income for the period	\$ 8,602	\$ 52,964
Comprehensive income attributable to non-controlling interest	\$ 3,683	\$ 22,674
Dividends paid to non-controlling interest	\$ 36,314	\$ 36,314

Statements of cash flows

	Gallant Micro. Machining Co., Ltd. and its subsidiaries	
	For the six-month period ended June 30, 2020	For the six-month period ended June 30, 2019
Net cash provided by (used in) operating activities	\$ 439	\$ 112,455
Net cash provided by (used in) investing activities	(93,277)	(43,567)
Net cash provided by (used in) financing activities	6,739	67,611
Effect of exchange rates on cash and cash equivalents	(8,857)	3,247
Increase (decrease) in cash and cash equivalents	(94,956)	139,746
Cash and cash equivalents, beginning of period	535,320	507,972
Cash and cash equivalents, end of period	\$ 440,364	\$ 647,718

(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 June 30, 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>June 30, 2020</u>	<u>December 31, 2019</u>	<u>June 30, 2019</u>
Cash on hand and revolving funds	\$ 303	\$ 262	\$ 636
Checking accounts	65	26	27
Demand deposits	1,890,607	929,424	1,282,579
Total	<u>\$ 1,890,975</u>	<u>\$ 929,712</u>	<u>\$ 1,283,242</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 were classified as financial assets at amortised cost-current and 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>June 30, 2020</u>	<u>December 31, 2019</u>	<u>June 30, 2019</u>
Current items:			
Financial assets mandatorily at fair value through profit or loss	\$ -	\$ 120,023	\$ 52,946
Beneficiary certificates	-	330	751
Valuation adjustment	<u>\$ -</u>	<u>\$ 120,353</u>	<u>\$ 53,697</u>

- A. The Group recognized net gain of \$0, \$128, \$60 and \$599 on financial assets and liabilities designated as at fair value through profit or loss for the three-month periods ended 2020 and 2019, and for the six-month periods ended 2020 and 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 is provided in Note 12(2).

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

Items	June 30, 2020	December 31, 2019	June 30, 2019
Non-current items:			
Equity instruments			
Non-Listed stocks	\$ 73,907	\$ 73,907	\$ 68,875
Valuation adjustment	39,840	29,555	13,224
	\$ 113,747	\$ 103,462	\$ 82,099

- A. The Group has elected to classify investments that are considered to be strategic investments in Shinyu Light Co., Ltd., PHOENIX & COPRORATION and POWER EVER ENTERPRISES LIMITED as financial assets at fair value through other comprehensive income. As at June 30, 2020, December 31, 2019, and June 30, 2019, the fair value of such investments amounted to \$113,747, \$103,462 and \$82,099, 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 June 30, 2020.	For the three-month period ended June 30, 2019.
<u>Equity instruments at fair value through other comprehensive income:</u>		
Fair value change recognised in other comprehensive income	\$ 22,540	(\$ 43,735)
Dividend income recognized in profit or loss held at end of period	\$ 1,880	\$ 2,889
	\$ 10,285	(\$ 36,587)
<u>Equity instruments at fair value through other comprehensive income:</u>		
Fair value change recognised in other comprehensive income	\$ 10,285	(\$ 36,587)
Dividend income recognized in profit or loss held at end of period	\$ 1,880	\$ 2,889
	\$ 1,880	\$ 2,889

(4) Financial assets at amortized cost

Items	June 30, 2020	December 31, 2019	June 30, 2019
Current items:			
Time deposits	\$ 532,387	\$ 826,942	\$ 856,846
Non-current items:			
Time deposits	22,573	22,227	31,988
	\$ 554,960	\$ 849,169	\$ 888,834

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 is provided in Note 12(2).

(5) Notes and accounts receivable

	June 30, 2020	December 31, 2019	June 30, 2019
Notes receivable	\$ 44,796	\$ 48,652	\$ 15,759
Accounts receivable	\$ 1,554,095	\$ 2,502,954	\$ 2,047,007
Less: allowance for bad debts	(228,072)	(164,208)	(192,132)
	\$ 1,326,023	\$ 2,338,746	\$ 1,854,875

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

	June 30, 2020		December 31, 2019	
	Accounts receivable	Notes receivable	Accounts receivable	Notes receivable
Not past due	\$ 1,096,297	\$ 44,796	\$ 2,040,160	\$ 48,652
Up to 90 days	157,920	-	251,718	-
91 to 120 days	9,120	-	17,341	-
Over 120 days	290,758	-	193,735	-
	\$ 1,554,095	\$ 44,796	\$ 2,502,954	\$ 48,652

	June 30, 2019	
	Accounts receivable	Notes receivable
Not past due	\$ 1,462,788	\$ 15,759
Up to 90 days	239,463	-
91 to 120 days	68,126	-
Over 120 days	276,630	-
	\$ 2,047,007	\$ 15,759

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

June 30, 2020			
	<u>Cost</u>	<u>Allowance for valuation loss</u>	<u>Book value</u>
Raw materials	\$ 109,017	(\$ 17,643)	\$ 91,374
Work in process	587,486	(92,418)	495,068
Finished goods	489,863	(61,850)	428,013
Inventory in transit	2,922	-	2,922
Total	<u>\$ 1,189,288</u>	<u>(\$ 171,911)</u>	<u>\$ 1,017,377</u>

December 31, 2019			
	<u>Cost</u>	<u>Allowance for valuation loss</u>	<u>Book value</u>
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	<u>\$ 1,086,503</u>	<u>(\$ 148,268)</u>	<u>\$ 938,235</u>

June 30, 2019			
	<u>Cost</u>	<u>Allowance for valuation loss</u>	<u>Book value</u>
Raw materials	\$ 247,750	(\$ 18,184)	\$ 229,566
Work in process	571,340	(87,065)	484,275
Finished goods	512,457	(25,783)	486,674
Inventory in transit	5,805	-	5,805
Total	<u>\$ 1,337,352</u>	<u>(\$ 131,032)</u>	<u>\$ 1,206,320</u>

The cost of inventories recognized as expense for the period:

	<u>For the three-month period ended June 30, 2020</u>	<u>For the three-month period ended June 30, 2019</u>
Cost of goods sold	\$ 504,524	\$ 755,505
Loss on (gain on reversal of) decline in market value	1,826 (	4,204)
Loss on disposal inventory	-	6,573
	<u>\$ 506,350</u>	<u>\$ 757,874</u>
	<u>For the six-month period ended June 30, 2020</u>	<u>For the six-month period ended June 30, 2019</u>
Cost of goods sold	\$ 935,941	\$ 1,460,077
Loss on (gain on reversal of) decline in market value	23,643 (	44,242)
Loss on disposal inventory	-	6,573
	<u>\$ 959,584</u>	<u>\$ 1,422,408</u>

(7) Investments accounted for using equity method

	<u>June 30, 2020</u>	<u>December 31, 2019</u>	<u>June 30, 2019</u>
Associates			
Gallant Biotech (Suzhou) Co., Ltd.	\$ -	\$ 8,189	\$ 13,524
Utron Technologies Corp	-	25,443	29,218
Sunengine Co., Ltd.	29,165	30,148	27,284
Total	<u>\$ 29,165</u>	<u>\$ 63,780</u>	<u>\$ 70,026</u>

A. In the first quarter of 2019, 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. The Group sold all of the shares with a sale price of \$21,374 in June 2020 and recognized gain on disposal of investment amounting to \$17,507.

B. The Group held of 76.02% ownership and has control over Utron Technologies Corp, 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 June 30, 2020, the carrying amount of the Group's individually immaterial associates amounted to \$29,165.

	<u>For the six-month period ended June 30, 2020</u>	<u>For the six-month period ended June 30, 2019</u>
Profit for the period from continuing operations	(\$ 2,597)	(\$ 14,548)
Total comprehensive income	<u>(\$ 2,597)</u>	<u>(\$ 14,548)</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	-	-	2,780	3,765	-	557	7,102
Additions - acquired through business combinations	11,290	647	4,001	386	-	4,106	20,430
Disposals	-	-	(988)	(36)	-	-	(1,024)
Depreciation charge	-	(6,224)	(2,496)	(2,874)	(644)	(2,648)	(14,886)
Transferred out due to consolidated	-	-	(3,517)	(99)	-	(173)	(3,789)
Net exchange differences	-	(76)	(397)	(112)	-	(43)	(628)
Closing net book amount as at June 30	<u>\$ 50,420</u>	<u>\$ 443,685</u>	<u>\$ 24,525</u>	<u>\$ 15,249</u>	<u>\$ 48,682</u>	<u>\$ 13,272</u>	<u>\$ 595,833</u>
At June 30, 2020							
Cost	\$ 50,420	\$ 605,244	\$ 108,811	\$ 34,077	\$ 65,682	\$ 31,918	\$ 896,152
Accumulated depreciation and impairment	-	(161,559)	(84,286)	(18,828)	(17,000)	(18,646)	(300,319)
	<u>\$ 50,420</u>	<u>\$ 443,685</u>	<u>\$ 24,525</u>	<u>\$ 15,249</u>	<u>\$ 48,682</u>	<u>\$ 13,272</u>	<u>\$ 595,833</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	-	82	585	2,336	-	1,160	-	4,163
Disposals	-	-	-	(202)	-	(363)	-	(565)
Depreciation charge	-	(6,160)	(2,567)	(3,366)	(656)	(2,159)	-	(14,908)
Transferred out due to consolidated	-	-	(1,745)	(1,503)	-	(799)	(6,147)	(10,194)
Net exchange differences	-	20	261	96	-	56	118	551
Closing net book amount as at June 30	<u>\$ 39,130</u>	<u>\$ 455,475</u>	<u>\$ 28,307</u>	<u>\$ 15,978</u>	<u>\$ 49,970</u>	<u>\$ 12,684</u>	<u>\$ -</u>	<u>\$ 601,544</u>
At June 30, 2019								
Cost	\$ 39,130	\$ 593,837	\$ 121,122	\$ 36,106	\$ 65,682	\$ 28,992	\$ -	\$ 884,869
Accumulated depreciation and impairment	-	(138,362)	(92,815)	(20,128)	(15,712)	(16,308)	-	(283,325)
	<u>\$ 39,130</u>	<u>\$ 455,475</u>	<u>\$ 28,307</u>	<u>\$ 15,978</u>	<u>\$ 49,970</u>	<u>\$ 12,684</u>	<u>\$ -</u>	<u>\$ 601,544</u>

- A. Amount of borrowing costs capitalized as part of property, plant and equipment were \$0 for the three-month periods ended June 30, 2020 and 2019 and for the six-month periods ended June 30, 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>June 30, 2020</u>	<u>December 31, 2019</u>	<u>June 30, 2019</u>
	Carrying amount	Carrying amount	Carrying amount
Land	\$ 208,981	\$ 214,408	\$ 217,419
Buildings	55,508	29,875	38,997
Office equipment (multifunction printers)	-	252	371
Transportation equipment (business vehicles)	133	-	67
	<u>\$ 264,622</u>	<u>\$ 244,535</u>	<u>\$ 256,854</u>

	<u>For the three-month period ended June 30, 2020</u>	<u>For the three-month period ended June 30, 2019</u>
	Depreciation charge	Depreciation charge
Land	\$ 1,490	\$ 1,505
Buildings	4,559	3,501
Office equipment (multifunction printers)	60	60
Transportation equipment	-	33
	<u>\$ 6,109</u>	<u>\$ 5,099</u>

	<u>For the six-month period ended June 30, 2020</u>	<u>For the six-month period ended June 30, 2019</u>
	Depreciation charge	Depreciation charge
Land	\$ 2,979	\$ 3,011
Buildings	7,934	7,039
Office equipment (multifunction printers)	119	119
Transportation equipment	-	67
	<u>\$ 11,032</u>	<u>\$ 10,236</u>

C. For the three-month periods ended June 30, 2020 and 2019, and for the six-month periods ended June 30, 2020 and 2019, respectively, the Group's total cash outflow for leases were \$46,721, \$0, \$46,721 and \$0, respectively.

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

	<u>For the three-month period ended June 30, 2020</u>		<u>For the three-month period ended June 30, 2019</u>	
<u>Items affecting profit or loss</u>				
Interest expense on lease liabilities	\$	1,792	\$	1,287
Expense on short-term lease contracts		4,302		3,692
Expense on leases of low-value assets		36		30

	<u>For the six-month period ended June 30, 2020</u>		<u>For the six-month period ended June 30, 2019</u>	
<u>Items affecting profit or loss</u>				
Interest expense on lease liabilities	\$	2,912	\$	2,577
Expense on short-term lease contracts		7,503		6,965
Expense on leases of low-value assets		72		60

E. For the six-month period ended June 30, 2020 and 2019, the Group's total cash outflow for leases were \$23,207 and \$18,752, respectively.

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

	<u>2020</u>			
	<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	-	4,638	-	4,638
Additions - acquired through business combinations	-	-	36,432	36,432
Amortization charge	(4,240)	(3,056)	-	(7,296)
Net exchange differences	-	(13)	-	(13)
At June 30	<u>\$ 7,406</u>	<u>\$ 15,615</u>	<u>\$ 36,432</u>	<u>\$ 59,453</u>
At June 30				
Cost	\$ 126,740	\$ 25,301	\$ 36,432	\$ 188,473
Accumulated amortization and impairment	(119,334)	(9,686)	-	(129,020)
	<u>\$ 7,406</u>	<u>\$ 15,615</u>	<u>\$ 36,432</u>	<u>\$ 59,453</u>

	2019			
	Trademarks and licences	Software	Other	Total
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	-	-	(3,887)	(3,887)
Amortisation charge	(18,976)	(1,951)	(441)	(21,368)
Net exchange differences	-	17	83	100
At June 30	<u>\$ 26,421</u>	<u>\$ 14,703</u>	<u>\$ -</u>	<u>\$ 41,124</u>
At June 30				
Cost	\$ 126,740	\$ 21,379	\$ 4,245	\$ 152,364
Accumulated amortization and impairment	(100,319)	(6,676)	(4,245)	(111,240)
	<u>\$ 26,421</u>	<u>\$ 14,703</u>	<u>\$ -</u>	<u>\$ 41,124</u>

(11) Short-term borrowings

Type of borrowings	June 30, 2020	Interest rate range	Collateral
Unsecured Banking Loan	<u>\$ 1,095,560</u>	0.94%~1.60%	None
Type of borrowings	December 31, 2019	Interest rate range	Collateral
Unsecured Banking Loan	<u>\$ 1,118,987</u>	1.08%~2.90%	None
Type of borrowings	June 30, 2019	Interest rate range	Collateral
Unsecured Banking Loan	<u>\$ 880,768</u>	1.13%~3.31%	None

(12) Accounts payable

	June 30, 2020	December 31, 2019	June 30, 2019
Accounts payable	\$ 640,716	\$ 848,802	\$ 1,050,640
Estimated accounts payable	105,130	119,708	153,393
	<u>\$ 745,846</u>	<u>\$ 968,510</u>	<u>\$ 1,204,033</u>

(13) Other payables

	<u>June 30, 2020</u>	<u>December 31, 2019</u>	<u>June 30, 2019</u>
Accrued salaries	\$ 140,691	\$ 173,863	\$ 118,790
Accrued employees' bonuses and directors' remuneration	83,633	82,939	114,176
Payables on equipment - Fixed assets	3,725	1,084	394
Payables on equipment - Intangible assets	139	277	187
Dividends payables	284,018	-	250,991
Others	41,786	62,945	80,607
	<u>\$ 553,992</u>	<u>\$ 321,108</u>	<u>\$ 565,145</u>

(14) Long-term borrowings

<u>Type of borrowings</u>	<u>Borrowing period and repayment term</u>	<u>Interest rate range</u>	<u>Collateral</u>	<u>June 30,2020</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.	0.94%	Note A	\$ 20,024
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.	1.04%	None	5,348
Mortgage borrowings	Borrowing period is from September 27, 2019 to September 27, 2021; interest is repayable monthly and principal is repayable in September, 2021.	1.08%	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	73,714
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
Mortgage borrowings	Borrowing period is from June 08, 2020 to June 08, 2030; The principal is repayable every 3 months in 40 installments.	1.27%	Note A	<u>68,000</u>
				531,461
Less: current portion				<u>(25,139)</u>
				<u>\$ 506,322</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	<u>17,250</u>
				473,439
Less: current portion				<u>(19,967)</u>
				<u>\$ 453,472</u>

<u>Type of borrowings</u>	<u>Borrowing period and repayment term</u>	<u>Interest rate range</u>	<u>Collateral</u>	<u>June 30, 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	26,889
				\$
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	7,178
Mortgage borrowings	Borrowing period is from September 25, 2018 to September 24, 2020; interest is repayable monthly and principal is repayable in September, 2020.	1.38%	Note A Note C	350,000
Unsecured borrowings	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	3,333
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	79,857
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
				487,382
Less: current portion				(23,915)
				\$ 463,467

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 \$173, \$253, \$347 and \$508 for the three-month periods ended June 30, 2020 and 2019, and for the six-month periods ended June 30, 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 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 Corpration Ltd., Gallant Micro Machining (Malaysia) Sdn. Bhd., Ltd., King Mechatronics Co., 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 June 30, 2020 and 2019, and for the six-month periods ended June 30, 2020 and 2019, were \$7,112, \$8,966, \$14,148 and \$18,235, respectively.

(16) Share capital

- A. As of June 30, 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:

	Unit: shares in thousands	
	2020	2019
At January 1	\$ 165,136	\$ 165,136
Treasury stock acquired	(6,000)	-
At June 30	<u>159,136</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 June 30, 2020, the Company has acquired 6,000 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	June 30, 2020	
		Number of shares	Carrying amount
The Company	To be reissued to employees	6,000	\$ 108,425

- (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

A. 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.

B. 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 At June 30, 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 At June 30, 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 and set aside a special reserve in accordance with applicable legal and regulatory requirement. Distributing the remaining amount plus prior year's retained earnings in the following order, but the ratios of the distribution of the aforementioned retained earnings and the cash dividend distribution shall be proposed by the Board of Directors based on the actual profit and capital situation of the current year, and proposed to the shareholders' meeting for resolution:

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 June 17, 2020 and June 25, 2019, respectively, the shareholders resolved that total dividends for the distribution of earnings for the year of 2019 and 2018 were as following:

	2019		2018	
	Amount	Earnings per share(In dollars)	Amount	Earnings per share(In dollars)
Legal reserve	\$ -	\$ -	\$ 37,010	\$ -
Cash dividends	247,704	1.556	214,677	1.300
Total	<u>\$ 247,704</u>	<u>\$ 1.556</u>	<u>\$ 251,687</u>	<u>\$ 1.300</u>

(19) Other equity items

	For the six-month period ended June 30, 2020		
	Unrealised gains (losses) on valuation	Currency translation	Total
At January 1	\$ 3,295	(\$ 99,700)	(\$ 96,405)
Revaluation–group	4,662	-	4,662
Disposal transferred to retained earnings	-	1,360	1,360
Currency translation differences:–group	-	(22,352)	(22,352)
At June 30	<u>\$ 7,957</u>	<u>(\$ 120,692)</u>	<u>(\$ 112,735)</u>

	For the six-month period ended June 30, 2019		
	Unrealised gains (losses) on valuation	Currency translation	Total
At January 1	\$ 31,815	(\$ 64,286)	(\$ 32,471)
Revaluation–group	(38,065)	-	(38,065)
Currency translation differences:–group	-	11,584	11,584
At June 30	<u>(\$ 6,250)</u>	<u>(\$ 52,702)</u>	<u>(\$ 58,952)</u>

(20) Operating revenue

	For the three-month period ended June 30, 2020	For the three-month period ended June 30, 2019
	Revenue from Contracts with Customers	<u>\$ 726,612</u>	$ 1,062,764

	For the six-month period ended June 30, 2020	For the six-month period ended June 30, 2019
	Revenue from Contracts with Customers	<u>\$ 1,365,255</u>	$ 1,898,188

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 June 30, 2020				
	Taiwan	China	Other	Total
Total segment revenue	\$ 346,831	\$ 484,719	\$ 12,306	\$ 843,856
Inter-segment revenue	(91,274)	(25,970)	-	(117,244)
Revenue from external customer contracts	<u>\$ 255,557</u>	<u>\$ 458,749</u>	<u>\$ 12,306</u>	<u>\$ 726,612</u>
Timing of revenue recognition				
At a point in time	\$ 247,464	\$ 458,210	\$ 11,760	\$ 717,434
Over time	<u>8,093</u>	<u>539</u>	<u>546</u>	<u>9,178</u>
	<u>\$ 255,557</u>	<u>\$ 458,749</u>	<u>\$ 12,306</u>	<u>\$ 726,612</u>
For the three -month period ended June 30, 2019				
	Taiwan	China	Other	Total
Total segment revenue	\$ 588,871	\$ 495,426	\$ 19,645	\$ 1,103,942
Inter-segment revenue	(40,305)	(873)	-	(41,178)
Revenue from external customer contracts	<u>\$ 548,566</u>	<u>\$ 494,553</u>	<u>\$ 19,645</u>	<u>\$ 1,062,764</u>
Timing of revenue recognition				
At a point in time	\$ 544,172	\$ 481,871	\$ 18,964	\$ 1,045,007
Over time	<u>4,394</u>	<u>12,682</u>	<u>681</u>	<u>17,757</u>
	<u>\$ 548,566</u>	<u>\$ 494,553</u>	<u>\$ 19,645</u>	<u>\$ 1,062,764</u>
For the six-month period ended June 30, 2020				
	Taiwan	China	Other	Total
Total segment revenue	\$ 613,180	\$ 895,567	\$ 31,924	\$ 1,540,671
Inter-segment revenue	(127,107)	(48,309)	-	(175,416)
Revenue from external customer contracts	<u>\$ 486,073</u>	<u>\$ 847,258</u>	<u>\$ 31,924</u>	<u>\$ 1,365,255</u>
Timing of revenue recognition				
At a point in time	\$ 474,635	\$ 846,196	\$ 30,963	\$ 1,351,794
Over time	<u>11,438</u>	<u>1,062</u>	<u>961</u>	<u>13,461</u>
	<u>\$ 486,073</u>	<u>\$ 847,258</u>	<u>\$ 31,924</u>	<u>\$ 1,365,255</u>
For the six-month period ended June 30, 2019				
	Taiwan	China	Other	Total
Total segment revenue	\$ 867,379	\$ 1,124,779	\$ 30,195	\$ 2,022,353
Inter-segment revenue	(118,289)	(5,876)	-	(124,165)
Revenue from external customer contracts	<u>\$ 749,090</u>	<u>\$ 1,118,903</u>	<u>\$ 30,195</u>	<u>\$ 1,898,188</u>
Timing of revenue recognition				
At a point in time	\$ 739,405	\$ 1,097,870	\$ 29,366	\$ 1,866,641
Over time	<u>9,685</u>	<u>21,033</u>	<u>829</u>	<u>31,547</u>
	<u>\$ 749,090</u>	<u>\$ 1,118,903</u>	<u>\$ 30,195</u>	<u>\$ 1,898,188</u>

B. Contract liabilities

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

	June 30, 2020	December 31, 2019	June 30, 2019
Contract liabilities:			
Contract liabilities	<u>\$ 174,117</u>	<u>\$ 144,695</u>	<u>\$ 132,271</u>

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

	<u>For the three-month period ended June 30, 2020</u>	<u>For the three-month period ended June 30, 2019</u>
Revenue recognised that was included in the contract liability balance at the beginning of the period	\$ 27,972	\$ 20,807
Total	<u>\$ 27,972</u>	<u>\$ 20,807</u>

	<u>For the six-month period ended June 30, 2020</u>	<u>For the six-month period ended June 30, 2019</u>
Revenue recognised that was included in the contract liability balance at the beginning of the period	\$ 53,997	\$ 64,211
Total	<u>\$ 53,997</u>	<u>\$ 64,211</u>

(21) Interest income

	<u>For the three-month period ended June 30, 2020</u>	<u>For the three-month period ended June 30, 2019</u>
Interest income from bank deposits	\$ 3,489	\$ 4,832

	<u>For the six-month period ended June 30, 2020</u>	<u>For the six-month period ended June 30, 2019</u>
Interest income from bank deposits	\$ 8,923	\$ 13,828

(22) Other income

	<u>For the three-month period ended June 30, 2020</u>	<u>For the three-month period ended June 30, 2019</u>
Rental revenue	\$ 4,146	\$ 3,893
Government grants revenue	28,638	1,801
Dividend income	1,880	-
Others	8,033	1,892
Total	<u>\$ 42,697</u>	<u>\$ 7,586</u>

	<u>For the six-month period ended June 30, 2020</u>	<u>For the six-month period ended June 30, 2019</u>
Rental revenue	\$ 8,020	\$ 7,739
Government grants revenue	30,549	7,363
Dividend income	1,880	2,889
Others	15,353	3,314
Total	<u>\$ 55,802</u>	<u>\$ 21,305</u>

(23) Other gains and losses

	<u>For the three-month period ended June 30, 2020</u>	<u>For the three-month period ended June 30, 2019</u>
Gains on disposal of property, plant and equipment (losses)	(\$ 1,024)	(\$ 213)
Gains on disposal of investments (losses)	15,875	(4)
Gains arising from lease modifications	306	-
Net currency exchange gains(losses)	(30,813)	12,635
Net gains (losses) on financial assets and liabilities at fair value through profit or loss	-	128
Others	(9)	(4)
	<u>(\$ 15,665)</u>	<u>\$ 12,542</u>

	<u>For the six-month period ended June 30, 2020</u>	<u>For the six-month period ended June 30, 2019</u>
Gains on disposal of property, plant and equipment (losses)	(\$ 1,024)	(\$ 213)
Gains on disposal of investments (losses)	15,875	3,071
Gains arising from lease modifications	312	-
Net currency exchange gains(losses)	(16,869)	17,022
Net gains (losses) on financial assets and liabilities at fair value through profit or loss	60	599
Others	(129)	(12)
	<u>(\$ 1,775)</u>	<u>\$ 20,467</u>

(24) Finance costs

	<u>For the three-month period ended June 30, 2020</u>	<u>For the three-month period ended June 30, 2019</u>
Interest expense	\$ 6,555	\$ 9,044

	<u>For the six-month period ended June 30, 2020</u>	<u>For the six-month period ended June 30, 2019</u>
Interest expense	\$ 15,613	\$ 17,524

(25) Expenses by nature

	<u>For the three-month period ended June 30, 2020</u>	<u>For the three-month period ended June 30, 2019</u>
Employee benefit expense	\$ 190,993	\$ 178,756
Depreciation charges	\$ 13,323	\$ 12,486
Amortization charges on intangible assets	\$ 3,443	\$ 10,546

	For the six-month period ended June 30, 2020	For the six-month period ended June 30, 2019
Employee benefit expense	\$ 374,333	\$ 392,402
Depreciation charges	\$ 25,918	\$ 25,144
Amortization charges on intangible assets	\$ 7,296	\$ 21,368

(26) Employee benefit expense

	For the three-month period ended June 30, 2020	For the three-month period ended June 30, 2019
Wages and salaries	\$ 161,877	\$ 146,448
Labour and health insurance fees	14,107	15,044
Pension costs	7,285	9,219
Other personnel expenses	7,724	8,045
	\$ 190,993	\$ 178,756

	For the six-month period ended June 30, 2020	For the six-month period ended June 30, 2019
Wages and salaries	\$ 314,876	\$ 326,227
Labour and health insurance fees	29,883	31,944
Pension costs	14,495	18,743
Other personnel expenses	15,079	15,488
	\$ 374,333	\$ 392,402

- 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 three-month periods ended June 30, 2020 and 2019 and for the six-month periods ended June 30, 2020 and 2019, employees' remuneration was accrued at \$2,019, \$4,552, \$2,019 and \$4,552, respectively; directors' remuneration was accrued at \$404, \$910, \$404 and \$910, 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.

(27) Income tax

A. Income tax expense

(a) Components of income tax expense:

	<u>For the three-month period ended June 30, 2020</u>	<u>For the three-month period ended June 30, 2019</u>
Current tax:		
Current tax on profits for the period	\$ 9,157	\$ 8,485
Tax on undistributed surplus earnings	5,171	6,413
Prior year income tax (over) underestimate	(2,928)	(11,927)
Total current tax	<u>11,400</u>	<u>2,971</u>
Deferred tax:		
Origination and reversal of temporary differences	<u>111</u>	<u>2,738</u>
Total deferred tax	<u>111</u>	<u>2,738</u>
Income tax expense	<u>\$ 11,511</u>	<u>\$ 5,709</u>
	<u>For the six-month period ended June 30, 2020</u>	<u>For the six-month period ended June 30, 2019</u>
Current tax:		
Current tax on profits for the period	\$ 11,870	\$ 12,568
Tax on undistributed surplus earnings	5,171	6,413
Prior year income tax (over) underestimate	(235)	(11,927)
Total current tax	<u>17,276</u>	<u>7,054</u>
Deferred tax:		
Origination and reversal of temporary differences	<u>193</u>	<u>833</u>
Total deferred tax	<u>193</u>	<u>833</u>
Income tax expense	<u>\$ 17,469</u>	<u>\$ 7,887</u>

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

	For the three-month period ended June 30, 2020	For the three-month period ended June 30, 2019
Changes in fair value of financial assets at fair value through other comprehensive income	(\$ <u>4,535</u>)	\$ <u>3,677</u>
	For the six-month period ended June 30, 2020	For the six-month period ended June 30, 2019
Changes in fair value of financial assets at fair value through other comprehensive income	(\$ <u>2,057</u>)	\$ <u>2,247</u>

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

(28) Earnings per share

	For the three-month period ended June 30, 2020		
	Amount after tax	Weighted average number of ordinary shares outstanding (share in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ <u>36,899</u>	160,567	\$ <u>0.23</u>
<u>Diluted earnings per share</u>			
Assumed conversion of all dilutive potential ordinary shares			
- Employees' bonus	-	101	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ <u>36,899</u>	160,668	\$ <u>0.23</u>
	For the three-month period ended June 30, 2019		
	Amount after tax	Weighted average number of ordinary shares outstanding (share in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ <u>99,268</u>	165,136	\$ <u>0.60</u>
<u>Diluted earnings per share</u>			
Assumed conversion of all dilutive potential ordinary shares			
- Employees' bonus	-	3,099	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ <u>99,268</u>	168,235	\$ <u>0.59</u>

	For the six-month period ended June 30, 2020		
	Amount after tax	Weighted average number of ordinary shares outstanding (share in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 11,882	162,851	\$ 0.07
<u>Diluted earnings per share</u>			
Assumed conversion of all dilutive potential ordinary shares			
- Employees' bonus	-	1,559	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 11,882	164,410	\$ 0.07

	For the six-month period ended June 30, 2019		
	Amount after tax	Weighted average number of ordinary shares outstanding (share in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 47,670	165,136	\$ 0.29
<u>Diluted earnings per share</u>			
Assumed conversion of all dilutive potential ordinary shares			
- Employees' bonus	-	4,281	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 47,670	169,417	\$ 0.28

(29) 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 June 30, 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	<u>(117)</u>
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 \$33,575. Utron Technologies Corp also contributed profit before income tax of \$4,723 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 \$33,575 and profit before income tax of \$4,723.

(30) Supplemental cash flow information

A. Investing activities with partial cash payments:

	For the six-month period ended June 30, 2020	For the six-month period ended June 30, 2019
Purchase of property, plant and equipment	\$ 7,102	\$ 4,163
Add: opening balance of payable on equipment	1,084	6,238
Less: ending balance of payable on equipment	<u>(3,725)</u>	<u>(394)</u>
Cash paid during the period	<u>\$ 4,461</u>	<u>\$ 10,007</u>

B. Financing activities with partial cash payments:

	For the six-month period ended June 30, 2020	For the six-month period ended June 30, 2019
Cash dividends accrued	\$ 280,134	\$ 250,991
Less: ending balance of payable on dividends	(280,134)	(250,991)
Cash dividends paid during the period	<u>\$ -</u>	<u>\$ -</u>

(31) 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	(91,427)	58,022	570	(12,719)	(45,554)
Changes in acquisition of subsidiaries	76,000	-	-	-	76,000
Changes in loss of control in subsidiaries	(8,000)	-	-	-	(8,000)
Changes in other non - cash items	-	-	-	33,673	33,673
At June 30, 2020	<u>\$ 1,095,560</u>	<u>\$ 531,461</u>	<u>\$ 2,906</u>	<u>\$ 267,435</u>	<u>\$ 1,897,362</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	\$ 2,434	\$ 267,264	\$ 1,512,119
Changes in cash flow from financing activities	145,647	(19,918)	(98)	(11,727)	113,904
At June 30, 2019	<u>\$ 880,768</u>	<u>\$ 487,382</u>	<u>\$ 2,336</u>	<u>\$ 255,537</u>	<u>\$ 1,626,023</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(Note)
C SUN Mfg. Ltd.	Associate
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. Operating revenue:

	<u>For the three-month period ended June 30, 2020</u>	<u>For the three-month period ended June 30, 2019</u>
Sales of goods:		
Associates	\$ <u>2,880</u>	\$ <u>-</u>
	<u>For the six-month period ended June 30, 2020</u>	<u>For the six-month period ended June 30, 2019</u>
Sales of goods:		
Associates	\$ <u>2,880</u>	\$ <u>-</u>

B. Purchases:

	<u>For the three-month period ended June 30, 2020</u>	<u>For the three-month period ended June 30, 2019</u>
Purchases of goods:		
Substantive related party	\$ <u>53,954</u>	\$ <u>3,588</u>
	<u>For the six-month period ended June 30, 2020</u>	<u>For the six-month period ended June 30, 2019</u>
Purchases of goods:		
Substantive related party	\$ <u>72,202</u>	\$ <u>5,602</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.

C. Receivables from related parties:

	<u>June 30, 2020</u>	<u>December 31, 2019</u>	<u>June 30, 2019</u>
Accounts receivable:			
Associates	\$ <u>3,024</u>	\$ <u>-</u>	\$ <u>-</u>
Other receivables:			
Associates	\$ <u>-</u>	\$ <u>179</u>	\$ <u>-</u>

D. Payables to related parties:

	<u>June 30, 2020</u>	<u>December 31, 2019</u>	<u>June 30, 2019</u>
Accounts payable:			
Substantive related party	\$ <u>55,867</u>	\$ <u>27,550</u>	\$ <u>4,649</u>

E. Loans to /from related parties:

Loans to related parties:

a. Outstanding balance:

	<u>June 30, 2020</u>	<u>December 31, 2019</u>	<u>June 30, 2019</u>
Associates	\$ <u>-</u>	\$ <u>40,000</u>	\$ <u>-</u>

b. Interest income:

	For the three-month period ended June 30, 2020	For the three-month period ended June 30, 2019
Associates	\$ -	\$ -
	For the six-month period ended June 30, 2020	For the six-month period ended June 30, 2019
Associates	\$ -	\$ -

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:

	For the three-month period ended June 30, 2020		For the three-month period ended June 30, 2019	
	Items	Amount	Items	Amount
Substantive related party	Research and development expenses	\$ -	Research and development expenses	\$ 533
Associates	rental expenses	-	rental expenses	15
Associates	Sales of services	4,456	Sales of services	-
	For the six-month period ended June 30, 2020		For the six-month period ended June 30, 2019	
	Items	Amount	Items	Amount
Substantive related party	Research and development expenses	\$ -	Research and development expenses	\$ 1,067
Associates	rental expenses	-	rental expenses	30
Associates	Sales of services	5,643	Sales of services	199

(3) Key management compensation

	For the three-month period ended June 30, 2020	For the three-month period ended June 30, 2019
Payroll and Salaries and other short-term employee benefits	\$ 5,678	\$ 5,981
Post-employment benefits	16,357	278
Total	\$ 22,035	\$ 6,259
	For the six-month period ended June 30, 2020	For the six-month period ended June 30, 2019
Payroll and Salaries and other short-term employee benefits	\$ 23,541	\$ 25,066
Post-employment benefits	16,723	616
Total	\$ 40,264	\$ 25,682

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>June 30, 2020</u>	<u>December 31, 2019</u>	<u>June 30, 2019</u>	
Time deposits (shown as "financial assets at amortised cost current")	\$ -	\$ -	\$ 6,296	Exercise guarantee
Time deposits (shown as "financial assets at amortised cost non-current")	\$ 22,573	\$ 22,227	\$ 31,988	Exercise guarantee for construction and customs deposit
Property, plant and equipment	<u>535,983</u>	<u>530,710</u>	<u>537,251</u>	Long-term borrowings
	<u>\$ 558,556</u>	<u>\$ 552,937</u>	<u>\$ 575,535</u>	

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

Contingent liabilities

As of June 30, 2020 and December 31, 2019 and June 30, 2019, the bank open a guarantee letter for the Company due to business tender and guarantee for construction amounting to \$25,233, \$64,971 and \$168,748, 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 six-month period ended June 30, 2020. For more information, please refer to note 12 in the Group's consolidated financial statements for the year ended December 31, 2019.

(2) Financial instruments

A. Financial instruments by category

	<u>June 30, 2020</u>	<u>December 31, 2019</u>	<u>June 30, 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	\$ 53,697
Financial assets at fair value through other comprehensive income	113,747	103,462	82,099
Financial assets at amortised cost/Loans and receivables			
Cash and cash equivalents	1,890,975	929,712	1,283,242
Financial assets at amortised cost	554,960	849,169	888,834
Notes receivables	44,796	48,652	15,759
Accounts receivables (related party)	1,329,047	2,338,746	1,854,875
Other accounts receivables (related party)	14,929	51,625	6,742
Guarantee deposits paid	5,009	5,842	6,159
	<u>\$ 3,953,463</u>	<u>\$ 4,447,561</u>	<u>\$ 4,191,407</u>
<u>Financial liabilities</u>			
Financial liabilities at amortized cost			
Short-term borrowings	\$ 1,095,560	\$ 1,118,987	\$ 880,768
Contract liabilities	174,117	144,695	132,271
Notes payable	1,564	-	-
Accounts payable (related party)	801,713	996,060	1,208,682
Other accounts payable	553,992	321,108	565,145
Long-term borrowings (including current portion)	531,461	473,439	487,382
Guarantee deposits received	2,906	2,336	2,336
	<u>\$ 3,161,313</u>	<u>\$ 3,056,625</u>	<u>\$ 3,276,584</u>
Leases liabilities	<u>\$ 267,435</u>	<u>\$ 246,481</u>	<u>\$ 257,895</u>

B. Financial risk management policies

No significant change was made during the six-month period ended June 30, 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:

	June 30, 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	\$ 72,686	29.63	\$ 2,153,687
JPY:NTD	67,689	0.2751	18,621
RMB:NTD	7,458	4.191	31,257
USD: RMB	3,885	7.0699	115,124
<u>Non-monetary items</u> : None			
<u>Financial liability</u>			
<u>Monetary items</u>			
USD:NTD	(\$ 14,949)	29.63	(\$ 442,946)
JPY:NTD	(44,260)	0.2751	(12,176)
RMB:NTD	(4,317)	4.191	(18,092)
<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			

		June 30, 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	\$	53,753	31.06	\$ 1,669,574
JPY:NTD		32,498	0.2886	9,379
RMB:NTD		7,757	4.521	35,068
USD: RMB		3,314	6.8702	102,925
<u>Non-monetary items</u> :None				
<u>Financial liability</u>				
<u>Monetary items</u>				
USD:NTD	\$	25,549	31.06	\$ 793,562
JPY:NTD		99,608	0.2886	28,747
RMB:NTD		3,080	4.521	13,923
<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 June 30, 2020 and 2019 and for the six-month periods ended June 30, 2020 and 2019, amounted to (\$30,813), \$12,635, \$(16,869) and \$17,022, respectively.
- iii. Analysis of foreign currency market risk arising from significant foreign exchange variation:

		For the six-month period ended June 30, 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%	\$	21,537	\$ -
JPY:NTD	1%		187	-
RMB:NTD	1%		313	-
USD: RMB	1%		1,151	-
<u>Financial liability</u>				
<u>Monetary items</u>				
USD:NTD	1%	(\$	4,429)	\$ -
JPY:NTD	1%	(	122)	-
RMB:NTD	1%	(	181)	-

	For the six-month period ended June 30, 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%	\$ 16,696	\$ -
JPY:NTD	1%	94	-
RMB:NTD	1%	351	-
USD: RMB	1%	1,029	-
<u>Financial liability</u>			
<u>Monetary items</u>			
USD:NTD	1%	(\$ 7,936)	\$ -
JPY:NTD	1%	(287)	-
RMB:NTD	1%	(139)	-

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 June 30, 2020 and 2019 would have increased/decreased by \$0 and \$537, 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 \$1,137 and \$821, 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 June 30, 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 six-month periods ended June 30, 2020 and 2019 would have increased/decreased by \$9,457 and \$8,579, 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 June 30, 2020, December 31, 2019 and June 30, 2019 is as follows:

June 30, 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	\$ 1,096,297	\$ 157,920	\$ 9,120	\$ 290,758	\$1,554,095
Loss allowance	\$ 4,712	\$ 12,208	\$ 2,786	\$ 208,366	\$ 228,072
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

June 30, 2019	Without past due	Up to 0 -90 days	Up to 91 -120 days	Up to 120 days	Total
Expected loss rate	0.00%-0.6%	0.1%-28.2%	0.26%-32.67%	0.95%-100%	
Total book value	\$ 1,462,788	\$ 239,463	\$ 68,126	\$ 276,630	\$2,047,007
Loss allowance	\$ 5,489	\$ 8,579	\$ 1,303	\$ 176,761	\$ 192,132

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

	For the six-month period ended June 30, 2020	
	Accounts receivable	
At January 1	\$	164,208
Provision for impairment		68,322
Reversal of impairment loss	(	3,724)
Write-offs	(	239)
Effect of foreign exchange	(	495)
At June 30	\$	<u>228,072</u>
	For the six-month period ended June 30, 2019	
	Accounts receivable	
At January 1	\$	124,279
Provision for impairment		80,167
Reversal of impairment loss	(	12,487)
Effect of foreign exchange		173
At June 30	\$	<u>192,132</u>

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

	For the six-month period ended June 30, 2020			
	Lifetime			Total
	12 months	Significant increase in credit risk	Impairment of credit	
Financial assets at amortised cost				
Group 1	\$ 92,388	\$ -	\$ -	\$ 92,388
Group 2	443,691	-	-	443,691
Group 3	18,881	-	-	18,881
	<u>\$ 554,960</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 554,960</u>

For the year ended December 31, 2019				
	12 months	Lifetime		Total
		Significant increase in credit risk	Impairment of credit	
Financial assets at amortized 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 six-month period ended June 30, 2019				
	12 months	Lifetime		Total
		Significant increase in credit risk	Impairment of credit	
Financial assets at amortized cost				
Group 1	\$ 151,529	\$ -	\$ -	\$ 151,529
Group 2	714,671	-	-	714,671
Group 3	22,634	-	-	22,634
	<u>\$ 888,834</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 888,834</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 amortized 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 June 30, 2020, December 31, 2019 and June 30, 2019, the Group held money market position of \$2,422,994, \$1,876,719 and \$2,193,122, respectively, that are expected to readily generate cash inflows for managing liquidity risk.
- iii. The Company has the following undrawn borrowing facilities:

	June 30, 2020	December 31, 2019	June 30, 2019
Floating rate:			
Expiring within one year	\$ 1,556,207	\$ 1,655,853	\$ 1,510,483
Expiring beyond one year	10,000	50,000	20,000
	<u>\$ 1,566,207</u>	<u>\$ 1,705,853</u>	<u>\$ 1,530,483</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:

June 30, 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	\$ 802,966	\$ 292,594	\$ -	\$ -	\$ -
Notes payable	1,564	-	-	-	-
Accounts payable (related party)	415,749	174,236	-	211,728	-
Other payables (related party)	215,320	337,978	694	-	-
Leases liabilities	6,247	18,693	22,758	54,538	238,771
Long-term borrowings (including current portion)	7,952	23,141	379,710	54,756	82,042

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:

June 30, 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	\$ 636,947	\$ 243,821	\$ -	\$ -	\$ -
Accounts payable (related party)	381,825	282,435	-	543,604	818
Other payables (related party)	229,972	335,083	-	90	-
Leases liabilities	5,904	17,321	21,667	39,169	251,758
Long-term borrowings (including current portion)	12,109	18,374	372,579	47,151	52,023

Derivative financial liabilities:

As at June 30, 2020, December 31, 2019 and June 30, 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:

June 30, 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	\$ -	\$ -	\$ 113,747	\$ 113,747
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>
June 30, 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	\$ 53,697	\$ -	\$ -	\$ 53,697
Financial assets at fair value through other comprehensive income				
Equity securities	-	-	82,099	82,099
Total	<u>\$ 53,697</u>	<u>\$ -</u>	<u>\$ 82,099</u>	<u>\$ 135,796</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 June 30, 2020, December 31, 2019 and June 30, 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 six-month periods ended June 30, 2020 and 2019:

	<u>For the six-month period ended June 30, 2020</u>	<u>For the six-month period ended June 30, 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	10,285	(42,925)
At June 30	<u>\$ 113,747</u>	<u>\$ 82,099</u>

F. For the three-month periods ended June 30, 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>June 30, 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	\$ 103,037	Market comparable companies Net asset value	Price to book ratio multiple	0.83~3.44	The higher the multiple, the higher the fair value Not applicable
Unlisted shares	10,710		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>June 30, 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	\$ 81,199	Market comparable companies	Price to book ratio multiple	0.74~2.98	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>June 30, 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%	\$ -	\$ -	\$ 1,027 (\$ 1,029)

				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)
				June 30, 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%	\$ -	\$ -	\$ 705	(\$ 708)

(4) Impact due to COVID-19 on the company's operation

After an overall assessment by the management, there was no significant impact on the Company's impairment of asset, financing risk, and as well as going concern assumption.

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 paidin 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:

Six month period ended June 30, 2020

	Gallant Precision Machining Co., Ltd	Gallant-Rapid Corporation Ltd.	Gallant Micro. Machining Co., Ltd.	Gallant Precision Machinery (BVI)Ltd.	Chun-Zhun Enterprise Corpration (BVI)Ltd.	APEX-I International Co., Ltd.	elimination	Amount
Revenue from external customers	\$ 942,865	\$ 39,666	\$ 357,901	\$ -	\$ -	\$ 25,633	\$ -	\$ 1,365,255
Inter-segment revenue	\$ 7,307	\$ 64,624	\$ -	\$ -	\$ -	\$ -	(\$ 71,931)	\$ -
Segment income	\$ 16,618	\$ 13,531	\$ 45,671	\$ 15,923	(\$ 46)	\$ 8,773	(\$ 66,691)	\$ 33,779
Total segment assets	\$ 4,732,732	\$ 391,404	\$ 1,756,380	\$ 366,304	\$ -	\$ 94,779	(\$ 1,238,774)	\$ 6,102,825

Six month period ended June 30, 2019

	Gallant Precision Machining Co., Ltd	Gallant-Rapid Corporation Ltd.	Gallant Micro. Machining Co., Ltd.	Gallant Precision Machinery (BVI)Ltd.	Chun-Zhun Enterprise Corpration (BVI)Ltd.	APEX-I International Co., Ltd.	elimination	Amount
Revenue from external customers	\$ 1,481,470	\$ 27,236	\$ 357,585	\$ -	\$ -	\$ 31,897	\$ -	\$ 1,898,188
Inter-segment revenue	\$ 3,915	\$ 86,440	\$ -	\$ -	\$ -	\$ -	(\$ 90,355)	\$ -
Segment income	\$ 40,497	\$ 9,526	\$ 44,320	(\$ 2,109)	(\$ 197)	\$ 11,569	(\$ 30,088)	\$ 73,518
Total segment assets	\$ 5,251,806	\$ 341,657	\$ 1,692,083	\$ 382,084	\$ 14,227	\$ 78,455	(\$ 1,259,362)	\$ 6,500,950

(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 six-month periods ended June 30, 2020 and 2019 is provided as follows:

	<u>For the six-month period ended June 30, 2020</u>	<u>For the six-month period ended June 30, 2019</u>
Reportable segments income/(loss)	\$ 100,470	\$ 103,606
Other	(66,691)	(30,088)
Income/(loss) before tax from continuing operations	<u>\$ 33,779</u>	<u>\$ 73,518</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>June 30, 2020</u>	<u>June 30, 2019</u>
Assets of reportable segments	\$ 7,341,599	\$ 7,760,312
Elimination of intersegment assets	(1,238,774)	(1,259,362)
Total assets	<u>\$ 6,102,825</u>	<u>\$ 6,500,950</u>

Table 1

GALLANT PRECISION MACHINING CO., LTD. AND SUBSIDIARIES
FINANCINGS PROVIDED
FOR THE SIX MONTH PERIOD ENDED JUNE 30, 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	Value			
1	Gallant Micro Machining Co., Ltd.	Utron Technologies Corp	Other receivables -related parties	Y	\$ 50,000	\$ 50,000	\$ 18,000	2.00%	Short-term financing	-	Operating need	-	Promised note	50,000	\$ 84,108	\$ 168,215	
2	Utron Technologies Corp	U Pin Precision Co., Ltd.	Other receivables -related parties	Y	\$ 6,000	\$ 6,000	\$ 5,400	2.00%	Short-term financing	-	Operating need	-	-	-	\$ 6,673	\$ 6,673	

Note1 : Gallant Micro Machining Co., Ltd. Financings provided:

(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 : Utron Technologies Corp Financings provided:

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

Note3 : 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 SIX MONTH PERIOD ENDED JUNE 30, 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	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	\$ 405,215	\$ 109,630	\$ 109,630	\$ -	\$ -	5.41	\$ 1,013,038	Y	N	N	
1	Gallant Micro Machining Co., Ltd.	Utron Technologies Corp	Subsidiary	168,215	128,000	128,000	98,000	-	15.22	420,538	Y	N	N	

Note1: The detail of endorsements/guarantees provided by the company and subsidiary :

(1) 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.

(2) Total endorsement/ guarantee amount limits shall not exceed 50% of the net worth of the Company and subsidiaries. The total endorsement/ guarantee amount to a company shall not exceed 30% of the net worth of the Company and subsidiaries.

Note2: Gallant Micro. Machining Co., Ltd. endorsements/guarantees provided

(1) Total endorsement/ guarantee amount limits shall not exceed 50% of the net worth of the Company.

(2) The total endorsement/ guarantee amount to a company shall not exceed 20% of the net worth of the Company.

Note3: 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)
JUNE 30, 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	June 30, 2020				Footnote
				Shares/Units	Carrying Value	Percentage of Ownership	Fair Value	
Gallant-Rapid Corporation Ltd.	Phoenix & Corporation	-	Financial assets at fair value through other comprehensive income-non-current	669,375	10,710	0.59	10,710	
King Mechatronics Co., Ltd.	POWER EVER ENTFRPRISES LIMITED	-	Financial assets at fair value through other comprehensive income-non-current	624,726	102,311	10.15	102,311	
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 SIX MONTH PERIOD ENDED JUNE 30, 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	\$ 53,204	subject to the terms and conditions agreed upon by both parties	3.90
0	Gallant Precision Machining Co., Ltd	Gallant Precision Intelligence Technology Co., Ltd.	1	Accounts payable	35,763	subject to the terms and conditions agreed upon by both parties	0.59
1	Gallant Micro. Machining Co., Ltd.	King Mechatronics Co., Ltd.	3	Sales	38,847	subject to the terms and conditions agreed upon by both parties	2.85
1	Gallant Micro. Machining Co., Ltd.	King Mechatronics Co., Ltd.	3	Accounts receivable	23,018	subject to the terms and conditions agreed upon by both parties	0.38
1	Gallant Micro. Machining Co., Ltd.	King Mechatronics Co., Ltd.	3	Purchases	20,093	subject to the terms and conditions agreed upon by both parties	1.47
1	Gallant Micro. Machining Co., Ltd.	King Mechatronics Co., Ltd.	3	Accounts payable	12,644	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	18,000	none	0.29
2	King Mechatronics Co., Ltd.	Gallant Micro. Machining (Suzhou) Co., Ltd.	3	Purchases	41,741	subject to the terms and conditions agreed upon by both parties	3.06
2	King Mechatronics Co., Ltd.	Gallant Micro. Machining (Suzhou) Co., Ltd.	3	Accounts payable	41,301	subject to the terms and conditions agreed upon by both parties	0.68

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 SIX MONTH PERIOD ENDED JUNE 30, 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 June 30, 2020			Net Income (Losses) of the Investee(Note1)	Share of Profits/Losses of Investee	Footnote
				June 30, 2020	December 31, 2019	Shares	Percentage of Ownership	Carrying Value			
Gallant Precision Machining Co., Ltd.	Gallant-Rapid Corpration Ltd.	British Virgin Islands	Investing in Gallant Precision Industries (Suzhou) Co., Ltd.	\$ 459,050	\$ 459,050	13,560,000	100.00	\$ 219,499	\$ 13,871	\$ 13,871	
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	364,546	14,541	14,541	
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	69,104	7,019	7,019	
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	-	-	(-)	(46)	(46)	Note2
Gallant Precision Machining Co., Ltd.	Sunengine Co., Ltd.	Taiwan	Manufacturing and selling of battery and energy technology services business	366,877	366,877	2,156,953	37.84	29,165 (	2,597) (	983)	
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	481,010	18,496	10,578	
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	713,939	13,481	13,481	
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	2,676	32	32	
Gallant Micro. Machining Co., Ltd.	Utron Technologies Corp	Taiwan	Testing of wire and tools and testing equipment of PBC and related systems	53,212	29,540	2,660,600	76.02	44,392 (	6,212) (	4,723)	
Utron Technologies Corp	U Pin Precision Co., Ltd.	Taiwan	Planning, development, design and manufacturing of electrical logging fixture	-	7,636	-	-	-	373	257	

Note1: Original investment amount has translated to New Taiwan Dollars at the closing exchange rate.

Note2: The subsidiary has been completed the dissolution and liquidation procedure in June 2020.

Table 5

Table 6

GALLANT PRECISION MACHINING CO., LTD. AND SUBSIDIARIES
INFORMATION ON INVESTMENT IN MAINLAND CHINA
FOR THE SIX MONTH PERIOD ENDED JUNE 30, 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 June 30, 2020	Net Income (Losses) of the Investee Company	Percentage of Ownership	Share of Profits/Losses	Carrying Amount as of June 30, 2020	Accumulated Inward Remittance of Earnings as of June 30, 2020	Footnote
					Outflow	Inflow							
Gallant Precision Industries (Suzhou) Co., Ltd.	Manufacturing of optoelectronic products equipment, mechanical equipment and related parts	\$ 187,262	2	\$ 155,291	\$ -	\$ -	\$ 155,291	\$ 14,174	100.00	\$ 14,174	\$ 184,383	\$ -	Note2- 2.C
Gallant Precision Machinery (Xiamen) Co., Ltd.	Manufacturing of optoelectronic products equipment, mechanical equipment and related parts	565,933	2	565,933	-	-	565,933	14,543	100.00	14,543	365,850	-	Note2- 2.C
Gallant Technology (Shenzhen) Co., Ltd.	Manufacturing of medical and mechanical related equipment	61,808	2	61,808	-	(9,810)	51,998	58	100.00	58	-	-	Note2- 2.C Note4
CHUN-ZHUN Precision Machining(Guang Zhou Nan Sha)Corporation	-	-	2	48,208	-	-	48,208	-	-	-	-	-	Note2- 2.C
Suzhou Top Creation Machines Co.,Ltd.	PCB / FPC Wet Process Equipments	162,965	2	31,076	-	-	31,076	-	10.15	-	102,311	4,728	Note2- 2.C
Gallant Micro. Machining (Suzhou) Co., Ltd.	Manufacturing and selling of precision mold and related parts	134,817	2	238,316	-	-	238,316	11,937	57.19	6,827	617,868	-	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.	159,258	3	-	-	-	- (3,831)	-	30.00	-	-	-	Note2- 2.C
Gallant International Trading Co., Ltd.	Engaged in selling of mechanical equipment	29,337	3	-	-	-	- (170)	-	100.00 (	( 170))	5,949	-	Note2- 2.C
Suzhou Jianmeifu Optical Co., Ltd.	Engaged in wholesale and retail of contact lenses and related care products	16,764	3	-	-	-	- (92)	-	100.00 (	( 92))	703	-	Note2- 2.C
Gallant Precision Intelligence Technology Co., Ltd.	Manufacturing of optoelectronic products equipment, mechanical equipment and related parts	41,910	3	-	-	-	- (5,288)	-	60.00 (	( 3,173)	54,714	-	Note2- 2.C
Gallant Biotech (Suzhou) Co., Ltd.	Manufacturing, research, development and selling of medical equipment	42,607	3	-	-	-	(13,606)	-	29.14 (	( 2,138))	-	-	Note2- 2.C Note5

Table 6

Investee Company	Accumulated Investment in Mainland China as of June 30, 2020	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
Gallant Precision Machining Co., Ltd.	\$ 821,430	\$ 980,958	\$ 1,215,646
Gallant Micro Machining Co., Ltd.	\$ 269,392	\$ 269,392	\$ 506,152

Note1: There are three methods of investment as follows

(1) Directly invest in Mainland China.

(2) Indirectly invest in Mainland China.

A. Through investing in an existing company in the third area, which then invested in investee in Mainland China: Invest through Gallant-Rapid Corporation Ltd. and then invest in Mainland China.

B. Through investing in an existing company in the third area, which then invested in investee in Mainland China: Invest through Gallant Precision Machinery (BVI) Ltd. and then invest in Mainland China.

C. Through investing in an existing company in the third area, which then invested in investee in Mainland China: Invest through Chun-Zhun Enterprise Corporation Ltd. and then invest in Mainland China.

D. Through investing in an existing company in the third area, which then invested in investee in Mainland China: Invest through King Mechatronics Co., Ltd. and then 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.

Note4: The subsidiary has been completed the dissolution and liquidation procedure in June 2020.

Note5: The Group has sold the share of 29.14% of Gallant Biotech (Suzhou) co in June 2020.

Table 7

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

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

Shareholders	Shares	
	Total Shares Owned	Ownership Percentage
C SUN Mfg. Ltd.	33,851,827	20.49%

Table 7