



Gallant Precision Machining Co., Ltd.

Annual Report 2022

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I. Letter to Shareholders

Dear Shareholders: :

First of all, we would like to thank you for your continuous and unwavering support to Gallant Precision Machining Co., Ltd. ("GPM" or "the Company"). Hereafter is the financial performance of 2022.

1. 2022 Business Report

The individual operating revenue of GPM in 2022 was NT \$2,933,423 thousand, declined by 5.21% compared with the previous year. Consolidated operating revenue of the Group was NT \$4,733,976 thousand, representing a decline of 1.61% from the previous year. In terms of profit, GPM's individual net profit after tax was NT \$390,200 thousand, an increase of 58.56% over the previous year, gross profit margin increased by 5.36% over the previous year, and net profit per share was NT \$2.41.

1.1 The overview of receipt/expense and profitability of Gallant Precision Machining Group ("GPM Group"):

Financial analysis data		2022
Debt to asset ratio (%)	(%)	58.94
Long-term Fund to Property, Plant and Equipment (%)	(%)	492.54
Return on total assets	(%)	6.98
Return on Equity Attributable to Shareholders of the Parent (%)	(%)	16
Percentage of paid-in capital (%)	Operating profit	25.60
	Pre-tax net profit	38.39
Net profit margin	(%)	10.39
Earnings Per Share	(NT\$)	2.41

1.2 Products that have been developed by the Company in 2022

R&D accomplishments (Technology)	Product
	Disk Pad cleaning module for car
	MINI inspection AGV
	OH AGV
	In-Feed Grinder for Panel fan-out module development
	PLP peeling module development
	Emission Microscopy+OBRICH , EMMI
	Large Panel Rotate Tester
	Electrical measurement system
	Electric Cam Servo Mechanical for Rails both Side Type
	Electric Cam Servo Mechanical for TO Type
	High Speed Inspection Sorter With Multiple Bin Stage
	Fully Automatic High Accuracy Large Die Fan-Out Die Bonder
	Mini-LED Die Bonder
	Die Pick & Place Sorter for Tray to Tray
	Wafer & Wafer Carrier EFEM

2.Future Plans

2.1 Operating Policy in 2023

2.1.1 Business Activities

- Next Generation Display Industry : Diversify, deepen and expand display industry .
 - Smart Manufacturing Industry :Extend Market Share, GPM brand promotion.
 - Semiconductor Industry: Lean Production , Strategic Partners , focus and continuous innovation.
- (1) The foundation of the company is the research and development technology of the existing display equipment. Working closely with world class manufacturers and leading R&D institutions, focus and deeply development of FPD next generation high value-added equipment drive the company to diversify and manage in a sustainable way in order to expand the future in the display industry innovation and progress.
 - (2) Continuous efforts towards innovation ensure to differentiate existing products (IDMS) and optimize cost strategies to increase product competitiveness and profitability. We also continue to improvement core technologies and expand the market of Micro / Mini-LED Display Industry , and extend the market niche of next generation display industry.
 - (3) We take profit as the priority and master the current key advanced technology. Based on our electromechanical and software integration technology and QDTCSS, the intelligent production management system is the backbone to build a quality production system in the smart factory, intelligent logistics and intelligent dynamic process equipment. We continue to expand the achievements ~~results~~ of intelligent automation, and pool our resources to provide strategic partners and key industry representative customers with intelligent automation integration solutions to help them achieve their smart manufacturing goals.
 - (4) For smart logistics, improve developing potential customers and promote to customers for their other requirements. For IDMS, strengthen the promotion of IoT system products for various industries, introduce key industrial equipment, and provide AOI + AI service solutions to improve our brand image and customer value.
 - (5) Through technology introduction/cooperation, we link the needs of our partners and customers to develop high value-added advanced detection technology in the early stage of semiconductor, and improve the detection and flattening of the packaging process in the middle and final stages. Moreover, we focus on the performance of existing IC board products and product lines to expand customer base.
 - (6) We focus on semiconductor core technology, innovation and connection of international research and development resources. We understand Taiwan semiconductor marker and provide customers with process solutions. Quality is the priority to us. We improve the overall competitiveness and grasp the market trends in order to improve customer competitiveness and differentiation.
 - (7) have passed the ISO 9001 (Quality Management System), ISO 45001 (Occupational Health and Safety Management Systems), and ISO 27001 (Information Security Management System) certifications to accurately comply with international management procedures and standards, protect customers' interests with a higher level of standard for the quality management, overall safety and occupational management of plants, and information security management, regulate employees' behaviors and execution capacity, and provide for the overall quality of suppliers.
 - (8) We use the company's professional manufacturing brand image and popularity, and through effective management, to develop OEM/ODM Business , strive for orders from international

famous companies , reduce the impact of industrial cycle, promote customer alliance to other industrial areas and expand revenue sources.

- (9) We make good use of the existing after-sales service mechanism, deepen the relationship with customers, help improve the production efficiency of the factory, achieve long-term business opportunities with value-added services, and seek a win-win strategy for customers and companies.
- (10) We collaborate with various world-class institutes and strategic partners within different industries, to accelerate the research and development of new products, help customers launch new products timely and enter new markets, and build a long-term stable and profitable system.
- (11) For our sustainable development, we make arrangements in three major aspects of environmental, social, and governance. GPM adheres to the sustainable operating philosophy and aims at realizing sustainable corporate operations, long-term partnerships with customers and communities, and the performance of responsibilities as a corporate citizen. We established solar power generation systems, made use of green energy for energy saving and carbon dioxide reduction, and applied for the ISO 14064 (Greenhouse Gases Management System) to further align ourselves with the goal of “Carbon Neutral & Net Zero Emission.” Meanwhile, we established the Corporate Sustainability Committee in charge of the promotion of matters related to corporate social responsibility (CSR) and ethical corporate management. GPM will continue focusing on sustainable operations and implementing its responsibilities as a corporate citizen and grow together with its employees by emphasizing people-oriented ideas to jointly create maximum value for the Company, customers, and shareholders.
- (12) To reinforce our internal information security, the Company established the Information Security Committee to promote and implement information security operations and applied for ISO 27001 international information security certification to effectively prevent the risk of invasion by external hackers and internal illegal stealing behaviors so as to safeguard the overall interests of the Company and avoid any leakage of employees’ R&D results.

2.1.2 R&D Aspect

Strengthen the development of the Company's core technologies: (1) grinding technology (2) wet process technology (3) AOI technology (4) lamination and peeling (5) Testing technology (6) Measurement technology (7) intelligent automation technology (8) Artificial intelligence technology.

Integrate products in different areas and create value-added, expand the core technology in application in displays, semiconductors, IC Substrate, Smart Factory, Smart Machine and Smart Transportation.

Future R&D Plans:

R&D Project (Technology)	Product
	FOPLP IN-FEED Grinder development
	KLIV Mini LED TESTER
	Panel 2D AOI
	PLP substrate peeling machine

	Micro-LED vacuum pair application
	PLUS Electrical measurement system
	Electrical measurement system
	High Accuracy Laser Compression Bonder
	JEDEC Tray to JEDEC Tray IR Inspection Sorter
	Jig Saw Sorter
	Wafer & Wafer Carrier EFEM
	High Accuracy Large Size Panel Bonder
	EFEM with Wafer Foup & Wafer Frame Foup Load Port
	Larger Panel O/S Prober
	Up and down translation marking mechanism of laser marking machine

2.2 The Company's forecast on sales volume and its basis for 2023:

unit: set	
Main products	2023 budget
Display Process Equipment	136
Semiconductor Process Equipment	223
Intelligent automation equipment	0
Other equipments	0

Note: The forecast is based on the customers' forecast and taking into account the market conditions.

2.3 Important production and marketing policies

1. Integrate the operation systems, talents and resources across the Taiwan Straits, strengthen the integration of customer management, sales and efficiency, maximize the comprehensive efficiency, and continue to expand the mainland and Southeast Asian markets.
2. Conduct strategic alliance with industry-university-research units and end customers, continuously improve system integration capability and develop new products and technologies in new fields such as display, semiconductor and intelligent automation, to improve marketing efficiency and achieve differentiated niche.
3. Strengthen product cost control mechanism, together with design improvement, efficiency improvement and supply chain management, increase orders of high-gross margin products, and ensure reasonable profit of products.
4. Continuously promote the intelligence, modularization and standardization of major products, simplify the manufacturing process, improve product function and reliability, and reduce costs.
5. Collecting the Company's various real-time production data, analyzing and integrating it with the internal system, and providing information to the decision-making supervisors as a reference for performance.
6. To meet the customer demand for fast delivery, effectively control quantity and amount of raw materials and inventory, reduce inventory turnover days and reduce loss on inventory falling price.
7. Accelerate installation and acceptance efficiency, improve after-sales service quality to ensure customer satisfaction, establish a win-win service system with customers and continuously

strengthen accounts receivable and cash flow management.

8. We introduced energy policies related to green energy and carbon emission reduction. We built a solar farm in our plant to sell the power generated to Taipower and establish the energy-saving and environmental image of the Company, making contributions to the sustainability and renewal of the earth.

3.Strategies for Future Development

- (1) Adopt innovation transformation, market extension, sustainable development as the guiding principle of development strategy.
- (2) Business Aspect
 - Deepen promotion of development of the display industry, semiconductor industry and intelligent automation industry.
 - Extend related products to other foreign markets for business promotion.
 - Enhancing the business opportunities of Taiwanese businessmen returning and decentral-ized production by international manufacturers.
 - Deeply cultivate the after-sales service market of equipment and components, and grow together with customers.
- (3) Product Aspect
 - Deeply develop core technologies (equipment & processes).
 - Extend core technology for cross-industrial product integration application development.
- (4) Internationalization strategy of diverse talents cultivation
- (5) GPM formed a G2C business strategic alliance with its partners, C. Sun and GMM, to provide one-stop services for smart production. By integrating the human resources, material resources, and technical resources of multiple companies, we established a robust supply chain system and customer service system that connect all production equipment from upstream to downstream to assist customers in creating maximum value, and in turn, achieving the common belief of price fortification by securing costs, joint creation through mutual efforts, harmony and sharing, and long-term partnerships.

4.Impact from Competition, Legislation and Overall Business Environment

4.1 The impact of the external competitive environment

Due to the two major factors of the China-US trade war and COVID-19 (coronavirus) epidemic, the industrial operating environment is changing rapidly, and the market and product application trends are changing in various ways. Facing the slowdown of business and plant expansion in the display industry worldwide, fierce external competition, and the Chinese government's promotion of localization of equipment, the main source of the company's business in the past, has become increasingly competitive and difficult, constantly testing the adaptability of the company's management team. The Company will continue to strengthen its own product technology and introduce advanced foreign technology to improve the quality and level of product functions and get rid of the low-price competition. We will also develop into different industries such as semiconductor, Micro/Mini LED, and smart manufacturing and expand into markets other than China. In the face of changes in the industry and operating environment, we will also have a stable,

accurate, and rapid response capability, and have established a diversified business layout and industry development goals.

4.2 Regulatory Environment:

Integrity is deep rooted in the Company's core culture. As a result, the Company has been complying with legal norms, honest, and self-disciplined in its business. In addition to collecting information concerning external regulatory changes at any time for the management's reference, the Company is establishing, reviewing, updating and adjusting its internal management and operational rules and regulations in order to actively respond to various changes in the regulatory environment.

4.3 Overall Business Environment:

- (1) At present, the international economy is facing multiple variables. Under the effects of COVID-19, the US-China trade war, and geopolitics, the world is dividing into two major camps (G2). China will no longer be the sole option for manufacturing, which will affect the production locations, stocking model forecast of supply chains for various products, and the delivery operations of supply chains. Based on the current status worldwide, the maladjustment of supply and demand occurred from 2020 to 2021 due to COVID-19, and the entire world was facing material shortages, worker shortages, and jammed transportation last year, in particular, the demand for high-tech products. Looking into 2022, the economic growth indexes and investment activities will continue to grow, and the overall economic outlook in Taiwan for the year remains optimistic. GPM will secure orders leverage on its diverse businesses, arrange more flexible production speed, and combine its robust internal production and sales functions with the long-term cooperating external supply chain system to face the wave of growth and create a brighter future.
- (2) The semiconductor and display technology industries in Taiwan have been through years of hardship in sparing no effort for operations. Due to the outbreak of COVID-19 over the past two years and the US-China trade war in recent years, the effects of geopolitical conflicts regarding Taiwan's location and macroeconomic factors have resulted in the constant challenges brought to the economy in Taiwan. However, technology industries in Taiwan were supported by the stay-at-home economy. With the effective control over the outbreak led by the government and the new philosophy of supply chain dispersion adopted by major international companies, the manufacturing industry in Taiwan recorded a growth against the trend in 2021, and Taiwan became the area with the most brilliant economic performances worldwide. Furthermore, the outbreak transformed people's working patterns. Given the growth in demand for autonomous cars and the trend in which virtual simulation operations, telecommuting, remote education, and other stay-at-home economic phenomena are becoming the norm, such requirements have driven the development of the demand for the smart EV industry, 3C information industry, and semiconductor industry. In recent years, GPM has been actively investing in its R&D and the joint creation with partners; it is estimated that there will be accomplishments recorded in terms of the semiconductor industry, display industry, and smart auto industry. Facing such changes, we will follow the trend and invest in the growth and development of GPM in high-tech equipment, assuming a key role in the customers' equipment supply chain.
- (3) The COVID-19 and the recent trade war between the US-China have accelerated the speed of partial enterprises in China to move abroad, return to Taiwan, or set up factories in Southeast Asian countries to spread the risk. However, insufficient technicians and surging labor costs in

Southeast Asian countries have become an irreversible condition in the region. Due to the demand for the increasing overall quality of local manufacturing plants, replacing human labor with smart-auto systems and equipment is the only solution. With its long-term efforts in the field of equipment manufacturing and the particular advantage of Taiwan in this wave of supply chain readjustment, the Company will attract overseas Taiwanese businesses and international manufacturers to choose us as a cooperative partner.

- (4) (GPM, C.Sun, and GMM joined hands and formed the G2C alliance in 2020 for joint creation. The companies have their own expertise in the equipment for semiconductor procedures; through technological connection and integration, the alliance becomes a material force to drive the continual advances in wafer production, allowing the outstanding performances recorded by the Company in terms of its operating income.
- (5) In addition, AI, 5G, AR/VR, Metaverse, IoT, and Big Data facilitated a more comprehensive smart auto application. GPM possesses technologies for the solutions of automated equipment application procedures that span across diverse technology industries. In recent years, GPM joined forces with a world-renowned manufacturer in major industries and gained substantial achievements in terms of the integration of smart auto solutions.
- (6) Looking ahead, with the excellent management team, the professional technical ability, and all the colleagues' effort, the Company will achieve its goals and obtain the best operating results.

Last but not least, we wish our shareholders health and success!



Jason Chen
Chairman

II. Company Profile

1. Date of Establishment : December 22, 1978

2. Milestones

1978	<ul style="list-style-type: none"> GPM was founded with a capital of NT\$2 million. Engaged in the design, manufacture and sales of semiconductor precision molds and components. Sales began under the proprietary brand name of GPM.
1979	<ul style="list-style-type: none"> Became the first manufacturer in the country to complete the production of IC molding.
1982	<ul style="list-style-type: none"> First company in Taiwan to manufacture a semi-automatic dejunk/trim system. Kingroup Systems was founded, engaging in robot manufacturing and automation equipment. The company was merged into GPM in 2006.
1983	<ul style="list-style-type: none"> Fully automatic dejunk/trim system was adopted by AT&T and BNS, officially launching the company onto the international market.
1989	<ul style="list-style-type: none"> Reinvested in Malaysia's FORMOSA Engineering and withdrew our investment in 1995.
1993	<ul style="list-style-type: none"> First in the country to launch smart IC molding and laser markers.
1995	<ul style="list-style-type: none"> IPO Gallant Precision Industries (Suzhou) CO., Ltd.
1996	<ul style="list-style-type: none"> Launched the first semi-automatic IC molding machine
1997	<ul style="list-style-type: none"> Attained OTC status Launched the first fully automated IC molding machine in Taiwan. Established Walton Advanced Engineering, Inc. (joint venture with TOSHIBA), officially engaging in IC packaging equipment manufacturing. The company was merged into GPM in 2002. Received MOEA's "6th New Innovation Accomplishment Awards".
1999	<ul style="list-style-type: none"> Passed ISO-9001 certification. Walton Advanced Engineering, Inc. was established in Hsinchu Science Park.
2000	<ul style="list-style-type: none"> Received MOEASMEA's "Taiwan SMEs Innovation Award".
2001	<ul style="list-style-type: none"> Passed ISO 2000 certification. Received MOEA's "9th New Innovation Accomplishment Awards" Established Apex-i Optoelectronics.
2002	<ul style="list-style-type: none"> Acquired Walton Advanced Engineering, Inc. Received MOEA's "The 9th Innovation Research Awards".
2003	<ul style="list-style-type: none"> Established the FPD BU, transferring technology from TOSHIBA ROBOT Established Gallant Micro. Machining (Suzhou) Co., Ltd., involving in the production of precision IC molds and IC packaging equipment.
2004	<ul style="list-style-type: none"> Received 13th "National Award of Outstanding SMEs". Received science park's "Outstanding Manufacturer and Innovative Product Awards". Entered Commonwealth Magazine's 2006 Top 1,000 enterprises in the manufacturing industry for the first time, ranking 822nd. Apex-i Optoelectronics was renamed as Apex-i International Co., Ltd.
2005	<ul style="list-style-type: none"> Ranked 539th in Commonwealth Magazine's 2006 Top 1,000 enterprises in the manufacturing industry. Received "Excellent Enterprise Innovation Award" from MOEA for industry technology development. Received Hsinchu Science Park's "Outstanding Manufacturer and Innovative Product Awards".
2006	<ul style="list-style-type: none"> Acquired Kingroup Systems. Received Hsinchu Science Park's "2006 Outstanding Manufacturer and

	Innovative Product Awards”.
2007	<ul style="list-style-type: none"> ● Headquarters moved to Hsinchu Science Park ● Ranked 330th in Commonwealth Magazine’s 2006 Top 1,000 enterprises in the manufacturing industry. Ranked 12th in the Top 100 for best operating performance. Ranked 25th among the 50 fastest growing companies in the manufacturing industry. ● GMP won first place for equipment localization from MOEA when the flat panel display industry production exceeded the NT\$1 trillion mark. ● Won first place for III-V compound semiconductor research alliance from DOIT, MOEA in 2007. ● Won second place for FPD research alliance from DOIT, MOEA in 2007.
2008	<ul style="list-style-type: none"> ● Plant in CTSP completed. ● Received CTSP’s Innovation Awards.
2009	<ul style="list-style-type: none"> ● Received “Excellent Enterprise Innovation Award” from MOEA for industry technology development. ● Outstanding annual integrated project “Large flat panel display equipment development program”.
2010	<ul style="list-style-type: none"> ● Received CTSP’s Innovation Awards ● Founded Gallant Precision Machining Co., Ltd.
2011	<ul style="list-style-type: none"> ● Divided semiconductor-related operations and long-term investment into Gallant Precision Machining Co., Ltd.
2012	<ul style="list-style-type: none"> ● Registered for MOEAIDB’s technical service energy. In total, four items were registered: 1. AU1 product design; 2. AU2 automated materials transportation; 3. AU3 automated production; 4. AU4 automated system integration and planning technical service. ● Received an outstanding manufacturer award from the Central Taiwan Science Park (CTSP) for “High-Tech Equipment and Advanced Technology Development Project”.
2013	<ul style="list-style-type: none"> ● Received an outstanding manufacturer award from the Central Taiwan Science Park (CTSP) for “High-Tech Equipment and Advanced Technology Development Project”.
2014	<ul style="list-style-type: none"> ● MOEA’s 2nd Taiwan Mittelstand Award and key assisted manufacturer. ● Outstanding manufacturer for CTSP’s 2014 “High-Tech Equipment Prospective Technology Development Project”. ● Rank 823 of 2013 Top 2000 Survey: Manufacturing-CommonWealth Magazine.. ● Awarded healthy workplace certification: Health promotion label.
2015	<ul style="list-style-type: none"> ● Received TDUA “Gold Panel Awards 2015-Display Component Product Technology Award”. ● Signed technology transfer contract with MICRONICS JAPAN CO., LTD. ● Rank 841 of 2014 Top 2000 Survey: Manufacturing-CommonWealth Magazine. ● Top 6%~20% company in 2015 TWSE Corporate Governance Evaluation.
2016	<ul style="list-style-type: none"> ● Signed technology cooperation contract with Sumitomo Precision Products CO., LTD. ● Signed technology transfer and cooperative development contract with International Business Machines Corporation. ● Rank 623 of 2015 Top 2000 Survey: Manufacturing-CommonWealth Magazine. ● Top 6%~20% company in 2016 TWSE Corporate Governance Evaluation. ● Gold Panel Awards 2016 - Smart Manufacturing and Equipment" – TDUA. ● Innovative Product Awards" - Central Taiwan Science Park Bureau. ● Development of Advanced Technologies for High-Tech Equipment

	<p>Award -Talent Excellence" - Central Taiwan Science Park Bureau.</p> <ul style="list-style-type: none"> ● Development of Advanced Technologies for High-Tech Equipment Award - Industry Technology" - Central Taiwan Science Park Bureau. ● 2016 Workplace Equality Model Company - Hsinchu Science Park Bureau. ● 2016 Work-Life Balance Awards - Ministry of Labor. ● 2016 "Excellent Enterprise, Happy Labors" 2-Star Awards - Taichung City Government.
2017	<ul style="list-style-type: none"> ●Investment to Suzhou Gallant Precision Intelligence Technology Co., Ltd. through Gallant Precision Industries (Suzhou) Co., Ltd. ●Subsidiary Gallant Micro. Machining Co., Ltd. registering on TPEx Emerging Stock Board. ●1st Industry 4.0 Excellence Awards, Academia-Industry Consortium, Central Taiwan Science Park ●Passed OHSAS18001: 2007&TOSHMS qualification ●2017 "Excellent Enterprise, Happy Workplace" 2-Star Awards- Taichung City Government ●Taichung Factory received excellent award from "2017 Taichung City Government Workplace Dynamic Innovation Golden Point Award" ●Hsinchu Factory received Top 10 from "2017 Ministry of Health and Welfare Workplace Dynamic Innovation Golden Point Award" ●Rank 619 of 2016 Top 2000 Survey: Manufacturing-CommonWealth Magazine. ● Top 6%~20% company in 2016 TWSE Corporate Governance Evaluation.
2018	<ul style="list-style-type: none"> ●Subsidiary Gallant Micro. Machining Co., Ltd. was listed on TPEx. ●Excellence Award in Taichung City Industrial Park Landscaping Evaluation ●Sports Administration iSports Certificate ●Vitality Award in Health Promotion Administration Workplace Health Award ●Bronze Award in Business Talent Quality-management System (TTQS) by Workforce Development Agency, Ministry of Labor ●Rank 532 of 2017 Top 2000 Survey:Manufacturing-CommonWealth Magazine. ● Top 6%~20% company in 2016 TWSE Corporate Governance Evaluation.
2019	<ul style="list-style-type: none"> ●6th National Industrial Innovation Award, M.O.E.A. Rank 542 of 2018 Top 2000 Survey:Manufacturing-CommonWealth Magazine. ●GPM Ranked Top 11 Little Giants of CommonWealth Magazine 2020 Corporate Citizen Awards. ●5th Taiwan Mittelstand Award (MOEA) ●TDUA Gold Panel Awards 2019 ●One of the superior manufacturers of Projects for Industry Contribution Award, Central Taiwan Science Park. ● One of the superior manufacturers of Projects for Prospective Innovation Award, Central Taiwan Science Park. ●2019 “CSR Excellence in Cooperate Social Responsibility Reward” - The Little Giant Group.
2020	<ul style="list-style-type: none"> ●Top 6%~20% of OTC Companies Assessed by The 6th 2019 Listed/OTC Company Governance. ●2020 “CSR Excellence in Cooperate Social Responsibility Reward” - The 9th Price of Little Giant Group. ●Excellent Manufacturer with “Innovative Product Reward” in Hsinchu Science Park of Ministry of Science and Technology in 2020 _ Panel Probe Detection Equipment. ●Excellent Manufacturer with “Innovative Product Reward” in Central Taiwan Science Park of Ministry of Science and Technology in 2020 _ Strip Grinding Machine.

2021

- Taiwan Display Union Association “Golden Panel Awards 2020 Display Component Product Technique Reward” Excellent Product Reward - Intelligent Manufacture and Equipment Category _ 10.5 Generation Etching Machine.
- The 17th “Taiwan Golden Root Reward” of Taiwan Industrial Technology Association
- The 20th “Outstanding Enterprise Golden Peak Reward” of Outstanding Enterprise Manager Association.
- The 20th “Outstanding Innovation R&D Reward” of Outstanding Enterprise Manager Association.
- Super Excellence Reward Evaluated by Excellent Business Unit of “Promote Affirmative Right in Workplace” of Central Taiwan Science Park.
- Authentication of Enterprises Love Sports of Sports Administration
- Promote Environment and Friendly Enterprise - Environmental Protection Convoy Authentication of Hsinchu County Environmental Protection Bureau
- 2020 Occupational Safety and Health Excellent Unit of Central Taiwan Science Park Administration
- 2020 Promoting Occupational Safety and Health Excellent Unit of Hsinchu Science Park Administration
- Four-Star Reward Evaluated by Taichung “Happy Workplace” of Labor Affairs Bureau of Taichung City
- Excellent Healthy Work Place - Health Management Reward” of Health Promotion Administration, MOHW

2022

- Top 6% to 20% of OTC companies assessed by the 7th 2020 Annual Listed/OTC Company Governance Assessment.
 - Chairman Jason Chen won the "Entrepreneur of Optimization and Co-Prospersity Award" of the Ernst & Young Entrepreneur Award
 - 11th in the Little Giant Group of the Corporate Sustainable Citizenship Award made by the Commonwealth Magazine.
 - Four-Star award in 2021 Taichung City "Happy Workplace" reward activity.
 - Environmental Fleet Certification for environmentally friendly enterprises certified by Environmental Protection Bureau, Hsinchu County Government in promoting.
 - "National Outstanding Healthy Workplace - Vitality Award" granted by Health Promotion Administration, Ministry of Health and Welfare.
 - The 2021 excellent unit in driving occupational safety and health granted by Central Taiwan Science Park Administration.
 - The 2021 excellent unit in driving occupational safety and health granted by Hsinchu Science Park Administration.
 - Golden Medal of 2021CHR Health Corporate Citizenship Award hosted by Common Health Magazine
-
- Top 6% to 20% of OTC companies assessed by the 8th 2021 Annual Listed/OTC Company Governance Assessment.
 - Hsinchu Science Park "Innovative Product Award" -Bare Wafer AOI
 - Won the 2023 Taiwan Fine Silver Award - wet etching machine
 - Central Science Park "Innovative Product Award" - Intelligent Diagnosis Maintenance System (IDMS)
 - "The Second Excellent Award for Intelligent Robot System" - Wafer AI Automatic Optical Inspection System, Ministry of Economic Affairs, Industry Bureau
 - Outstanding Product Award of "Gold Panel Awards 2022 Display Component Product Technology Award" by Taiwan Display Industry Federation – Intelligent Manufacturing and Equipment _G8.6 generation large size (30"~100") polarizer attaching machine
 - Ranked the 11th in Little Giant Group for World Magazine's Enterprise Sustainable Citizen Award
 - Selected as outstanding institution by Central Science Park for "promoting workplace equality"
-

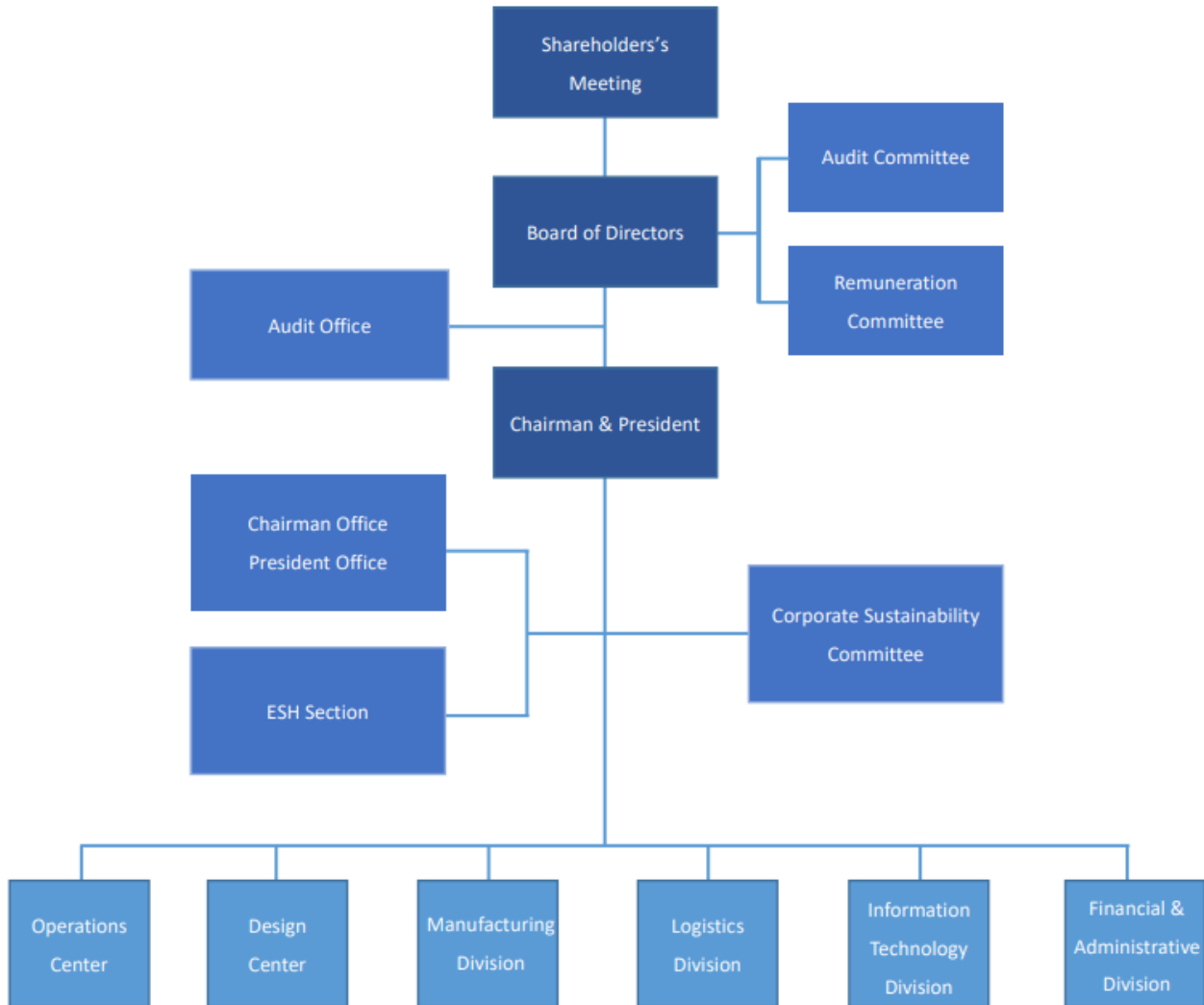
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25, 2023

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- Ministry of Health, National Health Service "National High Performance Healthy Workplace Award"
 - Selected as outstanding institution by Central Science Park Administration for promoting occupational safety and health in 2022
-

III. Corporate Governance

1. Organization

1.1 Organization Chart



Major Corporate Functions

Department	Functions
Chairman Office/ President Office	<ul style="list-style-type: none"> • Execute short-term to long-term development policy and corporate business management • Management comprehensively the Company's operation and management • Plan, monitor and analyze internal risk management • Technology development project application and management
Audit Office	<ul style="list-style-type: none"> • Audit the implementation of management system
ESH Section	<ul style="list-style-type: none"> • Extinguish working environment hazardous factors and lower risk in order to keep employees operational safety • Execute pollution prevention in lowering environmental burden

Operations Center Design Center	<ul style="list-style-type: none"> • Plan, develop, and manage all the product sales plan • Research on market conditions and assist in new product development evaluation • Explore domestic and international market and maintain existing customers • Provide various equipment and design of machining, software development and programming in catering client's specification • After-sales service of improvement on equipment that did not meet the specification • Machine relocation/remodeling/execution • Overdue receivables management
Manufacturing / Logistics Division	<ul style="list-style-type: none"> • Integrating and executing of cross-factory material purchase, outsourcing, purchase examination, logistic and storage and machine assembling • Equipment assembly
Financial & Administrative Division	<ul style="list-style-type: none"> • Recruitment, training, employee relations, public affairs, plant affairs and general administration related affairs • Manage capital, budget, investment, accounting treatment and cost calculation
Information Technology Division	<ul style="list-style-type: none"> • Design computer program, maintain the operation of computer, engage in computerized management
Remuneration Committee	<ul style="list-style-type: none"> • Establishment and periodic examination of performance evaluation and remuneration policy, standard, system and framework of Directors and Managers of the Company • Periodic assessment and determination of the remuneration of Directors and Managers
Audit Committee	<ul style="list-style-type: none"> • Establishment or revision the assessment of the effectiveness of the internal control system and the internal control system • Establishment or revision of the following handling procedure: major financial and operational behaviors such as acquisition and disposal of assets, trading of derivatives, loaning of funds, and making of endorsements/guarantees. • Matters involved Directors' self interest • Evaluation of material asset or derivatives transactions • Evaluation of material lending funds, endorsements or guarantees • Evaluation of offering, issuance, or private placement of any equity-type securities • Evaluation of hiring or dismissal of an attesting CPA, or the compensation given thereto • Evaluation appointment or discharge of financial, accounting, or internal auditing officers; • Review of financial reports
Corporate Sustainability Committee	<ul style="list-style-type: none"> • Promotion of Corporate Social Responsibility ("CSR"), ethical management, and corporate governance affairs

2. Directors and Management Team

2.1 Information Regarding Board Members

As of April 21, 2023.;Unit:Shares

Title/Name	Nationality or Registry	Date Elected	Gender Age	Term (Yrs)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Selected Education & Experiences	Selected Current Positions at GPM and Other Companies
						Shares	%	Shares	%	Shares	%	Shares	%		
Chairman Jason Chen (Note 1)	R.O.C.	2020/06/17	Male 59	3	2017/06/16	851,418	0.52%	1,120,146	0.68%	100,000	0.06%	500,000	0.3%	Master of Mechanical Engineering, National Sun Yat-sen University Director of Design Department, Chunghwa Picture Machinery Works Vice General Manager of Gallant Precision Machining Co., Ltd.	Chairman and General Manager of Gallant Precision Machining Co., Ltd. Director of C SUN Mfg., Ltd. Director of Shinyu Light Co., LTD. Legal director representative of Gallant Micro. Machining CO., Ltd. Chairman of Apex-I International Co., Ltd. Chairman of Gallant-Rapid Corporation Limited Chairman and General Manager of Gallant Precision Industries (Suzhou) CO., Ltd. Chairman of Gallant Precision Intelligence Technology CO.,Ltd. Director of ESGWD Vice Chairman of TEEIA Vice Chairman of TAIROA

Title/Name	Nationality or Registry	Date Elected	Gender Age	Term (Yrs)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Selected Education & Experiences	Selected Current Positions at GPM and Other Companies
						Shares	%	Shares	%	Shares	%	Shares	%		
Vice Chairman Frank Liang	R.O.C.	2020/06/17	Male 46	3	2020/06/17	0	0%	0	0%	0	0%	0	0%	Class 40, Department of Business Administration, National Chengchi University Being granted the degree of Master of Business Administration (MBA), Washington State University (WSU) Being granted the degree of Master of Laws, Northwestern University Completed the Business Administration Courses at Northwestern University Chairman and Director of GALLANT MICRO. MACHINING CO., LTD. Special assistant to the Chairman, C SUN Mfg., Ltd. Chairman of Suzhou Chuangfeng Optoelectronic Technology Co., LTD. Chairman of Wat Sun. Intelligent Technology Co., Ltd. Director and Supervisor of VIEWMOVE TECHNOLOGIES, INC.	Chairman and CEO of GALLANT MICRO. MACHINING CO., LTD. General Manager of C SUN Director of TPCA. Supervisor of Guangxin Venture Capital Co. Ltd. Director of UTRON TECHNOLOGIES CORP. Chairman of TOP CREATION MACHINES CO., LTD. Chairman of POWER EVER ENTERPRISES LIMITED, TAIWAN BRANCH (SAMOA) Director of Suzhou Chuangfeng Optoelectronic Technology Co., LTD. Chairman of LUCKY ACE INTERNATIONAL LIMITED Director of Nantong Chuangfeng Photoelectric Equipment Co., LTD.

Title/Name	Nationality or Registry	Date Elected	Gender Age	Term (Yrs)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Selected Education & Experiences	Selected Current Positions at GPM and Other Companies
						Shares	%	Shares	%	Shares	%	Shares	%		
Director Hsu, Hung-Ming	R.O.C.	2020/06/17	Male 55	3	2017/06/16	1,000	0.00%	1,000	0.00%	0	0%	0	0%	Graduated from Department of Electronic Engineering Technology, National Taiwan University of Science and Technology Director of Quality Assurance Department, Director of Engineering Department, GALLANT PRECISION MACHINING CO., LTD. General Manager of GALLANT MICRO MACHINING CO., LTD.	Director of Gallant Micro Machining (Suzhou) Co., Ltd. Director of Gallant Micro Machining (M) Sdn. Bhd. Chairman of UTRON TECHNOLOGIES CORP. Director of GALLANT MICRO MACHINING CO., LTD.
Director C SUN MFG. LTD. Representative: Ronald H. Chen	R.O.C.	2020/06/17	Male 57	3	2014/06/20	33,268,827	20.15%	44,758,827	27.10%	0	0%	0	0%	M.Sc., School of Law, Soochow University City University of New York Baruch College MBA	Chairman, Ting Ho Development Co., Ltd. Chairman, Ding Ji Development Co., Ltd. Chairman, Long Lai Cior Chang Co., Ltd. Director, Taiwan Star Telecom Co., Ltd. Chairman, Ding Jia Development Co., Ltd. Chairman, Ding Yue Development Co., Ltd.
Independent Director Chia-Chin Tong	R.O.C.	2020/06/17	Male 75	3	2014/06/20	0	0%	0	0%	0	0%	0	0%	Bachelor's degree from Department of Chemistry, National Chung Hsing University. President, Hungsheng Technology Co. Chairman, Taiwan Printed Circuit Association Vice Chairman, Compeq Manufacturing Co., Ltd. Consultant, Taiwan Printed Circuit Association	Independent director, member of Remuneration Committee and member of Audit Committee, Daxin Materials Corporation.

Independent Director Lo, Wei	R.O.C.	2020/06/17	Male 65	3	2020/06/17	0	0%	0	0%	0	0%	0	0%	<p>PhD in Management Science, National Chiao Tung University Supervisor of ZYTPE COMMUNICATIONS CORPORATION Representative of Zyxel Networks Corporation Independent Director of TAI-TECH Advanced Electronics Co., Ltd.</p> <p>Senior Vice General Manager /Financial Accounting Supervisor/Spokesperson of Unizyx Holding Corporation Senior Vice General Manager /Financial Accounting Supervisor of Zyxel Communications Corp. Senior Vice General Manager /COO/Financial Accounting Supervisor of MitraStar Technology Corp. Legal representative of Wuxi Alliance Network Technology Co., LTD. Representative of Bluebell Overseas Ltd. Supervisor of Wuxi Yanqin Information Technology Co., LTD Representative of MitraStar Technology Corp. Legal representative of Shanghai Montenke Communication Equipment Trading Co., LTD. Representative of MitraStar Technology Corp. Supervisor of Beijing Huaqin Tiandi Technology Co., LTD. Representative of Wuxi Yanqin Information Technology Co., LTD. Vice Chairman of Zyxel (Türkiye) Communications Corp. Representative of Zyxel Communications Corp. Director of Heguan Investment Co., LTD. Representative of Zyxel Communications Corp. Supervisor of Ardomus Networks Corporation Representative of ZYFX TECHNOLOGIES INC. Director of Black Cat Incorporation. Representative of Unizyx Holding Corporation Director/Senior Vice President/Financial Accounting Supervisor of Zyxel Networks Corporation</p>
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Title/Name	Nationality or Registry	Date Elected	Gender Age	Term (Yrs)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Selected Education & Experiences	Selected Current Positions at GPM and Other Companies
						Shares	%	Shares	%	Shares	%	Shares	%		
Independent Director Chen, Yi-Mei	R.O.C.	2020/06/17	Female 73	3	2020/06/17	0	0%	0	0%	0	0%	0	0%	Master of Computer Science, University of Oregon President of American Guifen International Enterprise Co., LTD. President of the United States Texas Win-Win Credit Brokerage Company and Xun'an Credit Audit Document Review Company CEO of Credit Branch, Wells Fargo, Austin, Texas Instructor (Adjunct) of National Tsing Hua University Co-Founder and President of StarFab Accelerator Independent Director of TALANG TECHNOLOGY COMPANY LIMITED	Distinguished Researcher of ITRI

Remarks:

Note 1: If the chairman of the Board of Directors and the general manager or the equivalent person (the top manager) are the same person, spouses or first-degree relatives, the reasons, rationality, necessity and countermeasures (such as increasing the number of independent directors, and more than half of the directors should not serve as employees or managers, etc.) should be explained:

The chairman of the Company is also the general manager, in order to improve the operational efficiency and decision-making execution, but in order to strengthen the independence of the Board of Directors, the Company has actively trained suitable candidates; In addition, the chairman usually communicates closely with all directors about the company's operating conditions and planning guidelines to implement corporate governance. Currently, the Company has had the following details measures:

1. The currently three independent directors are specialized in industrial fields and can effectively play their supervisory functions.
2. Arrange each director to attend the professional director courses of external institutions every year to improve the operational efficiency of the Board of Directors.
3. Independent directors can fully discuss and put forward knowledge in functional committees for the reference of the Board of Directors to implement corporate governance.
4. More than half of the board members are part-time employees or managers.

Major shareholders of institutional shareholders

Names of institutional shareholders	Main shareholders of the institutional shareholders
C SUN Mfg., Ltd.	Gallant Precision Machining Co., Ltd. (9.98%) Haihsing Investment Co. (9.55%) Pinchin Investment Co. (7.73%) Mao-Chung Liang (5.41%) Mao-Sheng Liang (5.16%) Chin-Tu Chien (2.02%) Morgan Stanley Account in Custody of HSBC (Taiwan) (1.80%) Standard Chartered Entrusted with the SPDR Profile Emerging Market ETF Special Account (1.32%) Good Dollar Investment Limited (1.19%) Fu Liang, Hsiu-Hung (1.03%)

Note 1: Data is based on March 25, 2023, the book closure date of the Company.

Major Shareholders of Institutional Shareholders

Name of corporate shareholders	Major shareholders of institutional shareholders
Haihsing Investment Co.	Liang, Pi-Chen, Liansheng Co., Ltd. (19.53%) Chun-Mei Tsou (16.67%) Mao-Sheng Liang (16.67%) Liang, Pi-Ju, Pinchin Investment Co. (12.79%) Mao-Chung Liang (9.68%) Liang, Yeh-Chin-Chih (9.68%) Chang Liang, Hsiu-Chieh (5.22%) Fu Liang, Hsiu-Hung (5.22%) Liang, Yu-Wen (1.35%) Chen Liang, Chin-Jung (1.18%)
Pinchin Investment Co.	Pi-Ju Liang (33.33%) Liang, Pi-Yin (33.33%) Liang, Yu-Wen (33.33%)
Good Dollar Investment Limited	SHEN, LI-TING (36.15%) TSAI, HUI-FEN (33.00%) SHEN, HSIEN-HO (30.84%)

2.2 Directors' Professional Qualifications and Independent Directors' Independence Status

Criteria Name	Professional Qualification and Experience	Independent Directors' Independence Status	Number of Other Taiwanese Public Companies Concurrently Serving as an Independent Director
Jason Chen	For Directors' professional qualification and experience, please refer to "Information Regarding Board Members" on page 15-19 of this Annual Report. None of the Directors has been in or is under any circumstances stated in Article 30 of the Company Law.	Not Applicable	0
Frank Liang			0
Hsu, Hung-Ming			0
Ronald H. Chen			0
Chia-chin Tong		<p>All of the following situations apply to each and every of the Independent Directors:</p> <ol style="list-style-type: none"> 1. Satisfy the requirements of Article 14-2 of "Securities and Exchange Act" and "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies" issued by Taiwan's Securities and Futures Bureau 2. Independent Director (or nominee arrangement) as well as his/her spouse and minor children do not hold any TSMC shares 3. Received no compensation or benefits for providing commercial, legal, financial, accounting services or consultation to the Company or to any its affiliates within the preceding two years, and the service provided is either an "audit service" or a "non-audit service" 	1
Lo, Wei			0
Chen, Yi-Mei			0

Diversity and independence of the Board of Directors:

(1) In addition to the Company's articles of association, the Company has also established the "Standard Procedure for Accepting Shareholders' Proposals and Reviewing Director Nominations" that clearly specifies the qualifications for directors; Board of Directors shall pass the Procedure and submit it to the shareholders' meeting for directors selection. The association of the Board of Directors should consider the diversification, and set proper diversification policy according to the operation, running type and development needs of Board of Directors, which should include but not limited to the following two aspects:

- a. Basic conditions and values: Gender, age, nationality and culture, etc.
- b. Professional knowledge and skills: Professional background (law, accounting, industry, finance, marketing or technology), professional skills and industry experience, etc.

The Company's current board members are specialized in the areas of financial accounting, law, electronics and electrical, and chemistry. Among the board members, there is one female director, accounting for 14% of all directors; one director is age under 50 years old, 4 directors are 50-70 years old, and 2 directors are over 70 years old.

多元化核心項目 Name	Gender	Age Under 50	Age 50-70	Age Over 70	Operational judgments	Accounting and financial analysis	Management administration	Conduct crisis management	Knowledge of the industry	International market perspective	Lead	Law
Jason Chen	Male		✓		✓	✓	✓	✓	✓	✓	✓	
Frank Liang	Male	✓			✓	✓	✓	✓	✓	✓	✓	✓
C SUN MFG. LTD. Representative: Ronald H. Chen	Male		✓			✓	✓	✓		✓	✓	✓
Hsu, Hung-Ming	Male		✓		✓		✓	✓	✓		✓	
Chia-chin Tong	Male			✓			✓	✓	✓		✓	
Lo, Wei	Male		✓			✓	✓	✓	✓	✓	✓	
Chen, Yi-Mei	Female			✓		✓	✓	✓	✓	✓	✓	

(2) Independence of the Board of Directors:

There are currently 7 board directors in the Company's Board of Directors, including 3 independent directors (accounting for 42.86% of all directors and more than 1/3 of the seats of Board of Directors) and 3 directors with employee status (accounting for 42.86% of all directors); One of the independent directors has been the role of independent director for more than 6 years, the other two independent directors have been the independent director for less than 6 years. All independent directors comply with the regulations of the Securities and Futures Bureau, Financial Supervisory Commission for independent directors, and there is no case for the directors and independent directors stipulated in Items 3 and 4, Article 26.3 of the Securities and Exchange Act, and they have no internal kinship including spouse or second-level relatives.

2.3 Management Team :

As of April 21, 2023.;Unit:Shares

Title/Name	Nationality or Registry	Date Elected	Gender	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Selected Education & Experiences	Selected Current Positions at GPM and Other Companies	Managers Who are Spouses or within Second-degree Relative of Consanguinity to Each Other		
				Shares	%	Shares	%	Shares	%			Title	Name	Relation
Chairman & President Jason Chen	R.O.C.	2006/10/01	Male	1,120,146	0.68%	100,000	0.06%	500,000	0.3%	Master of Mechanical Engineering, National Sun Yat-sen University Director of Design Department, Chunghwa Picture Machinery Works Vice General Manager of Gallant Precision Machining Co., Ltd.	Chairman and General Manager of Gallant Precision Machining Co., Ltd. Director of C SUN Mfg., Ltd. Director of Shinyu Light Co., LTD. Legal director representative of Gallant Micro Machining CO., Ltd. Chairman of Apex-I International Co., Ltd. Chairman of Gallant-Rapid Corporation Limited Chairman and General Manager of Gallant Precision Industries (Suzhou) CO., Ltd. Chairman of Gallant Precision Intelligence Technology CO.,Ltd. Director of ESGWD Vice Chairman of TEEIA Vice Chairman of TAIROA	None		
Deputy President Mufa Chien	R.O.C.	2013/07/01	Male	390,105	0.24%	11,000	0.01%	0	0%	Master's graduate. Senior engineer, Chunghwa Picture Tubes Ltd. Associate Vice President, Gallant Precision Machining Co., Ltd.	President, SuZhou Gallant Precision Intelligence Technology Co., Ltd Deputy President, Gallant Precision Intelligence Technology Co.,LTD.	None		
Deputy President H.M. Lee	R.O.C.	2013/07/01	Male	420,447	0.25%	0	0%	0	0%	Master's graduate. Engineer, Chunghwa Picture Tubes Ltd. Associate Vice President, Gallant Precision Machining Co., Ltd.	Director, Apex-I International Co., Ltd. Director, Gallant Precision Industries (Suzhou) Co., Ltd.	None		

Title/Name	Nationality or Registry	Date Elected	Gender	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Selected Education & Experiences	Selected Current Positions at GPM and Other Companies	Managers Who are Spouses or within Second-degree Relative of Consanguinity to Each Other		
				Shares	%	Shares	%	Shares	%			Title	Name	Relation
Associate Vice President Roger Lin	R.O.C.	2010/10/01	Male	237,336	0.14%	0	0%	0	0%	Master's graduate. Manager, Walton Advanced Engineering, Inc. Associate Vice President, Gallant Precision Machining Co., Ltd.	None	None		
Associate Vice President Chen- Shun Hsu	R.O.C.	2018/07/01	Male	269,824	0.16%	0	0%	0	0%	Master's graduate. Supervisor, Lingsen Precision Industries ,Ltd. Associate Vice President, Gallant Precision Machining Co., Ltd.	None	None		
Associate Vice President Shu-Sheng Chang	R.O.C.	2021/07/01	Male	175,887	0.11%	0	0%	0	0%	Master of National Centry University Director, Gallant Precision Machining Co., Ltd. YU JING TECHNOLOGY CO., LTD., Assistant Manager Grand Process Technology Corp., R&D Engineer	None	None		
Chief Financial Officer Chia-Ju Tseng	R.O.C.	2019/07/22	Female	57,436	0.03%	0	0%	0	0%	Bachelor's degree. Senior Associate, Former Partners of Tiaoho & Co. Administrator, Opto Tech Corporation. Administrator, Etron Technology, Inc. Deputy Manager, Gallant Precision Machining Co., Ltd.	Director, Gallant Precision Industries (Suzhou) Co., Ltd. Chief Corporate Governance, Gallant Precision Machining Co., Ltd.	None		

3. Remunerations Paid to Directors, President and Vice President

3.1 Remunerations Paid to Directors

Unit: Share / NT\$ thousands

Title/Name	Remunerations Paid to Directors								Total Compensation (A+B+C+D) & a % of 2022 Net Income		Employees' Profit Sharing Bonus								(A+B+C+D+E+F+G) & % of Net Income		Other Com pensa tions from nonsu bsidia ry affilia tes
	Salary (A)		Severance Pay and Pensions (B)		Compensatio n to Directors (C)		Allowances (D)				Salary, Bonus, etc. (E)		Severance Pay and Pensions (F)		Employee Compensation (G)						
	From GPM	From All Consoli dated Entities	From GPM	From All Consoli dated Entities	From GPM	From All Consoli dated Entities	From GPM	From All Consolidat ed Entities	From GPM	From All Consolid ated Entities	From GPM	From All Consolid ated Entities	From GPM	From All Consolid ated Entities	From GPM		From All Consolidated Entitie		From GPM	From All Consolid ated Entitie	
															Cash	Stock	Cash	Stock			
Chairman Jason Chen	1,474	1,490	0	0	5,803	9,587	168	312	7,445	11,389	8,755	15,816	8	62	4,786	0	7,087	0	20,994	34,354	0
Vice Chairman Frank Liang																					
Director Hsu, Hung-Ming									1.91%	2.92%									5.38%	8.8%	
Director C SUN MFG. LTD. Representative: Ronald H. Chen																					
Independent Director Chia-chin Tong	0	0	0	0	4,352	4,352	138	138	4,490	4,490	0	0	0	0	0	0	0	0	4,490	4,490	0
Independent Director Lo, Wei									1.15%	1.15%									1.15%	1.15%	
Independent Director Chen, Yi-Mei																					
1.Please specify the policies, programs, standards, and structure of the remuneration payment of the independent directors, and relate the amount of remuneration to the responsibilities, risks, time invested, and other factors: (1) The Company's policies, programs, standards, and structure of the performance evaluation and remuneration payment of the directors and managers are formulated and reviewed regularly by the Remuneration Committee. It will be submitted to the Board of Directors for discussion. (2) The remuneration to directors and independent directors is paid in accordance with the Company's Articles of Association and regulations. It positively correlates with the operating performance and is adjusted properly according to the potential risks. 2.Other than disclosure in the above table, Directors remunerations earned by providing services (i.e. non-employee consulting services) to companies which are listed in financial reports in 2022: None.																					

Remunerations Paid to Directors

Range of Remuneration	Name of Directors			
	Compensation Paid to Directors (A+B+C+D)		Total Compensation Paid to Directors (A+B+C+D+E+F+G)	
	From GPM	From All Consolidated Entities	From GPM	From All Consolidated Entities
NT\$0 ~ NT\$1,000,000	Ronald H. Chen	Ronald H. Chen	Ronald H. Chen	Ronald H. Chen
NT\$1,000,001 ~ NT\$2,000,000	Jason Chen / Hsu, Hung-Ming/ C SUN MFG. LTD/Chia-chin Tong/ Lo, Wei/ Chen, Yi-Mei	Jason Chen / C SUN MFG. LTD / /Chia-chin Tong/ Lo, Wei/ Chen, Yi-Mei	Hsu, Hung-Ming/ C SUN MFG. LTD/Chia-chin Tong/ Lo, Wei/ Chen, Yi-Mei	C SUN MFG. LTD/ Chia-chin Tong/ Lo, Wei/ Chen, Yi-Mei
NT\$2,000,001 ~ NT\$3,500,000	Frank Liang	Hsu, Hung-Ming	Frank Liang	
NT\$3,500,001 ~ NT\$5,000,000		Frank Liang		
NT\$5,000,001 ~ NT\$10,000,000				Hsu, Hung-Ming/ Frank Liang
NT\$10,000,001 ~ NT\$15,000,000				
NT\$15,000,001 ~ NT\$30,000,000			Jason Chen	Jason Chen
NT\$30,000,001 ~ NT\$50,000,000				
NT\$50,000,001 ~ NT\$100,000,000				
Over NT\$100,000,000				
Total	8(Contains 1 legal entities)	8(Contains 1 legal entities)	8(Contains 1 legal entities)	8(Contains 1 legal entities)

3.2 Remuneration of the President and Vice President

Unit: Share / NT\$ thousands

Title	Name	Salary (A)		Severance Pay and Pensions (B)		Salary, Bonus, etc. (C)		Employees' Profit Sharing Bonus (D)				(A+B+C+D) & % of Net Income		Other Compensations from nonsubsidiary affiliates
		From GPM	From All Consolidated Entities	From GPM	From All Consolidated Entities	From GPM	From All Consolidated Entities	From GPM		From All Consolidated Entities		From GPM	From All Consolidated Entities	
								Cash	Stock	Cash	Stock			
President	Jason Chen	6,063	6,706	881	881	9,795	11,161	6,951	0	6,951	0	23,690	25,699	0
Deputy President	Mufa Chien													
Deputy President	H.M. Lee													
Deputy President	Tu-Cheng Wang													

Compensation Paid to President & CEO and Vice Presidents

Range of Remuneration	Name of President and Vice President	
	From GPM	From All Consolidated Entities
NT\$0 ~ NT\$1,000,000	Tu-Cheng Wang	Tu-Cheng Wang
NT\$1,000,001 ~ NT\$2,000,000		
NT\$2,000,001 ~ NT\$3,500,000		
NT\$3,500,001 ~ NT\$5,000,000	Mufa Chen/ H.M. Lee	H.M. Lee
NT\$5,000,001 ~ NT\$10,000,000		Mufa Chen
NT\$10,000,001 ~ NT\$15,000,000	Jason Chen	Jason Chen
NT\$15,000,001 ~ NT\$30,000,000		
NT\$30,000,001 ~ NT\$50,000,000		
NT\$50,000,001 ~ NT\$100,000,000		
Over NT\$100,000,000		
Total	4	4

3.3 Employees' Profit Sharing Bonus Paid to Management Team :

Unit: Share / NT\$ thousands

Title	Name	Stock (Fair Market Value)	Cash Total Employees' Profit Sharing Bonus	Cash Total Employees' Profit Sharing Bonus	Cash Total Employees' Profit Sharing Bonus(%)
President	Jason Chen	0	9,999	9,999	2.56
Deputy President	Mufa Chien				
Deputy President	H.M. Lee				
Deputy President	Tu-cheng Wang(Note 1)				
Associate Vice President	Roger Lin				
Associate Vice President	Chen- Shun Hsu				
Associate Vice President	Shu-Sheng Chang				
Chief Financial Officer	Chia-Ju Tseng				

Note 1: Deputy President Tu-Cheng Wang Retired on March 31, 22.

3.4 Comparison of Remuneration for Directors, Supervisors, Presidents and Vice Presidents in the Most Recent Two Fiscal Years and Remuneration Policy for Directors, Supervisors, Presidents and Vice Presidents

Year	Ratio of total remuneration paid to directors to net income (%)		Ratio of total remuneration paid to presidents and vice presidents to net income (%)	
	From GPM	From All Consolidated Entities	From GPM	From All Consolidated Entities
2021	3.53%	4.21%	9.79%	10.04%
2022	3.06%	4.07%	6.07%	6.59%

Note 1: The above remuneration to directors and supervisors includes salary, remunerations and allowances (excluding compensations earned as employee of GPM or of GPM Affiliates); The remuneration to president and vice president includes salary, bonus, pension, and employee compensation.

- In accordance with Article 30 (1) of the Articles of Association, the Company shall allocate remuneration to employees and directors based on the profit in the current year not less than one percent and not more than twelve percent, provided that, any accumulated losses of the Company shall be covered.
Compensation may be in the form of stock or cash, which may include employees of affiliated companies who meet certain conditions.
The profit in the current year as mentioned under Paragraph 1 refers to the profit in the current year before deducting the compensation of employees and directors.
The remuneration of the employees and the remuneration of the directors shall be distributed by the Board of Directors with a resolution of more than two-thirds of the directors present and with the consent of a majority of the directors present and reported to the shareholders' meeting.
- The remuneration of directors of the Company shall be assessed in accordance with the Organizational Regulations of the Remuneration Committee and the Guidelines on Compensation and Remuneration of Directors. Performance evaluation and compensation shall be based on the usual compensation level across the industry, and consider the rationality of the correlation with individual performance, company performance and future risks. The relevant performance assessment and compensation rationality are reviewed by the compensation committee and the Board of directors, and the compensation system, standard and structure are reviewed at any time according to the actual business situation, future risks and relevant laws and regulations, so as to strike a balance between the Company's sustainable operation and risk control.

3. The remuneration paid to the General Manager and Deputy General managers shall include salary, bonus, employee compensation and mid- and long-term incentives for talent retention. Among them, the remuneration shall be decided by the Compensation Committee by considering the scope of power and responsibility of the title, rank, responsibility and other positions as well as the contribution to the Company's operating objectives, as well as the Company's annual operating performance, future risks and the industry level. Bonus and compensation are mainly linked to managers' performance evaluation items, including financial indicators (such as profitability, operating profit, annual strategy and other standard attainment rate, etc.) and enterprise ESG sustainable operation related indicators (such as corporate governance, risk management construction, environmental resources, supply chain management and talent development and care). In addition, remuneration system shall be reviewed timely and from time to time based on the actual business situation, future risks and relevant laws and regulations. The remuneration of the Company's managers shall be reviewed by the Remuneration Committee and submitted to the Board of directors for resolution.

4. Corporate Governance Report :

4.1 Operation of the Board

4.1.1 Board of Directors' Meeting Status :

The Company's shareholders elected the 15th Board of Directors in Annual General Meeting on June 17, 2020, effective immediately. (From June 17, 2020 to June 16, 2023)

The Board of Directors held 7 sessions in 2022. The attendance of the Directors is shown in the following table:

Title	Name	Attendance in Person	By Proxy	Attendance Rate in Person (%)	Notes
Chairman	Jason Chen	7	0	100%	
Vice Chairman	Frank Liang	7	0	100%	
Director	Hsu, Hung-Ming	7	0	100%	
Director	C SUN MFG. LTD. Representative: Ronald H. Chen	7	0	100%	
Independent	Chia-chin Tong	5	2	71%	
Independent	Lo, Wei	7	0	100%	
Independent	Chen, Yi-Mei	7	0	100%	

Other Required Notes for the Board Meetings:

- (1) Items listed in Article 14-3 in Securities and Exchange Act or Board resolutions independent directors have dissenting opinions or qualified opinions with notes in minutes of the directors meetings:
 - A. The Company has set up audit committee, therefore, Article 14-3 in Securities and Exchange Act is not applicable. Regarding Article 14-5 in Securities and Exchange Act, please refer to "Audit Committee Meeting Status" on page 32 of this Annual report.
 - B. Besides items listed in Article 14-3 in Securities and Exchange Act, board resolutions that independent directors have dissenting opinions or qualified opinions with notes in minutes of the directors meetings: None.
- (2) For execution status regarding matters bearing on the personal interests and recusal of directors due to conflict of interests, the name of the director, proposal, the reason for recusal and board resolution shall be stated:

Date	Name of Director	Agenda	Reason for recusal	Voting results	Resolution
2022.01.11	Jason Chen	Year-end bonus distribution for managers	Also be the Company's manager	Did not vote	Other attending directors agreed accordingly
2022.06.08	Jason Chen	Manager salary adjustment	Also be the Company's manager	Did not vote	Other attending directors agreed accordingly
2022.06.08	Jason Chen	Remuneration of directors, high-level managers and employees	Interested in the directors	Did not vote	Other attending directors agreed accordingly
2022.08.09	Jason Chen	Transferring treasury stock to employees	Interested in the directors	Did not vote	Other attending directors agreed accordingly
2022.12.21	Jason Chen	Year-end bonus distribution for managers	Also be the Company's manager	Did not vote	Other attending directors agreed accordingly
2022.12.21	Jason Chen	Manager salary adjustment	Also be the Company's manager	Did not vote	Other attending directors agreed accordingly

- (3) The TWSE/TPEX listed companies shall disclose the cycle, period, scope, and methods of the self- (or peer-) evaluation of the Board of Directors. The information about the evaluation of the Company is provided in Attachment 1
- (4) For the most recent fiscal year and during the current fiscal year up to the date of publication of the annual report, Measures taken to strengthen the functions of the Board (such as setting up Audit Committee, improve information transparency) and the results:
- A. The Company is endeavoring to improve the transparency of information. GPM discloses real-time information MOPS website to maintain shareholder equity.
- B. The Company set up Remuneration Committee on December 22, 2011. Remuneration Committee is in charge of assisting Board Meeting in reviewing the performance evaluation and remuneration policy, standard, system and framework for board of directors and officers.
- C. Three of the Seven Directors are Independent Directors. The Independent Directors have expertise in different areas, in accordance with the policy of diversification.
- D. The Company voluntarily set up Audit Committee. The Audit Committee's primary duty is to supervisor the fair presentation of financial statement, the hiring, dismissal, independence and performance review of the independent auditor, effectiveness of internal control, compliance of law and regulations, and risk control of existing or potential risk factors.
- E. The Company set up Corporate Sustainability Committee in 2016 August. Corporate Sustainability Committee is in charge of promoting CSR, ethical management and corporate governance affairs and reports to Board of Directors periodically.

Attachment 1. Board of Directors' Performance Evaluation Implementation Status

Evaluation Cycle	Evaluation Period	Evaluation Scope	Evaluation Method	Evaluation Aspect
Annual	January 2022 - December 2022	Performance Assessment of Board of Directors and Individual Director Members	Internal Self-Assessment of Board of Directors, Self-Assessment of Director Members	Performance Assessment Content of Board of Directors: Participation in the company's operations, improving the decision-making quality of the Board of Directors, composition and structure of the Board of Directors, selection and continuing education of directors, internal control, etc. Performance Assessment Content of Individual Director Members: Mastering the company's objectives and tasks, directors' responsibilities, participation in the company's operations, internal relations management and communication, directors' professional and continuing education, internal control, etc.

Attachment 2 The directors' attendance status for 2022

V: Attendance in Person ◎ : By Proxy

2022	The first meeting	The second meeting	The third meeting	The fourth meeting	The fifth meeting	The sixth meeting	The seventh meeting
Chia-chin Tung	V	◎	V	V	V	V	◎
Lo, Wei	V	V	V	V	V	V	V
Chen, Yi-Mei	V	V	V	V	V	V	V

4.2 Operation of Audit Committee

4.2.1 Audit Committee Meeting

The Audit Committee held 6 sessions in 2022. The attendance of the Independent Directors is shown in the following table:

Title	Name	Attendance in Person	By Proxy	Attendance Rate in Person (%)	Notes
Independent Director	William Hung	5	1	83%	
Independent Director	Lo, Wei	6	0	100%	
Independent Director	Chen, Yi-Mei	6	0	100%	

Other Required Notes for Audit Committee Meeting

- Any action regulated by Securities and Exchange Act 14-5, or any resolution not approved by the Audit Committee but approved by two thirds or more of all directors instead:
 - Any action regulated by Securities and Exchange Act 14-5: Audit Committee's opinion or resolution on material items, please see Attachment 1.
 - There was no other resolution which was not approved by the Audit Committee but was approved by two thirds or more of all directors in 2022.
- Any recusal of Independent Directors due to conflicts of interests: None
- Descriptions of the communications between the independent directors, the internal auditors, and the independent auditors (which should include the material items, channels, and results of the audits on the corporate finance and/or operations, etc.):
 - The Company convenes Audit Committee regularly and invites external auditors, chief internal auditor and relevant person in charge if necessary.
 - According to annual internal audit plan, the internal auditor officer reports to Audit Committee periodically.
 - The member of Audit Committee make periodic communications regarding quarterly review or audit of financial statements and other discussion required by laws and review the selection and independence of independent auditor.
 - For the communication history between audit committee, external auditor, and internal audit supervisor, please visit the Company's website.
- Annual work key-points:
 - Regularly communicating the audit report results with the internal audit supervisor according to the annual audit plan.
 - Reviewing the financial report.
 - Assessing the effectiveness of internal control system.
 - Independence assessment of certified accountants.
 - Reviewing the amendment of the Company's "Procedure for Acquiring or Disposing of Assets", "Procedure for Endorsement and Guarantees", and "Procedures for Lending Money to Others".
 - Compliance with laws and regulations.

Attachment 1: Any action regulated by Securities and Exchange Act 14-5: Audit Committee's opinion or resolution on material items

The date of Audit Committee meeting	Proposals and Follow-up Actions	Any resolution not approved by the Audit Committee but approved by two thirds or more of all directors instead
11 th Meeting of the 3 rd Audit Committee	1. Approval of 2021 examination on effectiveness of internal control system and Statement of Internal Control System. 2. Approval of the distribution of directors' remuneration of 2021. 3. Approval of the 2021 Business Report and Financial statements. 4. Approval of the 2021 Annual Earnings Distribution Proposal. 5. Allocation of capital reserve in cash. 6. Amendments to the Code of Practice on Corporate Social Responsibility. 7. Approval of the Company's "Procedures for Disposal of Assets Obtained or Disposed". 8. Approval of the amendment to the "Articles of Association" of the Company. 9. Approval of the amendment to the "Rules of Procedure of the Shareholders' Meeting" of the Company.	None
	Resolution: Adopted by all attending members of the Audit Committee.	
	Action taken by GPM in response to the Audit Committee's resolution: After being proposed in the Board meeting for discussion, the resolution was adopted by all attending directors.	
12 th Meeting of the 3 rd Audit Committee	1. 2022 Q1 consolidated financial statements. 2. Supplementary amendments to the Rules of Procedure for Meeting of the Shareholders.	None
	Resolution: None.	
	Action taken by GPM in response to the Audit Committee's resolution: None	
13 th Meeting of the 3 rd Audit Committee	1. Increasing the Company's investment in securities.	None
	Resolution: Adopted by all attending members of the Audit Committee.	
	Action taken by GPM in response to the Audit Committee's resolution: After being proposed in the Board meeting for discussion, the resolution was adopted by all attending directors.	
14 th Meeting of the 3 rd Audit Committee	1. 2022 Q2 consolidated financial statements. 2. Increase to investment in Holychip Technology. 3. Approval of the amendment to the 2022 interim budget of the Company. 4. Appointment of corporate governance director. 5. Transfer of shares of common stock bought back by the Company to employees.	None
	Resolution: Adopted by all attending members of the Audit Committee.	
	Action taken by GPM in response to the Audit Committee's resolution: After being proposed in the Board meeting for discussion, the resolution was adopted by all attending directors.	
15 th Meeting of the 3 rd Audit Committee	1. 2022 Q3 consolidated financial statements. 2. Approval of the provided endorsement guarantee for the subsidiary "Apex-I International Co., Ltd." 3. Amendments to the Rules of Procedure for the Board. 4. Amendments to the Organizational Procedures of the Audit Committee. 5. Amendments to Standard Operating Procedures for Handling Requests of Directors. 6. Amendments to the Stock Operation Management Procedure. 7. Amendment to Contracted Accountant Selection and Review Procedure. 8. Amendments to the Code of Practice on Corporate Governance. 9. Increase to investment in Ohmplus Technology.	None
	Resolution: Adopted by all attending members of the Audit Committee.	
	Action taken by GPM in response to the Audit Committee's resolution: After being proposed in the Board meeting for discussion, the resolution was adopted by all attending directors.	
16 th Meeting of the 3 rd Audit Committee	1. Approval of 2023 internal audit plan. 2. Approval of 2023 annual budget. 3. Approval of the replacement of the current CPA's independence and competence. 4. Approval of the evaluation of current CPAs' independence and competence.	None
	Resolution: Adopted by all attending members of the Audit Committee.	
	Action taken by GPM in response to the Audit Committee's resolution: After being proposed in the Board meeting for discussion, the resolution was adopted by all attending directors.	

4.3 Taiwan Corporate Governance Implementation as Required by Taiwan Financial Supervisory Commission

Evaluation Item		Implementation Status			Reasons for the Deviations from "Corporate Governance Best Practice Principles for TWSE/TPE x Listed Companies"
		Yes	No	Brief Description	
Does the Company establish and disclose the corporate governance best practice in accordance with the "Corporate Governance Best Practice Principles for TWSE/TPE x Listed Companies"?		√		The Company have established the "Corporate Governance Best Practice" on June 17, 2015, and disclosed it on the Company's website: https://www.gpmcorp.com.tw/about_governance_regulations.php	None
Shareholding Structure and Shareholders' equity	Does the Company establish and implement an internal operating procedure for handling the suggestions, doubts, disputes, and lawsuits concerning the shareholders?	√		The Company has established the "Corporate Governance Best Practice" and a spokesperson system in accordance with the regulations. The affairs are assigned to the stock affair specialists and agencies and the contact person is disclosed on the Company's website.	None
	Does the Company retain a list of the main shareholders who possess the controlling power, and the persons who have the ultimate control over the said shareholders?	√		The company announces the shareholdings of the insiders every month in accordance with the regulations and has the changes in hand to maintain a list of the main shareholders who possess the controlling power, and the persons who have the ultimate control.	None

Evaluation Item		Implementation Status			Reasons for the Deviations from “Corporate Governance Best Practice Principles for TWSE/TPE x Listed Companies”
		Yes	No	Brief Description	
	For the affiliates, does the Company establish and implement a risk control and firewall mechanism?	√		For the affiliates, the Company has established the "Procedures for Related Party Transactions", "Regulations Governing the Management and Operation of Subsidiaries", etc. to set up a risk control and firewall mechanism. The implementation of the above-mentioned regulations is audited by the audit unit once a year in accordance with the audit plan.	None
	Does the Company establish an internal regulation to forbid the insider to use undisclosed information on the market in marketable securities exchange?	√		The Company has set up the "Procedures for Processing the Internal Major Information and Preventing Insider Trading" to prohibit the insiders from using unpublished information on the market in marketable securities exchange. It is available on the Company's internal website and website. The promotion course is provided once a year as needed.	None
The composition and responsibilities of the Board of Directors	Does the Board of Directors establish and implement the guidelines on the diversity of the members?	√		The Company has established the "Corporate Governance Best Practice" specifying the composition of the Board of Directors shall be diversified. Currently, all members of the Board of Directors have the ability to make operational judgment and decisions, engage in management and supervision, conduct accounting and financial analysis, and have insight into the global market with sufficient industry knowledge. The members differ in the industrial background and expertise, for example, TUNG, CHIA-CHING, an independent director, once served as the chairman of the Taiwan Printed Circuit Association; LO, WEI, an independent director, serves as the chief financial officer of Zyxel Communications Corp and holds a doctoral degree; CHEN, YI-MEI, an independent director, has been specially appointed by Industrial Technology Research Institute. The diversity of the members is not just a principle, but also a reality. Please refer to pages 15 to 19 of the annual report and the company's website: https://www.gpmcorp.com.tw/about_governance_boardofdirectors.php	None

Evaluation Item		Implementation Status			Reasons for the Deviations from “Corporate Governance Best Practice Principles for TWSE/TPE x Listed Companies”
		Yes	No	Brief Description	
	In addition to the Remuneration Committee and Audit committee established in accordance with the laws, does the Company voluntarily set up other types of functional committees?	√		In addition to setting up the Remuneration Committee in accordance with the laws, the Company also voluntarily establishes an Audit Committee, and both committees are composed of all independent directors. Furthermore, the Company's Enterprise Sustainability Committee consisted of the management personnel reports to the Board of Directors from time to time on the implementation status and results. For the responsibilities of the Enterprise Sustainability Committee, please refer to page 119 of this annual report.	None

Evaluation Item		Implementation Status			Reasons for the Deviations from “Corporate Governance Best Practice Principles for TWSE/TPE x Listed Companies”
		Yes	No	Brief Description	
	Does the Company formulate the rules and methods for evaluating the performance of the Board of Directors, implement regular evaluation and report the results to the Board of Directors for reference and being used as the basis when evaluating the remuneration and considering the nomination of the individual directors?	√		<p>The Company has established the "Measures for the Performance Evaluation of the Board of Directors" and the "Measures for Directors' Remuneration and Remuneration Payments" to regularly evaluate the performance of the Board of Directors every year.</p> <p>The measurement items of the performance evaluation on the Board of Directors of the Company include the following five aspects:</p> <ol style="list-style-type: none"> 1. Participating degree on the Company's operations 2. Improving the decision-making quality of the Board of Directors 3. Board composition and structure 4. Selection of directors and continuing education 5. Internal Control <p>The measurement items for the performance evaluation on the individual directors of the Company include the following six aspects:</p> <ol style="list-style-type: none"> 1. Mastering the Company's goals and tasks 2. Awareness of directors' responsibilities 3. Participating degree on the Company's operations 4. Management and communication on internal relationship 5. Professional and continuing education for directors 6. Internal Control <p>The measurement items of the performance evaluation on the audit committee of the Company include the following four aspects:</p> <ol style="list-style-type: none"> 1. Participating degree on the Company's operations 2. Awareness of the responsibilities of the audit committee 3. Improving the decision-making quality of the audit committee 4. Internal Control <p>The evaluation process is completed after the end of the evaluation year and before the latest board meeting; the scoring and performance evaluation results are reported to the Board of Directors, and are used as a reference for individual directors' remunerations and nomination for re-appointment, in the perspective of improving the functions of operations of Board of Directors. The Company has completed the performance evaluation of the Board of Directors in February 2023 and reported to the Board of Directors on February 22, 2023.</p>	None

Evaluation Item		Implementation Status			Reasons for the Deviations from "Corporate Governance Best Practice Principles for TWSE/TPE x Listed Companies"
		Yes	No	Brief Description	
The composition and responsibilities of the Board of Directors	Does the Company regularly assess the independence of the certifying accountant?	√		<p>The Company has established the "Regulations Governing the Selection of Certifying Accountant", according to which the Audit Committee and Board of Directors conduct an annual evaluation of the independence and suitability of the certifying accountant; before the selection, the accountant would present a "Declaration of Independence" to help the Company's accounting unit confirm the fact that, with the Company, the accountant has no financial interests and business relationships except for the cost of certifying and financial/tax cases. This stock affair unit would be requested to check the status of shareholding, and, after the independence and suitability are confirmed by the Company's financial and accounting unit, the Audit Committee would review the submission before the Board of Directors make a decision. For the year 2022, the annual accountant reviewing and assessment form has been submitted to and approved by the Audit Committee and the Board of Directors on December 21, 2022. The essential items and standards for assessing the independence, operation, and suitability of the accountant are listed as below:</p> <ul style="list-style-type: none"> ➤The accountant, his/her spouse, or minor children have no relationship in terms of investment or sharing financial benefits with the Company. ➤The accountant, his/her spouse, or minor children do not have a loan from the Company. ➤The accountant or members of the audit service team do not advertise or purchase/sell the stocks or other securities issued by the Company as a broker. ➤The accountant does not have any disciplinary records of punishment imposed by the CPA Discipline Committee within the past two years. ➤The accountant or members of the audit service team does not serve as the Company's directors, managers, or other officers having significant influence over the audit cases within the past two years. ➤The accountant or members of the audit service team is not the spouse, direct relative, direct relatives by marriage, second-degree collateral relative or closer of the Company's directors, managers, or other officers having significant influence over the audit cases. ➤The accountant is not currently employed by the principal or audited entity holding a regular position with a fixed salary or serving as the director or supervisor. ➤When auditing, reviewing, re-auditing, or examining the financial statements and preparing an opinion, in addition to substantial independence, does the accountant maintain formal independence? 	None

Evaluation Item		Implementation Status			Reasons for the Deviations from “Corporate Governance Best Practice Principles for TWSE/TPE x Listed Companies”
		Yes	No	Brief Description	
Does the TWSE/TPEx listed company deploy qualified and sufficient management personnel and appoint directors to handle governance-related matters (including but not limited to providing directors and supervisors with the necessary information to perform their duties, assisting directors and supervisors complying with laws and regulations, handling matters related to the holding of board and shareholder meetings according to law, and preparing minutes for board and shareholder meetings, etc.)?		√		<p>The board of directors appointed the financial and accounting supervisor of the Company as the director of corporate governance, and set up the corporate governance team under the Corporate Sustainability Committee to promote corporate governance related matters, which are supervised by the general manager, including handling the relevant matters of the board of directors and shareholders' meetings in accordance with the law, making the proceedings of the board of directors and shareholders' meetings, handling the Company registration and change registration, and arranging the directors' training courses. Please refer to attachment 2 for the training of corporate governance supervisor in 2022.</p> <p>The Company has established "Standard Operating Procedure for Handling Directors' Requests" to assist directors in complying with laws and responding to directors' questions.</p>	None
Does the Company establish communication channels with stakeholders (including but not limited to shareholders, employees, customers, suppliers, etc.), set aside a stakeholder area on the Company's website, and properly respond to the issues concerning corporate social responsibility in which the stakeholders may have a stake?		√		<p>The Company has set aside a stakeholder area on the website, and, according to the type of stakeholders (employees, customers, suppliers, investors, government and society, etc.), disclosed and listed the communication channels and the issues concerning the performance of corporate social responsibility.</p>	None
Does the Company appoint a professional stock affair agency to handle the matters related to the holding of the shareholders meeting?		√		<p>The Company has appointed a professional stock affair agency - the stock agency department of President Securities Corporation, to handle the matters related to the stocks and holding of the shareholders meeting.</p>	None
Information disclosure	Does the Company set up a website to disclose information about financial business and corporate governance?	√		<p>The company has disclosed information about financial business and corporate governance on the Company's website (https://www.gpmcorp.com.tw/index.php).</p>	None

Evaluation Item		Implementation Status			Reasons for the Deviations from “Corporate Governance Best Practice Principles for TWSE/TPE x Listed Companies”
		Yes	No	Brief Description	
	Does the Company adopt other approaches to disclosing information (e.g. setting up an English website, designating a person dedicated to the collection and disclosure of the Company's information, implementing a spokesperson system, publishing the proceedings of investor conferences on the Company's website, etc.)?	√		<p>1. Disclosure of financial information On the website, the Company has set aside a stakeholder area (https://www.gpmcorp.com.tw/investors_finance.php) on which the Company's financial information in Chinese, English, and Japanese is regularly updated for investors' reference.</p> <p>2. Disclosure of business information The web pages of the company profile, product introduction, and core competency provide the public with up-to-date information about the products, operations, and activities in Chinese and English.</p> <p>3. Disclosure of corporate governance The Company has disclosed important internal regulations, such as the organization and operation of internal audits, the Articles of Association, the procedures for acquiring/disposing of assets, the operating procedure for endorsement and fund lending, and the organic rules of the Audit Committee and Remuneration Committee on the website, implemented a spokesperson system, and designated a person responsible for collection and disclosure of the information and the announcement of the disclosure in accordance with the regulations.</p>	None

Evaluation Item		Implementation Status			Reasons for the Deviations from “Corporate Governance Best Practice Principles for TWSE/TPE x Listed Companies”
		Yes	No	Brief Description	
	Does the Company announce and report the annual financial statements within two months of the end of the fiscal year, and announce and report the first, second, and third-quarter financial statements and the monthly operating results ahead of time and within the specified time limit.	√		The Company announced and declared its annual financial report for 2022 on February 22, 2023, and declared its quarterly financial report and operating situation before the prescribed deadline. For disclosure of the foregoing information, please refer to the Public Information Observatory.	None

<p>Does the Company provide other important information to facilitate the understanding of the corporate governance (including but not limited to employee rights, employee welfare, investor and supplier relations, stakeholder rights, retraining courses for directors and supervisors, the implementation of risk management and customer policies, and risk measurement standards, the purchase of liability insurance for directors and supervisors, etc.)?</p>	<p>√</p>	<p><u>Employee rights and employee welfare</u> The Company pays great attention to the rights and interests of employees and their future development. It has established various welfare plans and the employee welfare committee, with various welfare measures for employees. The Company has also established an "Education and Training Quality Manual" to provide employees with various skills training, and pays attention to employee communication and life balance, and handle a variety of physical and mental activities. Refer to the "Life and Career" and "Corporate Sustainability-Friendly Workplace" zone on our website: https://www.gpmcorp.com.tw/index.php</p> <p><u>Investor relationship</u> Refer to the "Investor Zone" on our website.</p> <p><u>Supplier relationship</u> The Company has established the "Supplier Management Procedure" and "Contractor Management Measure" to restrict the business behavior of suppliers and the Company, avoiding damage to the reputations and interests of both parties. Non-Disclosure Agreements (NDA) are signed to protect the rights and obligations of both parties. And propagandize the sustainable concepts and goals of GPM in four aspects: The quality improvement, cost reduction, delivery assurance, and sustainable performance. The Company regularly holds agreement organization meetings for contractors, conducts two-way communication and coordination, and signs a "Contractor's Safety, Health and Environmental Protection Commitment" with the contractors to ensure and specify the contractor's construction safety at the client and factory sites. Refer to the "Corporate Sustainability - Sustainable Supply Chain" zone on our website.</p> <p><u>Rights of stakeholders</u> The Company provides various communication channels for various stakeholders, regularly discusses the feedback and improvement of stakeholders internally, and has established a "Contract Review Procedure" to protect the Company's interests and take into account the rationality of the contracts; and will also report to the Board of Directors on the results of communication with various stakeholders. Refer to "Corporate Sustainability - Stakeholders Zone" on our website.</p> <p><u>Directors' training</u> The directors of the Company continue to study in accordance with the "Measure Driving the Training for Directors and Supervisors of Listed OTC Companies". The training status is announced on the Open Information Observatory Station and disclosed in Attachment 1.</p> <p><u>Implementation of risk management policies and risk measurement standard</u> Refer to page 119 of this Annual Report.</p> <p><u>Implementation of Customer Policy</u> The Company usually maintains close contact with customers, and builds a professional customer service team and perfect sales service system to provide full-scale and high-quality services to help customers improve their competitiveness and create higher added value.</p> <p><u>Purchase of liability insurance for directors</u> The Company has bought the directors, supervisors and managers liability insurance for all directors to reduce and disperse the risk of serious damage to the Company and shareholders caused by the wrong or negligent behavior made from the directors, and has announced it on the Open Information Observatory Station. The respective insurance was reported to the Board of Directors on February 22, 2023.</p>	<p>None</p>
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Evaluation Item	Implementation Status			Reasons for the Deviations from “Corporate Governance Best Practice Principles for TWSE/TPE x Listed Companies”
	Yes	No	Brief Description	

Based on the results of the most recent corporate governance evaluation conducted by the Corporate Governance Center, Taiwan Stock Exchange Co., Ltd, please describe the improvement has been made and the priority of and the measures for items to be improved.

In the seventh governance evaluation, the Company was evaluated as the top 20% of the entries by the Corporate Governance Center, Taiwan Stock Exchange Co., Ltd.

The Company sticks to the concept of sustainable operation, and, in order to develop a sustainable business, build a long-term partnership with customers and social communities, and fulfills the corporate citizenship responsibilities, an Enterprise Sustainability Committee is set up in 2016 to take the responsibilities and attain ethical corporate management. The implementation and results would be reported to the Board of Directors every year.

For the results of corporate governance evaluation, the intended corrections and measures for items to be improved are described as below:

- The Company will record the votes, objections and abstentions of each motion in the Hansard and enter the results into the designated Internet information reporting system on the date of the general meeting of shareholders.
- The Company has established the procedures for appointment/removal, performance evaluation and review of remuneration of internal auditors, and disclosed them on the Company's website.
- The Company shall disclose the interim financial report in English within two months after the deadline for filing the Chinese interim financial report.
- The financial report of the Company shall be approved by the board of directors 7 days before the date of announcement, and the financial report shall be released within 1 day after the date of adoption.

Attachment 1: Training Record of Directors and Independent Directors in 2022

Title	Name	Date of Training	Organized by	Name of Course	Training Hours	Total Training Hours in 2022
Chairman	Jason Chen	2022.05.23	Taiwan Investor Relations Institute	Development trend of ESG carbon reduction and digital responding strategy	3	12
		2022.06.28	Taiwan Institute of Directors	The 2022 Annual Meeting of the Board of Directors - Explore the Next-Generation Core Competitive Force in a Changing Era	3	
		2022.09.16	Taiwan Corporate Governance Association	Seminar on Financial Misrepresentation and Director Liability	3	
		2022.12.02	Taiwan Institute of Directors	The key to sustainability of family business in post-epidemic era	3	
Vice Chairman	Frank Lian	2022.10.05	Taiwan Corporate Governance Association	The Only Approach to Sustainable Management of Enterprises - External Innovation	3	6
		2022.11.15	Taiwan Corporate Governance Association	Competition for management rights and analysis on prevention strategy	3	
Director	Hsu, Hung-Ming	2022.08.23	Taiwan Corporate Governance Association	Analysis of corporate financial information and application of decisions	3	6
		2022.10.21	Taiwan Corporate Governance Association	How do the directors/supervisor monitor and supervise the risk management and internal control of the Company	3	

Director Representative of the Corporation	Ronald H. Chen	2022.08.25	Taipei Exchange	Insider equity advocacy meeting for IPO Companies	3	6
		2022.12.09	Accounting Research and Development Foundation	Related legal responsibility and case analysis for management right competition	3	
Independent Director	Chia-chin Tong	2022.07.14	Accounting Research and Development Foundation	Practices for compliance with "information security" and "privacy protection" laws to prevent fraud	3	6
		2022.07.15	Accounting Research and Development Foundation	ESG information disclosure trend and related specifications	3	
Independent Director	Lo, Wei	2022.01.17	Accounting Research and Development Foundation	The supervision of "actual audit of financial statement" and relevant laws and regulations and common deficiencies in enterprises	6	24
		2022.01.18	Accounting Research and Development Foundation	Common dispute types and internal control management practices in "execution of commercial contract" in enterprises	6	
		2022.01.24	Accounting Research and Development Foundation	Related legal responsibility and case analysis for management right competition	3	
		2022.01.25	Accounting Research and Development Foundation	Common deficiencies in enterprise internal control management and analysis of practical cases	6	
		2022.03.08	Accounting Research and Development Foundation	Use ESG to improve enterprise strategy capability	3	
Independent Director	Chen, Yi-Mei	2022.12.02	Taiwan Corporate Governance Association	Position and change of director function under ESG trend	3	6
		2022.12.13	Taiwan Corporate Governance Association	Trends and Risk Management in Digital Technology and Artificial Intelligence	3	

Attachment 2: Training Record of Chief Corporate Governance in 2022

Title	Name	Date of Training	Organized by	Name of Course	Training Hours	Total Training Hours in 2022
Chief Corporate Governance	Chia-Ju Tseng	2022.08.25	Taipei Exchange	Insider equity advocacy meeting for IPO Companies	3	18
		2022.08.30	Securities and Futures Institute	Practice Seminar for Directors and Supervisors (including Independent) and Corporate Governance Executives - Taipei Seminar	12	
		2022.11.22	Securities and Futures Institute	The practice advancement Seminar for Directors and Supervisors (including Independent) and Corporate Governance Executives - How to Enhance the credibility of Corporate Sustainability Reports	3	

4.4 Operation of the Company's Remuneration Committee

4.4.1 Information Regarding Compensation Committee Members

March 31, 2023

Title/Name		Criteria	Professional Qualification and Experience	Independent Directors' Independence Status	Number of Other Taiwanese Public Companies Concurrently Serving as a Compensation Committee Member
Independent directors	Chia-chin Tong (Chair)		GPM's Compensation Committee is comprised of all three independent directors. For members professional qualification and experience, please refer to "Information Regarding Board Members" on page 15-19 of this Annual Report.	All the Compensation Committee members meet any of the following situations: 1. Satisfy the requirements of Article 14-6 of "Securities and Exchange Act" and the requirements of "Regulations Governing the Appointment and Exercise of Powers by the Compensation Committee of a Company Whose Stock is Listed on the Taiwan Stock Exchange or the Taipei Exchange" issued by Taiwan's Securities and Futures Bureau 2. Independent Director (or nominee arrangement) as well as his/her spouse and minor children do not hold any GPM shares 3. Received no compensation or benefits for providing commercial, legal, financial, accounting services or consultation to the Company or to any its affiliates within the preceding two years, and the service provided is either an "audit service" or a "non-audit service"	1
Independent directors	Chen, Yi-Mei				0
Independent directors	Lo, Wei				0

4.4.2 Remuneration Committee Meeting Status

The tenure of the Company's 3rd remuneration committee is from June 17, 2020 to June 16, 2023. The convener, Mr. Chia-chin Tong held Sixth sessions in 2022 and the attendance of members is shown in the following table:

Title	Name	Attendance in Person	By Proxy	Attendance Rate in Person (%)	Notes
Independent Director	Chia-chin Tong	5	1	83%	
Independent Director	Chen, Yi-Mei	6	0	100%	
Independent Director	Lo, Wei	6	0	100%	

- (1) In cases the Board doesn't adopt or revise Remuneration Committee's proposals, the Company shall list date/number of the Board meeting, agenda, the Board's resolution and the Company's response to Remuneration Committee's proposal: None.
- (2) In cases Remuneration Committee members have dissenting opinions or qualified opinions against the resolution and recorded with notes in paper, the Company shall list date, number of the Remuneration Committee meeting, agenda, all members' opinion and the follow-up of the members' opinion: None.

Attachment 1: Remuneration Committee's Resolutions on Major Proposals and Action Taken by GPM in Response to the Remuneration Committee's Resolutions

The date of remuneration committee Meeting	Proposals and Follow-up Actions
The 6 th time of the 4 th session	1. Submit the proposal of 2021 year-end bonus distribution plan for the Company managers.
	Resolution Result: Passed without objection, except those members and senior managers who did not participate in the discussion and voting according to law.
	The company's handling of the opinions of the remuneration committee; After being submitted to the board of directors for discussion, it was approved by all the directors present.
The 7 th time of the 4 th session	1. Employees' remuneration and directors' remuneration of the Company in 2021 are submitted for deliberation.
	2. To request the review on the application of Mr. Wang Tucheng (manager) for pension.
	Resolution Result: After the chairman consulted all the members present, it was passed without objection.
	The company's handling of the opinions of the remuneration committee; After being submitted to the board of directors for discussion, it was approved by all the directors present.
The 8 th time of the 4 th session	1. Submitted to review the distribution of directors' remuneration and managers' remuneration of the Company in 2021.
	2. To request the review on the Company's adjustment to manager' salary in 2022.
	Resolution Result: Case 1 were passed without objection after the chairman consulted all the members present Cases 2 were passed without objection, except those members and senior managers who did not participate in the discussion and voting according to law.
	The company's handling of the opinions of the remuneration committee; After being submitted to the board of directors for discussion, it was approved by all the directors present.
The 9 th time of the 4 th session	1. To request for adopting transfer of the subsidiary's 2022 treasury shares to managers of the Company.
	Resolution Result: Passed without objection, except those members and senior managers who did not participate in the discussion and voting according to law.
	The company's handling of the opinions of the remuneration committee; After being submitted to the board of directors for discussion, it was approved by all the directors present.
The 10 th time of the 4 th session	1. Proposal of approving to transfer the Company's 2022 treasury stocks to the managers.
	Resolution Result: Passed without objection, except those members and senior managers who did not participate in the discussion and voting according to law.
	The company's handling of the opinions of the remuneration committee; After being submitted to the board of directors for discussion, it was approved by all the directors present.
The 11 th time of the 4 th session	1. Submit the proposal of 2022 year-end bonus distribution plan for the Company managers.
	2. Pass the salary adjustment case of the company manager.
	Resolution Result: Passed without objection, except those members and senior managers who did not participate in the discussion and voting according to law. The company's handling of the opinions of the remuneration committee; After being submitted to the board of directors for discussion, it was approved by all the directors present.

4.5 Sustainable Development Implementation Status as Required by the Taiwan Financial Supervisory Commission :

Assessment Item	Implementation Status			Non-implementation and Its Reason(s)
	Yes	No	Summary	
Does the Company have a governance structure for sustainability development and a dedicated (or ad-hoc) sustainable development organization with Board of Directors authorization for senior management, which is reviewed by the Board of Directors?	√		<p>The Company has set up the "Corporate Sustainability Committee" as a full-time unit to promote corporate sustainability, which is subordinate to the Chairman's Office, reports the implementation situation and results to the Board of Directors once a year, and reviews them, and has been reported by the Board of Directors on December 21 in 2022.</p> <p>In 2022, the Corporate Sustainability Committee was reorganized, and the Corporate Governance Committee, Risk Management Committee, Environmental Sustainability Committee, Sustainable Supply Chain Committee and Social Inclusion Committee were set up under the corporate governance committee, and the responsibilities of the Integrity Management Committee were incorporated into the Corporate Governance Committee and the Information Security Committee was incorporated into the Risk Management Committee.</p> <p>The main project in 2022 is the Sustainability Report Mentoring Program, which will be coached with accountants in October and prepare a sustainability report based on the GRI Standards, which is expected to be published in June 2023.</p> <p>For information on the Corporate Sustainability Committee, refer to the "Corporate Sustainability - Sustainability Management" zone of the Company's website.</p>	None
Does the Company follow materiality principle to conduct risk assessment for environmental, social and corporate governance topics related to company operation, and establish risk management related policy or strategy?	√		<p>The company has set up a "Corporate sustainability Committee" as a full-time unit to promote corporate sustainability, and its risk assessment boundary covers GPM Bamboo Factory and Zhongko Factory. In 2022, we will launch a mentoring program for sustainable reports and select nine major topics based on the principle of significance, including corporate governance, energy management and labor relations. In addition, risk assessment is carried out for each major subject, and improvement measures are proposed.</p>	None

Assessment Item		Implementation Status			Non-implementation and Its Reason(s)
		Yes	No	Summary	
Environmental Topic	Does the company establish an appropriate environmental management system according to its industrial characteristics?	√		Implement green supply chain management, improve energy efficiency, and reduce the harm to the environment during operation. Wastewater generated from the process is properly treated by wastewater treatment facilities, which meets the discharge water standard. The Company takes "waste reduction and resource recovery" as its goal, and the packaging materials used take resource recovery as the priority treatment method, so as to improve the efficiency of waste management and reduce the environmental impact caused by waste treatment. The rest wastes are incinerated in consideration of their nature, and they are cleared and disposed of or recycled by qualified manufacturers. For manufacturers of general wastes, the compliance of laws and regulations shall be audited when signing contracts or as appropriate.	None
Environmental Topic	Does the Company commit to improving the utilization efficiency of various resources and using recyclable materials with low impact on the environment?	√		When designing, the Company chose smaller power transmission components to lighten the machine and high-efficiency power supply components (e.g. converter) to save energy; the cooling water source configuration is adopted for the water circulation system, the designing of shared filters for multiple machines can incorporate one manufacturing process with another and reuse the water resource by repouring the water filtered by the cleaner back to the system, and in turn to save up to 60% of water.	None

Assessment Item		Implementation Status			Non-implementation and Its Reason(s)
		Yes	No	Summary	
Environmental Topic	Does the company assess the potential risks and possibility of climate change and its impact on the Company now and in the future, and take corresponding measures to address the said issues?	√		<p>As the issue of extreme weather emerges, the issue of greenhouse gases is getting more and more attention, and it is also the issue that mankind must work together to reduce. In order to avoid the risk of entering into extreme climate, the Company had accepted the guidance for greenhouse gas inventory under ISO14064-1: 2018 since 2021, and officially introduced greenhouse gas inventory in 2022, set up low-carbon emission policies to achieve carbon neutrality first, aiming at net zero emissions ultimately. The Company passed the external examination for greenhouse gas inventory in 2022. Please refer to the "Corporate Sustainability - Environmental Sustainability" section on our website.</p> <p>In response to the impact of climate change, the Company implements green supply chain management to improve energy efficiency and reduces environmental damage during operations, and actively drives greening works inside and outside the plant. The Company is dedicated to the effective use of chemicals, hydropower resources consumed in the process. The wastewater generated in the process is properly treated by wastewater treatment facilities, which meet the effluent standards. The generated waste is legally discharged after being treated by complete pollution prevention and control equipment.</p>	None

Environmental Topic	Does the Company collect data for greenhouse gas emissions, water usage and waste quantity in the past two years, and set greenhouse gas emissions reduction, water usage reduction and other waste management policies?	√	<p>In the face of climate change, the Company has accepted the guidance for greenhouse gas inventory under ISO14064-1: 2018 since 2021, and officially introduced into ISO14064-1:2018 in 2022 and passed the external examination for greenhouse gas inventory in 2022, and will conduct greenhouse gas inventory annually, and make review and improvement based on the inventory results. The greenhouse gas s covered by the inventory include carbon dioxide (CO2), methane (CH4), nitrous oxide (N2O), nitrogen trifluoride (NF3), sulfur hexafluoride (SF6), hydrofluorocarbons (HFCs) and perfluorocarbons (PFCs). The inventory falls under Categories I, II and III, and the base year is 2021. In addition, the Company has set up energy-saving efficiency improvement programs, such as: lighting management, energy management, water resources management and waste management, monthly reviews electricity and water consumption and implements improvement measures, and publishes the water consumption, electricity consumption and waste volume in the recent three years on the official website. Please refer to "Annual Report - V. Operations Overview - (V) Information on Labor Relations - Corporate Sustainability in Performance "and "Corporate Sustainability - Environmental Sustainability" on the company website.</p> <p><u>Carbon reduction program</u></p> <p>In respect of energy saving and carbon reduction management, the Company is committed to use of power-efficient lamps to reduce the consumption of fossil fuels.</p> <ul style="list-style-type: none"> • In 2022, the total quantity of electricity purchased was 2,719,890 kWh, and the CO2 emission was 1,384,424 kg. • The electricity consumption in 2022 declines by 40,822 kWh compared with 2021. • In 2022, about 10,375 yuan was invested to replace T8 tubes with LED tubes, which reduced 2,704 KWH of electricity consumption and 1,376kg of CO2 emission. <p><u>Waste control</u></p> <p>The Company takes "waste reduction and resource recovery" as the management goal, and puts priority to waste recycling to improve the management efficiency of waste and reduce the impact of waste treatment on the environment. The amount of waste produced in 2022 was 0.48 tons fewer than that in 2021. The Company discloses the information on implementation and handling of waste control on the official website.</p>	
Social Topic	Does the Company formulate relevant management policies and	√	The Company does comply with relevant labor laws and regulations and observe the internationally recognized principles of basic	None

Assessment Item		Implementation Status			Non-implementation and Its Reason(s)
		Yes	No	Summary	
	procedures in accordance with applicable regulations and the "International Bill of Human Rights"?			labor and human rights, protects the legitimate rights and interests of employees and implements fair and non-discriminatory employment policy, and has developed appropriate management system for supervision and management. Starting from April 2022, 55 hours of human rights policy advocacy has been conducted during monthly training sessions for new recruits, so that colleagues are aware of their human rights and interests. Please refer to the "Human Rights Management" section on our website: https://www.gpmcorp.com.tw/enterprise_human_rights.php	
Social Topic	Does the Company formulate and implement reasonable employee welfare measures (including remuneration, vacation, and other benefits), and appropriately reflect the operating performance or results in the employee's remuneration?	√		Pursuant to Article 30 of the Articles of Association of the Company, the Company shall distribute employee remuneration within a range between 1% and 12% of the annual profit, formulate a competitive salary and compensation policy, and give priority to a human resources strategy of retaining talents. The Company conducts the industry salary survey once a year to formulate a reasonable and competitive salary system as well as varies the distributed amount based on the employee's operating performance and actual contribution. The Company also provide the employee incentives, such as innovation research bonus, proposal improvement bonus, outstanding team performance bonus, and outstanding employee bonus to arouse the employees' enthusiasm for work and teamwork and share the fruits of hard work with every member. Furthermore, a reward and punishment system is established to impose the punishment according to the seriousness of the violation. The Company purchases the employees the labor and health insurance, life insurance, accident insurance and disease, cancer, and disability insurance, and provides a retirement pension. Refer to "Information on Employer-Labor Relations - Employee welfare measures" on page 97 of this annual report	None

Assessment Item		Implementation Status			Non-implementation and Its Reason(s)
		Yes	No	Summary	
Social Topic	Does the Company create a safe and healthy working environment for employees, and regularly provide safety and health education courses for the staff?	√		The Company provides a comfortable and safe workplace that complies with the Occupational Safety and Health Act, and introduced the ISO 45001 occupational safety and health management system to conduct regular assessment of hazard factors and make continuous improvement to reduce environmental risks. Meanwhile, the Company handles occupational safety and health education and training and health promotion activity. Refer to "Information on Employer-Labor Relations - Employee work safety and health" on page 100 of this annual report and the "Corporate Sustainability - Friendly Workplace - Occupational Safety and Health" zone of the Company's website.	None
Social Topic	Does the Company establish effective career development training programs for employees?	√		The Company has created a good environment for facilitating the career development of employees and established effective career development training programs. For the implementation of the education and training, please refer to page 98 of this annual report	None
Social Topic	When providing products and services, does the company pay attention to customers' health, safety, and privacy, conduct the marketing and labeling in accordance with relevant regulations and international standards, and formulate policies and grievance procedures to protect consumers' rights?	√		The Company conducts the marketing and labeling in accordance with relevant regulations and international standards without any deceptive, misleading, fraudulent, or other behavior that may undermine customers' trust or damage customers' rights and interests. For many years, Gallant sticks to our quality policy - "Quality First, Customer Foremost, Keep Improving and Creating Value" to build a professional customer service team and a comprehensive sales and service system. To provide quality services, we have set up a 24 hours hotline - 0800-387-387 and disclosed the dedicated mailboxes of the business center and customer service center on the website, through the said channels, the complaint about the products and services can be appropriately and explicitly addressed. The personal data provided by customers will be handled in accordance with the Company's "Measures for Personal Data Management" and applicable regulations to protect customers' privacy.	None

Assessment Item		Implementation Status			Non-implementation and Its Reason(s)
		Yes	No	Summary	
Social Topic	When providing products and services, does the company pay attention to customers' health, safety, and privacy, conduct the marketing and labeling in accordance with relevant regulations and international standards, and formulate policies and grievance procedures to protect consumers' rights?	√		The Company is responsible for our products and services. We pay much attention to marketing ethics and does not engage in any form of unfair business activities. Through the stages of research and development, procurement, production, operation, and service, the transparency and safety of information about products and services are always kept in our mind. In order to prevent consumers' rights from being damaged by the products or services and help customers to enhance competitiveness and increase the added value, the Company has formulated and disclosed the customer right policy, and implement it in the daily operation.	None
Social Topic	Does the Company formulate and implement supplier management policies, by which the suppliers are required to follow relevant regulations on environmental protection, occupational safety and health or labor human rights?	√		The Company has established a supplier evaluation system based on the "Procedures for Supplier Management" to dispatch an evaluation team to conduct on-site inspections and evaluations. Through the "Supplier On-site Evaluation Form", the information about supplier's production capacity, quality system, R&D capabilities, etc is obtained. During the annual supply chain conference, in addition to conveying the sustainability philosophy and goals of Gallant Precision Machining Co., Ltd, we also express our admiration for outstanding suppliers in four aspects (quality improvement, cost reduction, reliable delivery, and sustainable performance). In addition to the transaction status and product quality, the reputation of the supplier (for environmental protection, safety, and health, etc) is also incorporated in the evaluation items and taken into consideration when ranking and scoring. If the Company finds that the supplier violated the corporate social responsibility policy and the violation has a significant impact on the environment and society during the actual evaluation, the business transactions will be suspended or terminated. The company also actively helps suppliers to improve and enhance product quality and promulgate our philosophy of green procurement and environmental protection.	None

Assessment Item		Implementation Status			Non-implementation and Its Reason(s)
		Yes	No	Summary	
		√		According to the "Procedures for Supplier Management", a confidentiality agreement must be signed between the supplier and the Company for the cooperation to define the rights and obligations of both parties. The Company reserved the right to take legal action for possible infringement. The Company's suppliers are required to sign the "Social Responsibility, Probity and Integrity Commitment". If the supplier violates the commitment and the violation has a significant adverse impact on the environment and society, the Company may terminate or cancel the contract at its sole discretion.	
?Does the Company refer to international reporting rules or guidelines to publish Sustainability Report to disclose non-financial information of the Company? Has the said Report acquire third party verification or statement of assurance?		√		Since October 2022, the Company has been working with accounting institutions on the guidance plan of the sustainability report, and the report is prepared based on GRI criteria, and is expected to be published in June 2023. GPM is committed to making corporate information more transparent, so we plan to annually compile a complete sustainability report schedule verified by third party.	None
If the Company has established its sustainable development code of practice according to "Listed Companies Sustainable Development Code of Practice," please describe the operational status and differences. The Company has established a "Standards for Corporate Social Responsibility", and there is no significant deviation from the "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies". It is available on the Company's website or Market Observation Post System. For the performance of corporate social responsibilities, please refer to this annual report or Company's website.					

Other important information to facilitate better understanding of the Company's implementation of sustainable development:

(1) Environmental Sustainability

- The general domestic water equipment in the plants adopts water-saving appliances to reduce the waste of water resources, and the lighting devices in the plants are replaced to power-saving type to reduce CO2 emissions.
- Replace T8 fluorescent tubes with LED tubes: Totally 65 tubes were replaced, reducing electricity consumption by 2,704 kWh throughout the year and reducing CO2 emissions by 1,376 kg.
- Continue to promote office greening and green plant coverage in each factory area.

(2) Social co-prosperity

- Care for public welfare
 - * Totally 4 schools are sponsored: Including Taoshan Elementary School, Huayuan Elementary School, Wufeng Junior High School and Jianshi Junior High School. Student who meets the standard in elementary school will receive a subsidy of NT\$ 600 each, and student who meets the standard in the junior high school will receive a subsidy of NT\$ 1,000 each. There are 234 students in total under the subsidy; the greatest progress has been made. However, there were 24 students who did not meet the standard of progress in the semester, with a total of NT\$ 209,600 subsidy received.
 - * Held the activity of "Donating Invoices to Help the Public Welfare" and donated all the invoices to the "Creation Foundation" to take care of vegetative people.
 - * Donated to the "Love Without Borders Caring Association", joined the "Ailin New Seed Sponsorship Program" to support the education project for poor children in Burkina, West Africa, and cared for disadvantaged children, adopted two children, and spent NT\$ 36,000 in total.
 - * Sponsored the "ESG Global Citizenship Digital Governance Foundation", assisted listed companies in the incubation and training of directors, and provided propaganda for ESG, climate change, international planning concepts and activities, in the perspective of enhancing the concept of ESG in various companies; and spent NT\$ 200,000 in total.
 - * Purchasing books by Professor Chen Chunshan from the ESG Foundation for Digital Governance for the World at \$42,000, which will be used for the sustainable promotion of the ESG Foundation for Digital Governance.
- Incubation platform
 - * Sponsored the "Zhongping Junior Baseball Team" to drive character baseball, incubate young talents in Taiwan's baseball world; carry out a five-year long-term sponsorship plan with an annual sponsorship of NT\$ 20,000.
 - * Contributing NT \$20,000 to "Xiangshan Chinese Rugby Team" to cultivate Taiwan's new players.
 - * In cooperation with Jianshi Township School, a local art exhibition was organized in GPM Chinese Science Factory, named Houshanjian Ruopanshi Art Exhibition. Each painting creation student was offered NT \$1,000 yuan, with a total investment of NT \$19,000
- Industry-Academic Cooperation
 - * In order to encourage top professors in Taiwan to continue their academic advancement, the Company donated the "Academic Advancement Award" to the College of Engineering of Taiwan University, which also established a link between faculty and enterprise research and development, making donations totaling NT \$300,000.
 - * In order to reward students of Engineering College of Taiwan University for continuous learning and cultivate good learning attitude, we plan to join this program, implement the integration of industry and learning, and fulfill the enterprise sustainability, with a total investment of NT \$20,000.
 - * Joined the GOLF Learning and Use Integration Alliance, initiated the driving of practical training through the cloud learning platform, and promoted students to integrate with the industry early through industry-university cooperation via online professional course prerequisites and offline corporate internship visits; a total of NT\$ 50,000 was spent.
 - * Sponsored the work of 2022 thematic practice competition in Chung Yuan University, with a total spending of NT\$ 20,000.
 - * Providing internship opportunities for students in school, using the characteristics and abilities of young people to increase the vitality and creativity of the organization; meanwhile, supplementing the human resources of enterprises in the short term to explore future talents, total of 25 people a total of NT\$ 1,243,292 was spent.
 - * College visits: Due to pandemic prevention, only one session was held to provide a detailed introduction of equipment to help students and enterprises understand the equipment industry, arrange production line supervisors to take students to visit the on-site working environment, and promote industry-university cooperation.
 - * To encourage domestic college students to invest in the cross-field design and practical implementation of intelligent automation, and to inherit the spirit of the original Ministry of Education's incubation program on industrial state-of-the-art equipment and talents, the Company hosted the Intelligent Automation Creation Award to assist college youths in the field of smart manufacturing, to incubate outstanding smart manufacturing talents and design energy for the country and enhance industrial competitiveness, with a total spending of NT\$ 1,229,825.

(3) Accolades

- Ranked the 11th in Little Giant Group for World Magazine's Enterprise Sustainable Citizen Award
- Selected as outstanding institution by Central Science Park Administration for promoting occupational safety and

Assessment Item	Implementation Status			Non-implementation and Its Reason(s)
	Yes	No	Summary	
<p>health in 2022</p> <ul style="list-style-type: none"> Ranked the second in 2022 Taichung City Health Racing Walk Competition for Bodies with more than 100 Employees held by Taichung Municipal Government Health Bureau Won the National Health Service Award for 2022 Outstanding Performance with Healthy Workplace Won the award of Central Science Park Administration for "promoting equality in the workplace" 				

4.6 Taiwan Corporate Conduct and Ethics Implementation as Required by the Taiwan Financial Supervisory Commission :

Evaluation Item		Implementation Status			Reasons for the Deviations from "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies"
		Yes	No	Brief Description	
Formulating policies and plans for ethical management	Does the Company formulate an ethical corporate management policy approved by the Board of Directors, and specify the policies and practices of ethical management and the Board of Directors and top executives' commitment to actively implement the policies in the regulations and external documents?	√		The Company established the "Rules for Ethical Corporate Management" and "Code of Conduct" to incorporate the provisions must be followed by the Company and employee on December 17, 2014 and carried out the promotion activities from time to time. For the year 2022, the implementation of the rules and provisions were reported to the Board of Directors on December 21, 2022 and disclosed on the Company's website.	None
	Does the Company establish a risk assessment mechanism for dishonesty, regularly analyze and evaluate the activities with a higher risk of dishonesty within the business scope, and, based on results, formulate a plan to prevent the dishonesty, and at least incorporate the precautionary measures against the items set out in paragraph 2, Article 7 of the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies" in the plan?	√		The "Rules for Ethical Corporate Management" of the Company specifies the precautionary measures for dishonesty, such as providing illegal political contributions, offering or accepting inappropriate gifts, services, and other improper benefits, and infringing business secrets and intellectual property rights. Employees are required to sign a "Non-Disclosure and Digital Data Authorizing Agreement" to prevent business secrets. In addition to the "Rules of Ethical Corporate Management", the Company also formulate the "Procedures for Acquisition or Disposal of Assets", "Procedures for Endorsement and Guarantee", "Procedures for Loan to the Third Party", "Procedures for Related Person Transaction", etc...	None

Evaluation Item		Implementation Status		Reasons for the Deviations from “Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies”	
		Yes	No		
	Does the company formulate and implement a dishonesty prevention plan, indicate the operating procedures, guidelines, disciplinary measures, and grievance procedures, and regularly review and revise the said plan?	√		The company has formulated a "Regulations for Reporting and Handling Illegal, Unethical or Dishonest Behavior" and regularly reports to the Board of Directors on the implementation every year.. For the year 2022, the implementation of the rules and provisions were reported to the Board of Directors on December 21, 2022 and disclosed on the Company's website.	None
Implementing ethical management	Does the company assess the history of the ethical conduct of the counterparty and incorporate the terms of ethical conduct in the contract with the counterparty?	√		The Company sticks to the commitment to fairness and transparency when engaging in business activities. Before entering into a partnership, we will carefully investigate the counterparty to avoid cooperating with a company engaging in dishonest activities. When entering into a commercial contract with the counterparty, the terms and conditions will be reviewed by the legal unit to avoid cooperating with a company engaging in dishonest activities. For the course for employees on ethical management, please refer to page 58 of this annual report. The Company's suppliers are required to sign the "Social Responsibility, Probity and Integrity Commitment". If the supplier violates its commitment of ethical conduct, it will be subject to a penalty for the bribery and improper benefit, and, in this case, the Company has the right to terminate, suspend or cancel the transaction at its sole discretion.	None
	Does the Company set up a unit subordinate to the Board of Directors and dedicated to facilitating and monitoring the implementation of ethical management, and the unit is required to report to the Board of Directors regularly (at least once a year) on the implementation of ethical management policy and dishonesty prevention plan?	√		The Company's Enterprise Sustainability Committee is responsible for the implementation of ethical management, and an audit office subordinate to the Board of Directors is established to detect the internal and external violations. Serious violations will be reported to the Board of Directors in accordance with relevant laws and procedures. The implementation will be reported to the Board of Directors once a year (during the fourth quarter). For the year 2022, the implementation was reported to the Board of Directors on December 21, 2022.	None
	Does the Company formulate and implement policies to prevent conflicts of interest and build accessible communication channels?	√		The internal regulations and employee code of conduct is disclosed on the Company's internal website, and the staff will be notified of any revision. Externally, a stakeholder area is set aside on the website of the Company (https://www.gpmcorp.com.tw/enterprise_stakeholder_contact.php).	None

Evaluation Item		Implementation Status		Reasons for the Deviations from "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies"
		Yes	No	
Implementing ethical management	Does the Company establish an effective accounting system and internal control system for the implementation of ethical management, and the internal audit unit formulates relevant audit plans based on the results of the risk assessment of dishonesty, and, according to the plans, carries out the audit of the compliance with the procedures or appoints an accountant to do so?	√		None
	Does the Company regularly carry out internal and external education and training on ethical management?	√		None
Implementation of the reporting system of the Company	Does the Company establish a specific reporting and reward system and accessible reporting channels, as well as assign appropriate personnel to investigate the alleged perpetrator?	√		None

Evaluation Item	Implementation Status			Reasons for the Deviations from "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies"
	Yes	No	Brief Description	
Does the Company establish the standard operating procedures for the investigation of alleged violations, the follow-up measures to be taken after the investigation, and the relevant confidentiality mechanism?	√		The Company has formulated the reporting procedures and provided a "complaint channel for violation of professional ethics" and an address on the Company's website for reporting the violations. The identity of the informer and content of the report will be treated as strictly confidential. The investigation results will be provided through E-mail.	None
Does the Company take measures to protect the informer from improper treatment or reprisal?	√		The Company is responsible for the confidentiality of the informer and has taken measures to informer from improper treatment or reprisal.	None
Enhance information disclosure Does the Company disclose the content of the "Rules of Ethical Corporate Management" and information about the implementation on the website and the web page of the Market Observation Post System?	√		The "Rules of Ethical Corporate Management" of the Company has been uploaded to the web page of the Market Observation Post System and disclosed on the Company's website https://www.gpmcorp.com.tw/enterprise_honesty.php	None
<p>If the Company has formulated its code of ethical corporate management based on the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies", please specify the implementation and its deviations from the official requirements:</p> <p>The Company acts in compliance with the domestic laws and regulations and requests the employees to comply with relevant internal regulations. The implementation of ethical management is grounded on the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies".</p> <p>Other important information that helps to understand the implementation of ethical management : (such as reviewing and revising the code of ethical management):</p> <ol style="list-style-type: none"> 1. The Company has established the "Procedures for Handling Internal Material Information Preventing Insider Trading" to stipulate that, a natural person designated as the proxy according to Article 27 of the Company Act to exercise the directors and managers' duties and other persons exposed to material information due to his/her identity, occupation or control relationship, shall be loyal and on good faith and trust, and exercise the due care of a good administrator when conducting the business operation as well as sign a non-disclosure agreement. Directors, managers, and employees exposed to the Company's internal material information shall not reveal any information to the third party. 2. The Company's certifying accounting firm is PricewaterhouseCoopers Taiwan. The accountant does not serve as a director of the Company and maintains both professional and independence, which is reviewed by the Audit Committee and the Board of Directors every year and supported by a "Declaration of Independence" presented by the accountant; the accountant is responsible for regularly auditing each major cycles and internal controls, and providing advice on the internal controls and accounting matters. 3. The Company's suppliers are required to sign the "Social Responsibility, Probity and Integrity Commitment" to specify its commitment concerning the working condition, morality and environment, such as anti-discrimination, prohibiting from hiring child labor, sticking to high moral standards, being prudent when handling the personal data of customers, protecting intellectual property rights, stating the metals used in the products or components are not banned by the procedures and standards for conflict minerals and waste management. If any violations, the supplier will be subject to a penalty for the bribery and improper benefit, and, in this case, the Company has the right to terminate, suspend or cancel the transaction at its sole discretion. 				

4.7 More detailed information on corporate governance guidelines and regulations:

The Company established GPM's "Corporate Governance Practice", please go to MOPS (<http://mops.twse.com.tw/mops/web/index>) or the Company's website (https://www.gpmcorp.com.tw/about_governance_regulations.php)

4.8 Other Important Corporate Governance Information

The Company established "Handling of Internal Material Information and Prevention of Insider Trading Management Procedure" as a reference for handling of material information and disclosure. Depending on situation, the above procedure is subject to review from time to time in matching current laws and management needs. This procedure is also available in the internal document management system for managers and employees.

4.9 Internal Control System Execution Status

4.9.1 Statement of Internal Control System

Gallant Precision Machining Co., Ltd.

Statement of Internal Control System

Date: February 22, 2023

Gallant Precision Machining Co., Ltd. has conducted internal audits in accordance with its Internal Control Regulations for the period ended December 31, 2022, and hereby declares the following:

1. The Company acknowledges and understands that the establishment, enforcement, and preservation of internal control systems are the responsibility of the Board and that the managers and the Company have already established such systems. The purpose is to reasonably ensure the effectiveness (including profitability, performance, and security of assets), the reliability, timeliness, transparency of financial reporting, and legal and regulation compliance.
2. Internal control systems have limitations, no matter how perfectly they are designed. As such, effective internal control systems may only reasonably ensure the achievement of the aforementioned goals. Further, the operation environment and situation may vary, and hence the effectiveness of the internal controls systems. The internal control systems of the Company feature certain self-monitoring mechanisms.
The company will take immediate corrective actions once any shortcomings are identified.
3. The Company judges the effectiveness of the internal control systems in design and enforcement according to the "Criteria for the Establishment of Internal Control Systems of Public Offering Companies" (hereinafter referred to as "the Criteria"). The Criteria is instituted for judging the effectiveness of the design and enforcement of internal control systems. There are five components for effective internal control as specified by the Criteria with which the procedures for effective internal controls are composed: (1) Control environment, (2) Risk evaluation, (3) Control operation, (4) Information and communication, and (5) Monitoring. Each of the elements in turn contains certain audit items, and the Criteria shall be referred to for details.
4. The Company has adopted the aforementioned internal control systems for an internal assessment of the effectiveness of internal control design and enforcement.
5. Based on the aforementioned audit findings, the Company holds that within the aforementioned period, its internal control procedures (including the procedures to monitor subsidiaries), effectiveness and efficiency of operations, reliability, timeliness, transparency of reporting, and compliance with relevant legal regulations, and design and enforcement of internal controls, are effective. The aforementioned goals can be achieved with reasonable assurance.
6. This statement of declaration shall form an integral part of the annual report and prospectus of the Company and shall be made public. If there is any fraud, concealment, or unlawful practices discovered in the content of the aforementioned information, the Company shall be liable to legal consequences under Article 20, 32, 171, and 174 of the Securities and Exchanges Act.
7. This statement of declaration has been approved by the Board on February 22, 2022 with all Directors in session under unanimous consent.

Gallant Precision Machining Co., Ltd.



Jason Chen
Chairman



Jason Chen
President

4.9.2 If CPA was Engaged to Conduct a Special Audit of Internal Control System, Provide Its Audit Report:None.

4.10 In the most recent year and up to the date of publication of the annual report, for the penalties imposed on the Company and its internal personnel for violating the laws, the penalties imposed by the Company on its internal personnel for non-compliance with the internal control program, to the extent that the penalty may have a significant impact on the equity of shareholders or the price of securities, the content, the items of major non-compliances and the improvements made for the non-compliance shall be specified.: None.

4.11 Major Resolutions of Shareholders' Meeting and Board Meetings

Meeting Title	Meeting Date	Important Resolutions and Implementation
Shareholders' Meeting	2022.06.08	<p>Important Resolution:</p> <ol style="list-style-type: none"> 1. Acknowledged the business report and financial statements in 2021. 2. Acknowledged the proposal for the distribution of 2021 earnings.. 3. Passed the amendment to Cash distribution from capital reserve. 4. Passed the amendment to the Procedures for Acquisition and Disposal of Assets. 5. Passed the amendment to the Articles of Incorporation. 6. Passed the amendment to Rules and Procedures of the Shareholders' Meeting. <p>Implementation:</p> <ol style="list-style-type: none"> 1. On June 8, 2022, the Board of Directors decided to set August 1, 2022 as the base date of ex-dividend. The cash dividend of surplus distribution (NT \$1.4 per share) and the cash distribution of capital reserve (NT \$0.1 per share) were paid to shareholders on August 12, 2022. The amount of distribution is not different from the resolution of shareholders at the general meeting. 2. The amendments to the Articles of Association of the Company was approved and registered in the letter No. 1110018773 of Hsinchu Science and Industry Park Administration of the Ministry of Science and Technology on June 15, 2022.

Name of meeting	Date of meeting	Important Resolutions
Board of Directors	2022.01.11	<ol style="list-style-type: none"> 1. Passed the 2021 year-end bonus distribution of managers of the Company.
Board of Directors	2022.03.16	<ol style="list-style-type: none"> 1. Passed the effectiveness assessment and declaration of internal control system of the Company in 2021. 2. Passed the submitted deliberation through the distribution of employees' remuneration and directors' remuneration in 2021. 3. Passed the 2021 annual financial report. 4. Passed the 2021 business report of the Company. 5. Passed the 2021 Annual Earnings Distribution Proposal. 6. Passed the Company's capital reserve cash distribution plan 7. Passed the amendment to Corporate Social Responsibility Code of Practice. 8. Passed the amendment to the Company's "Procedures for Disposal of Assets Obtained or Disposed" 9. Passed the amendment to the Articles of Association of the Company. 10. Passed the amendment to the "Rules of Procedure of the Shareholders' Meeting" of the Company 11. Passed the relevant matters of convening the 2022 Annual General Meeting and accept the relevant contents of shareholders' proposals.
Board of Directors	2022.05.05	<ol style="list-style-type: none"> 1. To report the consolidated financial report of the company in the First quarter of 2022 and the communication between accountants and corporate governance units. 2. Passed the amendments to the Company's 2020 procedure for first buyback and transfer of shares to employees. 3. Passed the supplementary amendments to the Rules of Procedure for Meeting of the Shareholders.
Board of Directors	2022.06.08	<ol style="list-style-type: none"> 1. Passed the distribution of directors' remuneration and managers' employees' remuneration of the Company in 2021. 2. Passed the salary adjustment case of the Company in 2022. 3. Passed the relevant matters of cash dividend benchmark date of the Company in 2022. 4. Passed the greenhouse gas inventory schedule plan. 5. Passed the securities investment increase plan.
Board of Directors	2022.08.09	<ol style="list-style-type: none"> 1. Passed the consolidated financial report of the company in the second quarter of 2022 and the communication between accountants and corporate governance units. 2. Passed the corporate Governance Director appointment plan.

Name of meeting	Date of meeting	Important Resolutions
		3. Passed the transfer of shares of common stock bought back by the Company to employees adopted.
Board of Directors	2022.11.04	1. Passed the consolidated financial report of the company in the third quarter of 2022 and the communication between accountants and corporate governance units 2. Passed the provided endorsement guarantee for the subsidiary "Apex-I International Co., Ltd." 3. Passed the amendments to the Rules of Procedure for the Board. 4. Passed the amendments to the Organizational Procedures of the Audit Committee. 5. Passed the amendments to Standard Operating Procedures for Handling Requests of Directors. 6. Passed the amendments to the Stock Operation Management Procedure. 7. Passed the amendment to Contracted Accountant Selection and Review. Procedure. 8. Passed the amendments to the Code of Practice on Corporate Governance.
Board of Directors	2022.12.21	1. Passed the Company's 2023 audit plan. 2. Passed the Company's 2023 annual budget. 3. Passed the amendments to "Internal Major Information Processing and Internal Trading Prevention Management Procedure" adopted. 4. Passed the Change of contracted accountant and evaluation on independence and competency adopted. 5. Passed the appraisal of the independence and competency of the current accountant of the Company. 6. Passed the 2022 year-end bonus distribution of managers of the Company. 7. Passed the salary adjustment case of the company's manager.
Board of Directors	2023.02.22	1. Passed the effectiveness assessment and declaration of internal control system of the Company in 2022. 2. Passed the submitted deliberation through the distribution of employees' remuneration and directors' remuneration in 2022. 3. Passed the 2022 annual financial report. 4. Passed the 2022 business report of the Company. 5. Passed the 2022 Annual Earnings Distribution Proposal. 6. Passed the securities investment increase plan adopted. 7. Passed amendment to the Articles of Association of the Company. 8. Passed the election of the 16th session of the directors adopted. 9. Passed the relevant matters of convening the 2023 Annual General Meeting and accept the relevant contents of shareholders' proposals.

4.12 Major Issues of Record or Written Statements Made by Any Director Dissenting to Important Resolutions Passed by the Board of Directors: None.

4.13 Resignation or Dismissal of Chairman, President, and Heads of Accounting, Finance, Internal Audit and R&D during the 2021 Calendar Year and as of the Date of this Annual Report: None.

5. Information Regarding GPM's Independent Auditors Report

Unit: NT\$ thousands

Accounting Firm	Name of CPA	CPA's Audit Period	Audit Fee	Non-audit Fee	Total	Remark
PricewaterhouseCoopers Taiwan	LI TIEN YI	2022.01.01~2022.12.31	2,460	90	2,550	
	TSAI-YEN CHIANG	2022.01.01~2022.12.31				

Note 1: Audit remuneration is the amount paid by the Company to the contracted accountant for the audit of the annual financial statements and quarterly consolidated statements, the disclosure of IFRSs notes, the audit of income tax of profit-making undertakings and the review of the transfer valuation report.

Note 2: "Other" means consultation or study on Corporate Act or Securities and Exchange Act and integrated income tax system related service.

5.1 Non-audit fee paid to auditors, the audit firm and its affiliates accounted for more than one-fourth of total audit fee: None.

5.2 Replaced the audit firm and the audit fee paid to the new audit firm was less than the payment of previous year: Not applicable.

5.3 Audit fee reduced more than 15% year over year: None.

6. CPA's information

6.1 Former CPAs

Date of Change	January 1, 2023		
Reasons and Explanation of Changes	Due to its internal personal changes, PricewaterhouseCoopers Taiwan updated the audit partners for GPM from LI TIEN YI and TSAI-YEN CHIANG to Wu, Wei-Hao and TSAI-YEN CHIANG in 2023.		
State Whether the Appointment is Terminated or Rejected by the Consignor or CPAs	Client	CPA	Consignor
	Status	Not available	
	Appointment terminated automatically		
	Appointment rejected (discontinued)		
The Opinions other than Unmodified Opinion Issued in the Last Two Years and the Reasons for the Said Opinions (Note)	None		
Is there any Disagreement in Opinion with the Issuer	Yes		Accounting principle or practice
			Disclosure of financial statements
			Auditing scope or procedures
			Others
	No	V	
	Explanation		
Supplementary Disclosure (Disclosures Specified in Article 10.6.1.4~7 of the Standards)	None		

6.2 Successor CPAs

Accounting Firm	PricewaterhouseCoopers Taiwan
Name of CPA	Wu, Wei-Hao 、 TSAI-YEN CHIANG
Date of Engagement	January 1, 2023
Prior to the Formal Engagement, Any Inquiry or Consultation on the Accounting Treatment or Accounting Principles for Specific Transactions, and the Type of Audit Opinion that Might be Rendered on the Financial Report	Not available
Written Opinions from the Successor CPAs that are Different from the Former CPA's Opinions	Not available

6.3 The Reply of Former CPAs on Article 10.6.1 and Article 10.6.2.3 of the

Standards: None.

7. Changes in Shareholding of Directors, Managers and Major Shareholders

GPM's Chairman, Directors, Chief Executive Officer, Chief Financial Officer, and Managers in Charge of Its Finance and Accounting Operations did not Hold any Positions within GPM's Independent Audit Firm or Its Affiliates in the Most Recent Year.

8. Net Changes in Shareholding

8.1 Net Change in shareholdings and in shares pledged by directors, supervisors, anagement, and shareholders holding more than a 10% share in the Company

Unit: Shares

Title	Name	2022		Jan. 1 to March 31, 2023	
		Net Change in Shareholding	Net Change in Shares Pledged	Net Change in Shareholding	Net Change in Shares Pledged
Chairman	Jason Chen	(261,024)	0	0	0
Director	Hsu, Hung-Ming	0	0	0	0
Director	C SUN MFG. LTD.	1,205,000	0	0	0
	Representative: Ronald H. Chen	0	0	0	0
Independent Director	Chia-chin Tong	0	0	0	0
Independent Director	Lo, Wei	0	0	0	0
Independent Director	Chen, Yi-Mei	0	0	0	0
Deputy President	Mufa Chien	104,514	0	0	0
Deputy President	H.M. Lee	110,684	0	0	0
Associate Vice President	Roger Lin	65,793	0	0	0
Associate Vice President	Chen- Shun Hsu	123,914	0	0	0
Associate Vice President	Shu-Sheng Chang	87,241			
Chief Financial Officer	Chia-Ju Tseng	21,245	0	0	0

8.2 Stock Trade with Related Party :

Name	Reason of the Transfer	Transfer Date	Transferee	Relation with the Transferee	Shares	Transfer Price
Jason Chen	Credit set-up	2022.01.25	Junpeng Investment Co., Ltd	Chairman of Junpeng Investment Co., Ltd	500,000	30
Jason Chen	donate	2022.12.26	Wu Li-jun	spouse	100,000	Not applicable

8.3 Stock Pledge with Related Party : None.

9. Top Ten Shareholders who are related parties to each other

As of April 21, 2023. Unit: Shares / %

Name	Shareholding		Spouse & Minor		Shareholding by Nominee Arrangement		The relationship between any of the Company's Top Ten Share holders		Re- marks
	Shares	%	Shares	%	Shares	%	Name	Relation	
C SUN MFG. LTD.	44,758,827	27.10%	—	—	—	—	None	None	
C SUN MFG. LTD. Representative: Ronald H. Chen	0	0%	—	—	—	—	None	None	
Micronics Japan Co., LTD Investment Account in Custody of Mega Bank	2,712,000	1.64%	—	—	—	—	None	None	
Mega International Commercial Bank	1,881,118	1.14%	—	—	—	—	None	None	
Mega International Commercial Bank Representative: Zhang Zhaoshun	Unable to obtain data								
Chiu, Ta-Hsien	1,824,200	1.10%	—	—	—	—	None	None	
Treasury stock account of Gallant Precision Machining Co., Ltd	1,674,000	1.01%	—	—	—	—	None	None	
Jason Chen	1,120,146	0.68%	100,000	0.06%	500,000	0.3%	None	None	
Wu, Yi-Jin	700,000	0.42%	—	—	—	—	None	None	
Wang, Xuan-wei	650,000	0.39%	—	—	—	—	None	None	
Zhang, Cang-yi	578,432	0.35%	—	—	—	—	None	None	
Huang, Zhen-yuan	578,000	0.35%	—	—	—	—	None	None	

10. Long-Term Investment Ownership

As of March 31, 2023. Unit: Shares / %

Long-Term Investments	Investments by GPM (1)		Investments Directly or Indirectly Controlled by Directors, Supervisors, and Managers of GPM (2)		Total Investment (1) + (2)	
	Shares	Portion	Shares	Portion	Shares	Portion
Gallant-Rapid Corporation Limited	13,560,000	100	0	0	13,560,000	100
APEX-I INTERNATIONAL CO., LTD.	6,600,000	100	0	0	6,600,000	100
Gallant Micro. Machining Co., LTD.	16,171,750	57.19	880,000	3.11	17,051,750	60.3

IV. Capital and Shares

1. Capital and Shares

1.1 Capitalization

As of March 31, 2023

Month/ Year	Issue Price (Per Share)	Authorized Share Capital		Capital Stock		Remark		
		Shares	Amount	Shares	Amount	Sources of Capital	Capital Increase by Assets Other than Cash	Date of Approval & Approval Document No.
06/2015	10	250,000,000	2,500,000,000	165,136,144	1,651,361,440	Capital Reduction and Cancellation of Treasury Shares: 50,000,000	None	06/29/2015 Chu-Shang-Tzu No. 1040022199

Capital and Shares

Unit: Share

As of March 31, 2023

Type of Stock	Authorized Share Capital			Remark
	Outstanding	Un-Issued Shares	Total	
Common Stock	165,136,144	84,863,856	250,000,000	Listed on Taipei Exchange.

Shelf Registration: None.

1.2 Composition of Shareholders

Common Share

As of April 21, 2023 (last record date)

Type of Shareholders	Government Agencies	Financial Institutions	Other Juridical Persons	Domestic Natural Persons	Foreign Institutions and Natural Persons	Total
Number of Shareholders	—	1	151	41,490	73	41,715
Shareholding	—	1,881,118	47,477,692	109,803,307	5,974,027	165,136,144
Holding Percentage (%)	—	1.139%	28.751%	66.492%	3.618%	100%

1.3 Distribution Profile of Share Ownership

1.3.1 Common Share

As of April 21, 2023 (last record date) ; Unit: shares / %

Shareholder Ownership (Unit:	Number of Shareholders	Ownership	Ownership (%)
1 ~ 999	23,995	1,224,908	0.742
1,000 ~ 5,000	13,780	29,112,990	17.630
5,001 ~ 10,000	2,165	17,427,533	10.553
10,001 ~ 15,000	587	7,522,378	4.555
15,001 ~ 20,000	413	7,606,276	4.606
20,001 ~ 30,000	316	8,148,786	4.935

Shareholder Ownership (Unit:	Number of Shareholders	Ownership	Ownership (%)
30,001 ~40,000	121	4,417,205	2.675
40,001 ~50,000	95	4,392,158	2.660
50,001 ~ 100,000	143	10,107,660	6.121
100,001 ~ 200,000	54	7,473,276	4.525
200,001 ~ 400,000	28	7,466,804	4.522
400,001 ~ 600,000	10	4,915,879	2.977
600,001 ~ 800,000	2	1,350,000	0.817
800,001 ~ 1,000,000	0	0	0.000
Over 1,000,001	6	53,970,291	32.682
Total	41,715	165,136,144	100

1.3.2 Preferred Share: None.

1.4 Major Shareholders

Common Share

As of April 21 ,2023 (last record date) : Unit: shares / %

Top 10 Shareholders	Total Shares Owned	Ownership (%)
C SUN MFG. LTD.	44,758,827	27.10%
Micronics Japan Co., LTD Investment Account in Custody of Mega Bank	2,712,000	1.64%
Mega International Commercial Bank	1,881,118	1.14%
Chiu, Ta-Hsien	1,824,200	1.10%
Treasury stock account of Gallant Precision Machining Co., Ltd	1,674,000	1.01%
Jason Chen	1,120,146	0.68%
Wu, Yi-Jin	700,000	0.42%
Wang, Xuan-wei	650,000	0.39%
Zhang, Cang-yi	578,432	0.35%
Huang, Zhen-yuan	578,000	0.35%

1.5 Market Price, Net Worth, Earnings, Dividends per Common Share

Unit: NT\$ / Thousand shares

Item		2021	2022	Jan. 1 to March 31, 2023
Market Price Per Share (Note1)	Highest Market Price	51.3	35	30.75
	Lowest Market Price	29.05	23.05	28
	Average Market Price	38.18	28.46	29.01
Net Worth Per Share	Before Distribution	14.79	16	—
	After Distribution	13.33	14.22(Note 6)	—

Item		2021	2022	Jan. 1 to March 31, 2023
Earnings Per Share	Weighted Average Shares (thousand shares)	159,369	161,751	163,462
	Diluted Earnings Per Share	1.54	2.41	—
Dividends Per Share	Cash Dividends	1.40	1.8(Note 5)	—
	Stock Dividend	Surplus allotment	—	—
		Capital reserve allotment	0.1	—
	Accumulated Undistributed Dividend		—	—
Return on Investment	Price/Earnings Ratio (Note 2)		24.79	11.81
	Price/Dividend Ratio (Note 3)		25.45	15.81
	Cash Dividend Yield (Note 4)		3.93	6.32

Note 1: Referred to TWSE website

Note 2: Price/Earnings Ratio = Average Market Price/Diluted Earnings Per Share

Note 3: Price/Dividend Ratio = Average Market Price/Cash Dividends Per Share

Note 4: Cash Dividend Yield = Cash Dividends Per Share/Average Market Price

Note 5: Distribution of cash dividend at NT \$1.8 per share is resolved by the Board of Directors.

Note 6: It is the amount resolved by the Board of Directors on February 22, 2023.

1.6 Dividend Policy and Distribution of Earnings

1.6.1 Dividend Policy :

Article 30-1 of the Company's Articles of Incorporation:

No lower than 1% and no higher than 12% of profit of the current year is distributable as employees' compensation and no higher than 3% of profit of the current year is distributable as remuneration to directors. However, the Company's accumulated losses shall have been covered (if any).

The profit distributable as employees' compensation can be in the form of shares or in cash. The recipient can include the qualified employees from subsidiaries.

The profit for the year referred in the first item means earnings before tax and employees' and Directors' compensation.

Article 30-2 of the Company's Articles of Incorporation:

The Board of the Company may distribute the entire or partial dividends and bonuses for distribution, or statutory surplus reserve and capital reserve in cash through a resolution made by obtaining consent from more than half of the attending Directors at a Board meeting attended by more than two-thirds of Directors and report to the shareholders' meeting.

Article 31 of the Company's Articles of Incorporation:

If there is a surplus after the current year's accounts, the Company shall pay the tax according to law and make up for the accumulated loss in the previous years, then appropriate 10% of the balance as the statutory surplus reserve. However, if the statutory surplus reserve has reached the total amount of paid-in capital of the Company, then this requirement does not apply.

The Company may, in accordance with its business requirements and the provisions of the laws and regulations, appropriate or reverse a special surplus reserve. The Board of Directors shall draft is authorized to draft an appropriation plan for a resolution in the Shareholders' Meeting.

The ratio for cash dividend shall not lower than 10% of total distribution.

Articles of Incorporation of the Company does not clearly stated the dividend distribution ratio.

However, taking into account the capital requirement, long-term financial planning and shareholders' interest, Board of Directors is authorized to draft an appropriation plan and submit the plan for a resolution in the Shareholders' Meeting.

The status of Shareholders' Meeting on approving the proposal for the distribution of 2022 earnings:

The Company's 2022 earnings distribution plan approved by the Board of Directors on February 22, 2023 proposes to distribute a cash dividend of NT\$ 1.8 per share. The total amount is NT\$ 294,232 thousands; it will be handled per related regulations.

1.6.2 Description shall be given when expecting a major change in dividend policy:

Not applicable.

1.7 Impact to 2022 Business Performance and EPS Resulting from Stock Dividend Distribution:

Not applicable.

1.8 Compensation to Directors and Profit Sharing Bonus to Employees :

1.8.1 Employees' Compensation and Remuneration to Directors and Supervisors as Stated in the Articles of Incorporation

Article 30-1 of the Company's Articles of Incorporation:

No lower than 1% and no higher than 12% of profit of the current year is distributable as employees' compensation and no higher than 3% of profit of the current year is distributable as remuneration to directors. However, the Company's accumulated losses shall have been covered (if any).

The profit distributable as employees' compensation can be in the form of shares or in cash. The recipient can include the qualified employees from subsidiaries.

The profit for the year referred to in the first paragraph means earnings before tax and employees' and Directors' compensation.

1.8.2 The estimated employees' compensation and remuneration to Directors and Supervisors, the calculation basis for remuneration to employees, Directors and Supervisors in the form of stocks, and Accounting treatment for any gap between estimated amounts and actual distribution resolved by the Board of Directors:

The Company accrued employees' compensation and remuneration to Directors and Supervisors based on profit of current year minus accumulated loss while the remunerations to directors and supervisors were estimated based on GPM's Articles of Incorporation. The estimated employees' bonuses and remunerations to directors and supervisors were booked as operating cost or operating expense. If stock bonuses are resolved for distribution to employees, the number of shares distributed is determined by dividing the amount of bonuses by the closing price of shares on the day preceding the shareholders' meeting. If there is difference between estimation and actual distribution, it will be treated as change of accounting estimate. The adjustment will be made at the year of distribution.

1.8.3. Profit Distribution of Year 2022 Approved in Board of Directors Meeting for Employee Bonus and Directors' Remuneration :

1. 2022 Directors' Compensation and Employees' Profit Sharing Bonus

Distribution Items	Board Resolution (February 22, 2023)
	Amount (NT\$)
Directors' Compensation (Cash)	10,155,435
Employee's Profit Sharing Bonus (Cash)	59,917,066
Total	70,072,501

2. Ratio of Recommended Employee Stock Bonus to Capitalization of Earnings : Not applicable.

1.8.4 2021 Directors' Compensation and Employees' Profit Sharing Bonus

Distribution Items	Amount (NT\$)
Directors' Compensation (Cash)	5,092,408
Employee's Profit Sharing Bonus (Cash)	30,045,209
Total	35,137,617

1.9 Buyback of Common Stock:

As of March 31, 2023

Instance	13 th Batch
Purpose	Transfer to employee
Buyback Period	2020/03/25~2020/05/22
Price Range(NT\$)	NT \$16.92~19.7
Type and Volume (shares) of the Repurchased shares	Common Stock 6,000,000 shares
Amounts of the Repurchased share (NT\$ thousands)	108,425
The ratio of the Repurchased Shares to the Planned Buyback Shares (%)	100
Cancelled and Transferred Shares	Common Stock 4,326,000 shares
Cumulated holding Volume (shares)	Common Stock 1,674,000 shares
The ratio of the Cumulated holding Volume to the total issued shares(%)	1.01

2. Issuance of Corporate Bonds : None.

3. Preferred Shares : None.

4. Issuance of GDR/ADR : None.

5. Status of Employee Stock Option Plan :

5.1 Issuance of Employee Stock Options:

Not applicable.

5.2 Employee Stock Options Granted to Management Team and to Top 10 Employees:

Not applicable.

6. Status of New Employees Restricted Stock :

6.1 Status of Employee Restricted Stock: None

6.2 Employee Restricted Stock Granted to Management Team and to Top 10 Employees:
None.

7. Status of New Share Issuance in Connection with Mergers and Acquisitions :

GPM neither issued new shares in connection with mergers or acquisitions during 2022, nor as of the date of this annual report.

8. Funding Plans and Implementation: Not applicable.

V. Operational Highlights

1. Business Activities

1.1 Business Scope

1.1.1 Main business content

- CQ01010 Die Manufacturing (restricted to area outside the Science Park)
- F106030 Wholesale of Die (restricted to area outside the Science Park)
- F113010 Wholesale of Machinery (restricted to area outside the Science Park)
- CC01080 Electronic Parts and Components Manufacturing (restricted to area outside the Science Park)
- F401010 International Trade
- CB01010 Machinery and Equipment Manufacturing
- CE01010 Precision Instruments Manufacturing
- CC01010 Electric Power Supply, Electric Transmission and Power Distribution Machinery Manufacturing
- CF01011 Medical Materials and Equipment Manufacturing
- F208031 Retail sale of Medical Equipments
- F108031 Wholesale of Drugs, Medical Goods
- D101060 Self-usage power generation equipment utilizing renewable energy Industry
- E601010 Electric Appliance Construction
- E601020 Electric Appliance Installation
- EZ05010 Apparatus Installation Construction

Research, development, design, manufacturing, and sale of the following items :

- (1) IC Packaging Front End Equipment : IC Bonding Machine 、 IC Wire Bonder
- (2) Flip Chip Process Equipment : Flip Chip Bonder 、 Glue Spreading Machine 、 Die Sorter
- (3) Semiconductor Packaging Process and Testing Equipment
- (4) Semiconductor Failure Analysis Testing Equipment
- (5) FPD Processing and Testing Equipment
- (6) Intelligent Total Solutions and Equipment
- (7) Other import and export business of related products

1.1.2 Revenue Mix(2022)

Product	Operating Percentage (%)
Display Process Equipment	44.96%
Semiconductor Process Equipment	42.06%
Intelligent Automation Equipment	1.42%
Others	11.56%
Total	100.00%

1.1.3 Products Currently Offered by GPM

- (1) FT-LCD / OLED / Flexible OLED Display Process Equipment:

A. Array Process Equipment

- TEG Prober
- Array Tester
- Array Cleaner
- Array Wet etching

B. Cell Process Equipment

- Edge Grinding Machine
- Cell Tester
- Polarizer Attachment machine
- In- process Cleaner

- Glasses Thinner Process Defect Inspection Machine
- C. Module Process Equipment
 - Edge /Plasma Cleaner
 - Excimer UV Cleaner
- D. Inspection Process Equipment
 - Panel Surface Inspection
 - Burr Checker System
- E. Automation Equipment
 - G4.5 / G5 / G6 / G7.5 / G8.5/G10.5 Cassette Station
 - Loader / Unloader & Automation for Cell Area
 - Dense Packer / Unpacker C/V, Buffer etc.
 - Automation for Production Line
- (2) Semiconductor Failure Analysis Testing Equipment :
 - A. Picosecond Image for Circuit Analysis Equipment
- (3) Semiconductor Process Equipment
 - A. Precision Machining and Precision Mold
 - (A) Trim / Form System
 - (B) Auto Molding System
 - (C) Trim / Form System
 - (D) IC Substrate Punch System
 - (E) Mold for Auto Sealing Machine
 - (F) Die Set /kit for Trim / Form System
 - (G) Fully Auto Panel Molding System
 - (H) FC Bump Coin Lamination Equipment
 - B. Precision Pick and Place
 - (A) Grain Pick / Place Machine
 - (B) IC Bonding Machine
 - (C) IC Die Multi-face Inspection and Sorting Machine
 - (D) Heat Sink Covering Machine
 - C. Laser
 - (A) Laser Marking Machine
 - D. Precision Grinding
 - (A) Substrate Grinder
 - (B) Strip Grinder
 - (C) Panel Grinder
 - E. Wet Chemical Process
 - (A) Batch Etcher
 - (B) Batch Striper
 - (C) Batch Developer
 - (D) Batch Cleaner

- (4) Semiconductor Inspection Equipment
 - A. Wafer Surface Defect Inspection machine
 - B. White Light Interference Measurement System for Wafer 3D Topography and Size
- (5) Intelligent Manufacture Total Solutions and Equipment
 - A. Intelligent Logistics System
 - B. Process Automation Equipment
 - C. Solar Cell Automation Handling System
 - D. Lithium Iron Battery Core Seal Welding and Lamination Device
 - E. Intelligent Diagnosis and Preventive Maintenance System
 - F. Robot Handling and Machining System
 - G. Intelligent Factory Integration Service

1.1.4 New Product (Service) in Planning

The GPM Group are planning to develop the following new product (service):

R&D Project (Technology)	Product
	● FOPLP IN-FEED Grinder development
	● KLIV Mini LED TESTER
	● Panel 2D AOI
	● PLP substrate peeling machine
	● Micro-LED vacuum pair application
	● PLUS Electrical measurement system
	● Electrical measurement system
	● High Accuracy Laser Compression Bonder
	● JEDEC Tray to JEDEC Tray IR Inspection Sorter
	● Jig Saw Sorter
	● Wafer & Wafer Carrier EFEM
	● High Accuracy Large Size Panel Bonder
	● EFEM with Wafer Foup & Wafer Frame Foup Load Port
	● Larger Panel O/S Prober
	● Up and down translation marking mechanism of laser marking machine

1.2 Industry Outlook

1. Current situation and development of industry: The Company is a manufacturer of process and testing automation equipment in the electronics industry, and will mainly focus on FPD industry, semiconductor industry and intelligent automation industry in 2023, as follows:

(1) FPD equipment industry

Looking back on the past, since 2020/Q1, the sudden spread of the COVID-19 has hit the global economy hard, and new strains of the virus are producing continuously and continue to affect the planet. In the early stage of the epidemic, the LCD factory in South Korea continued to reduce production, and the upstream material, IC and component logistics supply chain was affected. By contrast, the front panel production lines of Taiwan factories are all located in Taiwan, and the upstream material, IC and key component supply chain in Taiwan is complete. In addition, the government controls the epidemic appropriately and effectively, which is beneficial for Taiwan industry to win orders from VIPs, so as to disperse the supply chain and produce the order-transfer

effect. In addition, the severe epidemic in Europe and the United States, resulting in the lock-down in many countries, so SOHO-related economy such as remote office, online education, emerge with the situation, 3C products such as laptops, desktop computers, TVs and cell phones are in short supply, resulting strong demand for LCD panel. The panel factories around the world in 2020 and 2021 had their sales volumes increasing due to the increase in demand and set good records in both production and profit.

However, since 2022, there has been a lot of conflicts around the globe, including the ongoing US-China trade war and trade sanctions imposed by USA on the Chinese mainland, so global industries accelerated to leave the Chinese mainland. The Russia-Ukraine war at the beginning of the year not only affected the world's food supply, but also caused the imbalance in the supply of crude oil and natural gas, which was accompanied by a sharp rise in the price of crude oil and natural gas around the world. Then inflation hit, the United States Federal Reserve began to raise interest rates continuously, the US dollar appreciated rapidly, and prices of various countries rose sharply, leading to a slowdown in the world economy. Many economists and research institutions have revised down their forecasts for world economic growth in 2023, warning of new headwinds that could lead to lower investment and growth in the global economy.

According to DIGITIMES, 2022 is a tough year for the panel industry. In the second half of the year, the whole industry is in the inventory adjustment stage, the demand is not improving, and the panel factory capacity utilization rate is declining, resulting in obvious losses for the panel factory. After entering 2023, the current industry gradually tends to the trend view of weak in the first half of the year and booming in the second half of the year. It is still the biggest variable affecting the panel industry. According to a forecast by Mr. Paul SL Peng, the president of AU Optronics, the economic outlook in 2023 depends on the pandemic, global inflation and the war, but the panel industry is already at the valley bottom and is expected only to get better anyway rather than worse. It is predicted by Mr. Yang Zhuxiang, the general manager of Innolux, that this turn of destocking would last until the Q1 2023, and estimated that the capacity utilization rate would stay at 60~70% in Q1, and is expected to bottom out and gradually rise in Q2, representing a cautious but optimistic view. In Q3, there is a chance to enter the traditional peak season cycle, but the overall trend still depends on the interest rate hike, the epidemic and the war, but it is expected to be more stable in the second half of the year.

DIGITIMES Research forecasts the development of the global large-size LCD panel industry and market in 2026, and the annual growth rate of global large-size LCD panel production capacity in 2021 and 2022 will be 8.5% and 9.3% respectively. Samsung Display (SDC) and LG Display (LGD), which had planned to shut down their production lines in South Korea, have postponed the closure of their factories due to the price hike of large-size LCD panels that began in June 2020 and continued for more than a year. China's panel manufacturers will also accelerate production expansion in 2020~2021, with a substantial increase in the supply side and global Work From Home; The WFH effect is fading due to a sharp increase in the vaccination rate, and the demand for LCD TV and IT-related display equipment is decreasing, which is the main reason for the price trend of large-size LCD panels to decline in the second half of 2021. DIGITIMES Research estimates that during 2023~2026, with the mature demand of four applications (TV, monitor, NB, tablet computer) and even the challenge of OLED panel, LCD panel manufacturers are not willing to continue to expand production. It is estimated that the compound annual growth rate of annual production capacity will be less than 1% from 2023 to 2026.

As South Korean players cut back on LCD production lines in South Korea, DIGITIMES Research observed that Samsung Display Co. SDC will end its LCD business in the first half of 2022, and LG Display (LG Display; LGD will end production of LCD panels for TVs at its Paju plant by the end of 2022. In addition to OLED applications such as esports and car, the two companies will also display their QD-OLED TV and folding/expanding OLED panel technologies at CES 2023, showing their intention to actively cultivate the OLED business. It is estimated that the global large-size LCD production capacity CAGR (annual compound growth rate) is 3.6% during 2020 ~ 2026. If only taking into account 2021~2026, the production capacity CAGR is 2.6%, which is roughly equivalent to the demand area CAGR of about 2% in the same period. The main factor driving the growth rate of production capacity in China is BOE and TCL Huaxing's

10.5/11 generation lines (2 lines for each manufacturer, 4 lines in total).

Since 2020, China has become the region with the largest large-size LCD production capacity in the world (including the production capacity of LCD factories built by South Korean manufacturers in China). In 2012, China accounted for less than 10% (9.6%), and in 2015 and 2020, it increased to 23.1% and 55.8%, respectively. It is expected that the proportion of large-size LCD production capacity in China will exceed the 70% for the first time in 2023. The main reason is that BOE and TCL CSOT each have two 10.5/11-generation lines for mass production, and HKC is actively expanding 8.6 generation production lines (4 production lines already).

In 2021, Taiwan's two major panel manufacturers, INNOLUX and AUO, will have a combined global capacity share of 12.8% and 10.4% for large-size LCD panels. As South Korean factories fade out of the LCD panel market, it is estimated that the capacity share of LGD, the largest panel maker in South Korea, will be less than 6% in 2026. Taiwan's factories continue to invest, including production capacity related to advanced LCD TV panel technology, and production capacity related to high-level monitors and high-level notebook panels. Neither BOE nor TCL CSOT will mass-produce their third generation 10.5/11 lines. In 2026, INNOLUX's and AUO's capacity shares in large-size LCD panels are estimated to remain at 11.3% and 10%. Micro Crystal has announced a new investment in a 5.5-generation LCD production line. If the plant has a monthly production capacity of 30,000 glass substrates for large-size LCD applications in 2026, the new and old production lines (5.3 and 5.5-generation lines) of Micro Crystal will take 0.46% of the global share in large-size LCD production capacity.

It is estimated that the global large-size LCD shipments from 2021 to 2026 will grow from 887 million in 2021 to 918 million in 2026, and the shipment CAGR is estimated to be 0.7%. Although the growth in absolute quantity is limited, it is mainly due to the large-scale automotive panels and digital signage (including interactive electronic whiteboards) that drives the growth of shipments. During the period from 2021 to 2026, the CAGR of global large-size LCD panel shipments is estimated to be 0.7%. Among the four major applications, only NB-use LCD panels are expected to grow slightly. For other main applications such as monitor panels, LCD TV panels and tablet PCs, the CAGR of LCD panel shipments will all be negative. It is estimated that OLED technology will obtain 13 million pieces, 1.5 million pieces, 11 million pieces, and 14 million pieces in the panel market for TV, monitor, NB, and tablet PCs in 2026 (it still depends on the decision of Apple's tablet PC to adopt panel after 2024). The scale of shipments will be detrimental to the growth of LCD panel shipments for the aforesaid four major applications. Other applications include automotive panels, digital signage (including public display information signage, interactive electronic whiteboards, and video walls) and other niche categories (industrial, ATMs, large game consoles, and point-of-sale checkout systems/POS, etc.). As driven by the large size of automotive panels and the trend of multiple screens in one vehicle, it is estimated that the CAGR of 9-inch and above automotive LCD panel shipments from 2021 to 2026 will reach 17.3%. The demand for digital signage is rising due to the demand for marketing advertising, education and training, and remote meeting/collaborative works. It is estimated that the total shipment amount of related panels will reach a CAGR of 8.6%. Most of the other types of panels other than the aforesaid products are niche applications, and the market is in many mature stages; the total shipment amount CAGR is estimated to be 1.3%.

In addition, Taiwan is developing Mini/Micro LED technology. The possible development direction of Mini/Micro LED in the future will cover AR/VR, TV, mobile phone, flat panel, car panel, and display screen, so it is estimated that the overall growth will be achieved by 2024. After testing the market temperature of Mini LED display application in 2021, 2023 will usher in a new market atmosphere and officially enter the year of luminescence and heating, which will bring new growth opportunities for the long-depressed LED industry. In particular, major brands such as Apple and Samsung have aggressively invested in Mini LED TVs, laptops and tablets, driving up market shipments. In addition, with regard to the development of the automotive industry, with the evolution of electric vehicles, Mini LED is gradually used in the display of vehicles. With the continuous improvement of research and development, production and equipment technology, it is expected that the use will increase substantially in 2023 and 2024. Furthermore, Micro LED technology will also be gradually used in automobile applications in the future, indicating that the cooperation between the industry and automobile manufacturers will be closer and closer.

According to DIGITIMES, AU Group has joined hands with AU Group and Innolux to develop Micro LED display technology. Au Group has increased its stake several times. Au Group holds about 17.3 percent of AU Group's shares, while Innolux holds less than 1 percent. But it means that Taiwan's upstream and downstream industrial chain together to accelerate Micro LED display technology determination. Moreover, Foc and AU are also major shareholders in Neptunium Technologies, a Micro LED manufacturer.

In addition, according to a recent report in the Economic Daily, AU, a major panel manufacturer, announced a number of cutting-edge display technologies for cars at the Consumer Electronics Show (CES 2023). It introduced the forward-looking Micro LED display technology into vehicle applications, and combined with years of display development experience and insight into the market demand. Launch the display for the top car. Micro LED display has the advantages of high brightness, high contrast, wide color gamut, fast response speed and high reliability, and can overcome the influence of ambient light on the interior display effect and so provide accurate driving information. In addition, Micro LED is highly power-efficient and has a long service life, which also meets the high standard requirements of on-board applications.

(2) Semiconductor Equipment Industry

Although COVID-19 and the China-US trade war have disrupted global semiconductor supply chains and related demand, driven by a number of supply and demand factors, such as COVID-19 derived demand, precautionary supply chain stocking, emerging 5G applications, expanding demand for electric vehicles, mass production of advanced nanoscale manufacturing processes, and on-schedule expansion plans of operators, DIGITIMES Research estimates that revenues in global wafer OEM will grow 25.8% to \$137.2 billion in 2022, driven by strong chip demand and increased production and price increases by foundry producers. In 2023, the revenue will show a slight annual decrease due to the uncertainty of the general economy and the China-US technological competition. Global wafer foundry revenue is expected to challenge \$200 billion by 2027, driven by the maturing of applications such as 5G and high efficiency computing (HPC) and the increasing silicon content of semiconductors in electronics.

DIGITIMES Research observed that although terminal products such as mobile phones and NB entered the inventory adjustment period in 2022, the annual revenue of the global wafer generation industry still performed quite well under the factors such as price increase and long contract. Looking ahead to 2023, considering that the adjustment of terminal product inventory will extend to the first half of 2023, and even the poor economic outlook will affect people's consumption willingness, it is likely that the adjustment period of terminal product inventory will be prolonged, and the global wafer foundry revenue will decrease by 2~3% in 2023.

In the medium to long run, as the semiconductor business recovers, applications such as 5G and HPC increase, as well as the silicon content of electronic products and automobiles increases, as well as brands and systems companies move into chip Research and IDMs continue to expand, DIGITIMES Research estimates that the trend of outsourcing of chips will remain unchanged. Global foundry revenue will grow at a compound annual growth rate (CAGR) of 8.3% from 2022 to 2027, with a global revenue of \$200 billion in 2027.

However, DIGITIMES Research believes that geopolitical factors (especially the science and technology war between China and the United States) will be an uncertain factor for the development of the global wafer foundry industry in the next five years. Whether it is to restrict chip design or production, or even related policies on semiconductor manufacturing capacity, it will affect the competitive situation and layout strategy of the global wafer OEMs.

The global wafer foundry industry is affected by general economy, geopolitics and downstream product inventory adjustment, and the industrial economy will be weakened in the second half of 2022, or even till 2023. Demand for NB, flat panels and other consumer products resulting from the COVID-19 is waning, and medium- and long-term growth drivers are slowing down. The ongoing technological competition between China and the USA and the latest US ban

put a brake on China's acquisition of advanced HPC chips or its own development, as well as the development of China's wafer foundry technology. The new US ban, announced on October 7, 2022, will affect demand for the highest-tier HPC chips and restrict China's ability to develop related higher-tier chips on its own, and the possibility of further USA sanctions against China cannot be ruled out. The global economic outlook is not good and people are less willing to spend, which will adversely affect the inventory adjustment of electronic products and weaken the momentum of wafer foundry demand. However, the gradual maturation of emerging applications will also drive chip demand, chip self-research trend and the expansion of IDM chip outsourcing, providing short, medium- and long-term demand support for wafer generation industry.

DIGITIMES Research believes that the new US ban on Chinese semiconductors will affect the revenue of advanced and mature wafer foundry processes, with Taiwan Semiconductor Manufacturing influenced the most, but to a limited extent as estimated. AMD and NVIDIA have been banned from exporting AI and GPU chips with high computing power to China. However, there will be a buffer period for the delivery of related products (to non-Chinese companies) to U.S. companies in China, and peripheral chips (with mature manufacturing processes) for high-power chips or supercomputer-related chips will also be affected, but to a limited extent as estimated. The impact of the ban is also reduced by the fact that the relevant chips are niche market products and are estimated to have a limited impact on the wafer OEMs. In addition, non-prohibited HPC chips can still be ordered to Taiwan and foreign wafer foundry manufacturers (subject to confirming whether the end-customer and end-use involve the relevant entities or uses mentioned in the ban). Chinese OEMs are unable to produce chips using advanced processes of 16/14 nm and below.

Semiconductor equipment that supports the relevant process and uses U.S. technology (including hardware and software) is subject to the foreign direct product rule and will not be shipped to Chinese wafer OEMs. American are also restricted from assisting China in manufacturing and developing related processes and high-power chips, including USA citizen, immigrants with green cards, USA-based companies, and any subsidiary in USA. SMIC will not be able to produce 14 nm to N+2 (similar to 7 nm) chips. HLMC under Huahong Group is also unable to invest in the development of 14 nm process. DIGITIMES Research believes that, regardless of which political party rules USA, the China-US technological competition will continue to rage, and will be an important interference variable in the wafer generation industry in the next five years.

In 2023, in response to the declining momentum of chip demand, wafer OEMs may reduce capital expenditure, reduce the scale of production expansion or delay, waiting for the industrial recovery in 2024. Industrial control, automotive, radio frequency and other special processes can still meet the needs of relevant applications, which is an important support for wafer OEM revenues. TSMC is still expected to maintain revenue growth in 2023. Only TSMC and Chip announced price increases in 2023, while the rest of the wafer OEMs may not be subject to price increases. 5 nm, 3 nm advanced process and advanced packaging are less susceptible to the impact of the industrial cycle, and are the key support of wafer OEM revenues. The United States has increased controls on China's development of advanced processes 16/14 nm and below, and foreign businesses in China will be reviewed on a case-by-case basis. The development and production of SMIC 14 nm and below advanced processes will be halted, as will the development of HLMC's 14 nm processes.

U.S. semiconductor makers such as Applied Materials and Lam Research have withdrawn their support staff. ASML of the Netherlands also confirmed that its U.S. staff will not be allowed to support the process operations in China, and it remains to be seen whether the 28-nanometer equipment will be shipped. Equipment involving related manufacturing processes that use U.S. technology, including software, is prohibited from being exported to China. TSMC has obtained permission from the US Department of Commerce that, in the coming year, 28 nm and 16 nm related equipment and components from the Nanjing plant will continue to be acquired normally.

In 2023, the production expansion of wafer generation industry is still mainly 12-inch, but 8-inch products are only planned by World Advanced, and delayed to the second half of 2023 due to weak market demand. TSMC will expand its 3-nm process capacity in 2023. The Nanjing plant has obtained an exemption from the new ban from the US Department of Commerce, and the 28-nm

process will be operated as scheduled. In 2023, Samsung will mainly expand the production capacity of 5 nm and below. UMC will slightly expand its 28 nm capacity in Tainan. In 2023, GlobalFoundries will expand its production capacity in New York and Dresden. Its new plant in Singapore will start production in the first half of 2023. Affected by the new ban of the United States, it remains to be seen whether the production capacity of SMIC in Shenzhen can be successfully implemented in 2023. The key to the production capacity of SMIC is to obtain the support of relevant equipment suppliers' engineers. It is estimated that the capacity of Wuxi Phase-I of Huahong will be expanded to full capacity in 2023, and the planning and construction of Phase-II will depend on the medium- and long-term needs of customers. The new LGE Causeway P5 plant, originally scheduled to open in the second half of 2023, has been postponed to 2024. The initial goal is to reach monthly production capacity of 35,000 12-inch wafers by 2024, but the schedule is also expected to be delayed.

According to the related information of wafer OEMs, TSMC's Kaohsiung 7/6 nano process plan will be adjusted due to reduced customer demand, while the original 28-nanometer process plan will be maintained. The 5-nanometer plant in Arizona is expected to be mass produced in 2024. Samsung plans to expand its new plant in Pyeongtaek in 2023, while its new plant in Texas is expected to open in 2024. The production process of 5 nanometers or less in Texas is expected to be put into operation in 2024, but the schedule may be delayed due to the industrial downturn. In July 2022, Samsung floated the idea of spending \$200 billion to expand 11 wafer factories in Texas, but there were no details on where the plants would be built. According to news from the supply chain, two would be located in Austin and nine in Tyler. Advanced manufacturing capacity such as Intel 20A and below will be started after 2024. Intel and Brookfield have agreed to form a joint venture to build a new wafer plant in Arizona.

DIGITIMES Research observes that the TSMC, Samsung and Intel Advanced Manufacturing competition has been extended to 2027. In 2023, TSMC will gain an advantage in the 3 nm process. Samsung is the first to produce 3 nm process, but its production capacity and yield would be lower than that of TSMC by the end of 2022. In practice, it has only reached a small production stage and the yield is still limited. It is estimated that the monthly production capacity is only 1,000 chips and the yield is still lower than 50%. It is estimated that the mass production stage will be entered in 2024. The TSMC 3 nano process has entered mass production in Q4 of 2022. DIGITIMES Research observed that the mass production point of Intel 4 nm process could be delayed until 2023, and will only reach a small production in the second half of 2022, with limited capacity and yield. In 2025, the three major OEMs will start mass production of 2 nm process, and that of 1.4 nm is expected to be launched in 2027. All three major manufacturers are using GAAFET transistor architectures for advanced processes up to 2 nm. 1.4 nano process is likely to be subject to mass production in 2028.

Micro-imaging equipment is the key to the production capacity of wafer OEMs, which are purchased actively by Taiwan Semiconductor Manufacturing, Samsung and Intel. Extreme ultraviolet lithography (EUV) technology is one of the keys to realize the commercialization of advanced processes of 7 nm and below. DIGITIMES Research estimates that TSMC will have nearly 100 EUV devices in 2022, while Samsung will have less than half that number and Intel even fewer. ASML will continue to increase EUV production to its full-year shipment target of around 60 units in 2023 and 90 units in 2025. ASML expects to start shipping EUV devices of 0.55 Numerical Aperture (NA) in 2024. It is expected to ship in a small quantity in 2024, mainly for customer research and development and early capacity construction, and will enter a large shipment period in 2025. DIGITIMES Research believes that TSMC, Samsung and Intel will not be far behind in acquiring new devices, but TSMC will still acquire a relative majority of high NA EUV devices.

Subject to the influence of geopolitics, the investment area of 12-inch mature process of wafer OEMs also shows the trend of diversification. According to news from the supply chain, in addition to investment to 5 nm factory in the US announced in 2020, TSMC will build six plants in Arizona with an estimated total capacity of more than 100,000 12-inch wafers per month, with the first phase of production opening in 2024, and will announce a joint venture with Sony and Denso to build a plant in Japan in 2021. GlobalFoundries and STMicroelectronics jointly build production

lines in France. GlobalFoundries mainly invests 20 nm and 18 nm full-depletion silicon coated insulator (FD-SOI) process in France. Although SMIC has invested in the construction of factories in Beijing, Shanghai and Tianjin, affected by the new ban of the United States, the manufacturing process layout will depend on the available equipment. The 14-nm micro-imaging equipment can also achieve 28-nm process. Therefore, whether SMIC has obtained the relevant equipment or not will affect its production capacity layout strategy, which will relieve the pressure of excess capacity in 28 nm process worldwide.

DIGITIMES Research expects global foundry revenue to grow 25.8 percent annually to \$137.2 billion in 2022, and to decline slightly 2.3 percent annually to \$134 billion in 2023, benefited from customer longevity, higher foundry prices and capacity expansion. The ongoing technological competition between China and the United States is an important variable for the development of wafer foundry industry. Poor economic outlook and weak consumption may affect the inventory reduction rate of wafer foundry customers.

DIGITIMES Research estimates that global wafer OEM revenue will grow at a CAGR of 8.3% in 2022-2027 (as shown below). Applications such as 5G, HPC and electric vehicle bring medium- and long-term demands to the wafer OEM industry, and the trend of outsourcing of expanded IDM chips remains unchanged. The global wafer OEM revenues are expected to challenge USD 200 billion in 2027. DIGITIMES Research revises that Taiwan's top four contract wafer OEMs' combined revenues to decline 1.6 percent annually in 2023, taking into account uncertainties such as the new U.S. ban on China and end-product inventory adjustments. After the revision, the overall performance of Taiwan's wafer generation industry will still outperform the global level.

Taiwan's semiconductor equipment manufacturers are also deeply cultivating rear packaging equipment. Taiwan's leading semiconductor manufacturers have successively invested in the field of advanced packaging, which also brings development opportunities for the equipment industry in the next 3 to 5 years. The demand for advanced packaging will expand in 2023, and the potential business opportunities will attract IC manufacturers to actively deploy. According to the observation of DIGITIMES Research, although the mainstream technology of chip packaging is still dominated by Flip Chip (FC) and System-in-Package (SiP), the smartphones and High Performance Computing (HPC) that widely adopt the advanced packaging technologies such as Fan-out (FO) packaging and hybrid bonding in chips will boost the growth of this technology. Particularly, although smart phone application processors (APs) began to use fan-out packaging in 2017, only Apple APs have adopted this technology so far. However, as fan-out packaging technology becomes more mature and costs are reduced, more multi-mobile APs are expected to adopt this technology in 2023. In addition, for 5G smartphones supporting the mmWave frequency band, the mmWave Antenna-in-Package (AiP) module currently adopts flip chip packaging; it is also expected to introduce fan-out packaging in 2023. HPC chips will integrate more computing units and memory in response to more powerful computing power requirements, yet the cost and difficulty of developing a system-on-a-chip (SoC) have increased dramatically, and chiplets have become the development direction of HPC chips. As chiplet uses advanced packaging to integrate individual components, and with the increase in the number of integrated components, the development of chip packaging from 2D to 3D structure has expanded the business opportunities of 2.5D/3D packaging and attracted semiconductor manufacturers to actively deploy. Among them, 2.5D packaging or 3D through-silicon (TSV) and micro-bump (μ bump) technologies have been mass-produced for more than 10 years so far, and the hybrid bonding technology that realizes higher-level 3D packaging will start mass production in the second half of 2022.

Not only are wafer OEMs affected by geopolitics, but production plants have been dispersed to the United States and Japan. According to a report in Economic Daily News in October 2022, ASE, the largest OEM for closed beta test in China, also announced the ground-breaking ceremony of its new plant in Penang, Malaysia. ASE said that it would invest US \$300 million over five years to expand its Malaysian manufacturing facility, which is scheduled to be completed by 2025, due to rapid growth in the semiconductor industry driven by the demand for 5G, artificial intelligence, high-performance computing and automotive electronics. The closed test OEM in semiconductor has become a key player in the global semiconductor supply chain. As a leading

closed test wafer OEM, ASE has been providing closed test services to many semiconductor companies since 1991, providing advanced chips for the consumer electronics, communications, industrial and automotive industries.

In addition, it is reported by DIGITIME in Dec. 2022 that, during the SEMICON Japan Semiconductor Materials and Equipment Show in mid-December 2022, the International Semiconductor Industry Association (SEMI) announced its semiconductor market forecast for 2022 and the next one to two years. According to Mynavi, Nikkei and others, global semiconductor equipment sales in 2022 hit another record high of 5.9% on-year to \$108.5 billion, following the record sales in 2021, according to SEMI's presentation at SEMICON Japan 2022.

As for 2023, SEMI forecasts that sales of both front-end and post-process equipment will shrink, falling to a combined \$91.2 billion, but growth will resume in 2024. For the first time since 2020, China is expected to take the top spot in the semiconductor equipment market by region until 2023, although SEMI expects Taiwan to overtake China and take the top spot in 2024. By category, wafer manufacturing equipment is expected to grow 8.3 percent to \$94.8 billion in 2022. It is projected to decrease by 16.8% annually in 2023 and increase by 17.2% annually in 2024.

In terms of memory equipment, DRAM equipment will decline 10% annually to an estimated \$14.3 billion in 2022. It is projected to decrease by 25% annually in 2023. NAND Flash devices are projected to decline 4% annually in 2022, or to about \$19 billion, and 36% annually in 2023. In terms of semiconductor materials, SEMI estimates the global semiconductor materials market will grow 7.6% annually to \$69.2 billion in 2022. By 2023, SEMI expects the semiconductor materials market to shrink 1 percent annually to \$68.7 billion.

The majority of the materials market is wafer manufacturing materials, which is expected to grow 10% annually to \$44 billion in 2022, and is projected to decline by 2% annually in 2023. The packaging materials market, on the other hand, is projected to grow 4% annually to \$24.8 billion in 2022 and is projected to shrink 4% annually in 2023.

According to the World Fab Forecast, 84 semiconductor mass production plants are expected to be constructed during 2021 ~ 2023. Among them, vehicle chip and high efficiency computing chip, is the main driving force of investment expansion. Of the 84 plants, 33 were constructed in 2022, setting a record in history, 28 built in 2023.

By region, a majority of the 84 plants will be located in China, up to 20 as estimated. Spurred by America's Chip and Science Act, 18 plants are built in American. Europe and the Middle East are expected to have 17, a highest record in history. 14 plants are built Taiwan.

(3) Intelligent automation industry

Since Germany took the lead in leading Industry 4.0, related technologies have also made rapid progress, the development of 5G, AI, Industrial Internet of Things (IoT), AR/VR, Big Data, and robots has gradually created a new pattern of smart factories and a new industrial standard. Many domestic manufacturers have launched various industrial robot products with robotic arms combined with AGV, which can expand the scope of application of the two, and the application field will extend from the manufacturing industry to the service industry.

Particularly in recent years, the wave of artificial intelligence (AI) has launched, which has given Industry 4.0 a new development orientation, and clearly distinguished the difference between "automation" and "intelligence", including "machine learning", "deep learning", which use artificial intelligence technology based on algorithm analysis, has become a new trend in the future development of Industry 4.0, which not only makes the technology of automation and robots more accurate, but also the manufacturing industry has begun to enter new technological fields such as "unmanned factories".

The smart machinery industry will be the driving engine for Taiwan's driving of smart manufacturing. However, since the trade war between China and USA and the continuous impact of COVID-19 pandemic, the machinery industry will inevitably be affected. However, the industry

generally believes that this is a short-term phenomenon, and the ignition of intelligent machinery will be the key to the growth of the machinery industry. During this period, through the cross-disciplinary cooperation between the industry, academia and the IT and communication industry, the development strategy of smart machinery has also advanced to a new level. (Source: DIGITIMES)

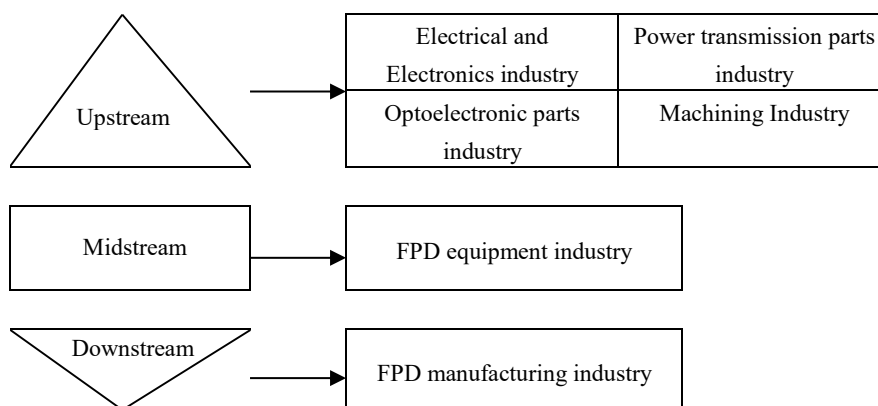
As driven by the pioneers of digital transformation, more and more manufacturing companies have joined the wave of digital transformation. The platform ecology centered on block-chain and artificial intelligence will automatic the process of enterprises, and cross-industry collaboration will reduce costs for enterprises. To increase speed, agility, efficiency and innovation, more and more manufacturing companies will undergo extensive re-engineering to place data at the center of the process. Workers in manufacturing plants will increase productivity and improve the work environment through augmented reality/virtual reality (AR/VR), smart apps and collaborative robots. (Data source: IDC 2019/1)

The Topology Industry Research Institute, a subsidiary of Trend Force, indicated that with the shortening of product life cycle, small-scale, wide variety and customization have become the mainstream of the manufacturing industry; the global smart manufacturing market size will approach US\$370 billion in 2022, and the average annual compound average growing rate (CAGR) from 2019 to 2022 was 10.7%.

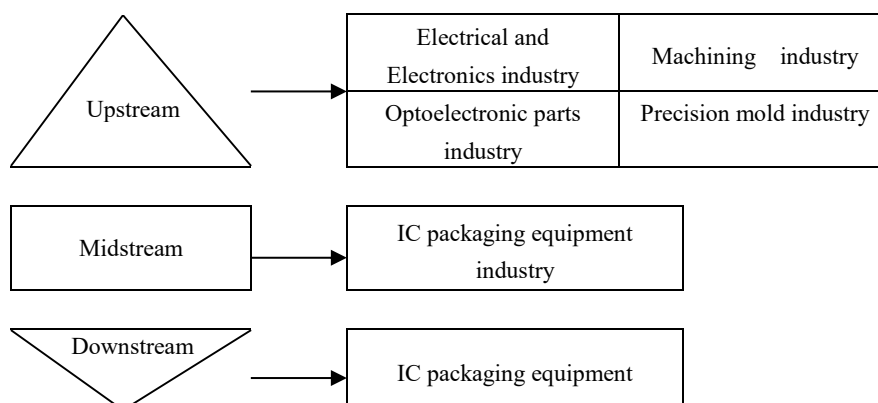
The latest research from Global Market Insights indicates that as affected by the popularization and promotion of smart manufacturing technology, artificial intelligence has become an important technology for smart manufacturing. It can find regularities and establish patterns from big data analysis and learn from previous mistakes and avoid them from happening again, and even achieve pre-forecast capability; the artificial intelligence (AI) market in manufacturing will reach \$16 billion in 2025.

2. The supply chain of upstream, midstream and downstream of the industry

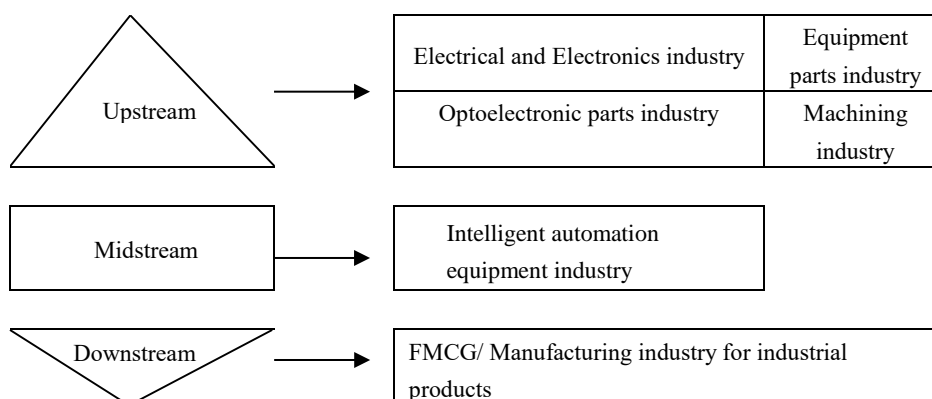
(1) FPD equipment industry



(2) Semiconductor IC packaging equipment industry



(3) Intelligent automation equipment industry



3. Product development trends and competition status

(1) FPD Equipment industry

According to a survey by DIGITIMES Research, after years of expansion, Chinese panel plant BOE has grown to become the world's largest panel plant in both the LCD and OLED production capacities. As for output, BOE has officially surpassed Samsung Display (SDC) and become the world's largest one. BOE is currently the world's largest LCD panel supplier. However, due to the impact of global inflation and conservative macroeconomic outlook in 2022, the year-end sales performance of European and American markets will be sluggish, which will further affect the global LCD market recession. It is estimated that the overall brand plus channel inventory level of about 4~6 months, in the slowdown of destocking, global liquid crystal display market is expected to continue to decline in 2023.

The market share of Samsung Display's panel ranking slipped to the second place in the world. After gradually withdraws from the LCD panel business, Samsung Display focuses on OLED panels, on particular the smart phone panels, Samsung Display has advantages in new OLED technologies including low temperature polycrystalline oxide (LTPO) and yield, allowing it to maintain its leading position in the global OLED panel market. However, with the expansion of China's flexible OLED panel production capacity and technological development, Samsung Display's advantages in small- and medium-sized applications have been squeezed. Therefore, Samsung Display is actively diversifying the direction of OLED products, and the product line and customer foundation based on NB and tablet computers are gradually enriched.

Moreover, after withdrawing from the large-size LCD panel market, Samsung Display turned to QD-OLED products and started mass production and shipment in November 2021. At present, Samsung Display is in a period of major strategic transformation. With the gradual development of OLED display panel applications, it is expected that the long-term competitive advantage will remain strong. As for LG Display (LGD), ranking third in the world.

In terms of OLED panels, LGD's revenue from smartphones and TV products accounts for more than 90%, of which the main orders for mobile phone panels come from Apple; and in terms of OLED TV panels, LGD is still the leader, with shipments and revenue both ranked first. LGD's OLED TV panel revenue is expected to continue to grow as more brands led by Samsung Electronics introduce the OLED TV panels. As for profits, due to falling prices for LCD TV panels, it is estimated to face certain issues on profits. However, in the next 3 to 5 years, as the penetration rate of OLED panels increases, Samsung Display's QD-OLED panels are on track; and after China's large-size OLED technology layout becomes more mature, it is expected that the industrial pattern of large-size OLED panels will gradually change.

Overall, in 2022, the post-COVID-19 period, the Russia-Ukraine war and inflation have significantly decreased the performance of the panel factory, but the performance in 2023 will depend on the technical capabilities of the Company, product layout, speed of technological upgrading and overall strategic development.

DIGITIMES Research observed that the large inventory of mobile phone and global inflation caused by the war between Ukraine and Russia have also reduced the consumer motivation.

Furthermore, the trend of AMOLED panels replacing TFT LCDs remains unchanged, and the global shipments of small and medium size TFT LCDs are expected to decrease by 12.7 percent in 2022. Under the gradual erosion of AMOLED, TFT LCD shipments for smart phones, the largest application of small and medium-sized panels, are projected to grow at a compound annual growth rate (CAGR) of -0.6% from 2022 to 2027. Combined with the continuous shrinking demand for function phones, the overall shipment CAGR of small and medium-sized TFT LCD is estimated to be -1.7%. In 2022, due to the impact of war and inflation, the global mobile phone market suffered a blow. It is estimated that the shipment of the overall mobile phone panel (including AMOLED) will not return to the level of 2021 until 2027. The overall shipment CAGR of mobile phone panels (including AMOLED) is estimated to be about 2.2% in 2022-2027, among which the shipment of smart phone panels is estimated to be 4.5%. In 2022, AMOLED will account for 40% of the smart phone panel shipments, much higher than 28.8% in 2020, squeezing the TFT LCD space more significantly. It is estimated that the global TFT LCD shipments for mobile phones will grow at a CAGR of -3.6% from 2022 to 2027. Mobile AMOLED will ship at a 10.5% CAGR.

Among them, component supply will recover in 2022, and the decline rate of feature phone panel shipments is relatively lower than that of smart phones, but it is estimated that from 2023, feature phone shipments will be more significantly replaced by smart phones and the contraction will accelerate. The introduction of AMOLED panels for the iPhone will lead other handset makers and further compress the TFT LCD market for mobile phones. The mobile phone released by Apple in October 2020 fully uses AMOLED panel, while TFT LCD is only used for SE series low-level models.

Among them, the supply of components will resume in 2022, and the decline in panel shipments of feature phones will be relatively lower than that of smartphones. However, it is estimated that from 2023, the shipments of feature phones will be more obviously replaced by smartphones and shrink at an accelerated rate. The adoption of AMOLED panels for the iPhone will take the lead for other mobile phone makers and further compress the development of the TFT LCD market for mobile phones. In October 2020, the mobile phones released by Apple fully adopt AMOLED panels, and only the low-end models of the SE series maintain the use of TFT LCD.

In 2021, due to the short supply of components such as driver IC, and the shortage of driver IC for AMOLED is more serious than that for TFT LCD, the speed of compressed TFT LCD for mobile phone AMOLED is lower than expected. In 2022, with the gradual easing of component supply and demand and the introduction of BOE as the supplier of iPhone, AMOLED accelerates replacement of TFT LCD.

Automotive panels will be one of the biggest growth drivers for small- and medium-size TFT LCD shipments in the future, and due to the high entry barrier, will be the application for Taiwan, Japan and South Korea to maintain their industry position and profit. However, following tablet computers, more car panel sizes will be increased to 9 inches or more, and the market scale of small- and medium-size panel will grow to a limited extent. The long-term growth potential of China's auto market is still better than that of mature markets, and BOE and TIANMA continue to improve their position in the auto panel industry. It is expected that after 2023, Taiwan, Japan and South Korea panel manufacturers will still face strong competition from Chinese companies. IoT applications such as smart wearables, smart audio and white goods are also the growth drivers for small and medium sized TFT LCDS shipments. As the technical barriers are lower than automotive panels, Chinese panel manufacturers have a better chance to enter after amortization of the old 4.5 to 5 generation A-Si TFT LCDS production lines.

Global shipments of small- and medium-sized TFT LCDS will grow at a CAGR of -1.7% from 2022 to 2027. In 2022, global shipments of small and medium-sized TFT LCD were affected by the Ukrainian and Russian war and the resulting global energy crisis, the inflation effect, coupled with the unsealing of the epidemic and the end of the port blockage, which led to the accumulation of finished mobile phone inventory, and the shipment is estimated to decline by 12.7% compared with 2021. From 2024, the mobile phone market is expected to gradually recover, but the effect of AMOLED replacing TFT LCD and the gradual elimination of function phones by smart phones will still cause the TFT LCD shipments for mobile phones to gradually decline. It is estimated that the CAGR will be -3.6% from 2022 to 2027. Industrial control, vehicle and Internet of Things applications will increasingly demand small- and medium-size TFT LCD panels. Among them, the vehicle will become the most important growth engine, and the shipment of TFT LCD panels for

small and medium sized vehicles is estimated to be 4.4% in 2022~2027.

With the introduction of new energy vehicles into the market, more will accelerate the dashboard panel, integrated on-board multi-panels will become a trend. Mobile phone panels are gradually replaced by AMOLED, but AMOLED panels, due to relatively poor environmental tolerance, are not suitable for vehicle applications. The demand for TFT LCD panels for industrial control, smart audio, smart home and other household Internet of things will grow steadily, but the wearable TFT LCD will compete with AMOLED and PMOLED, and its growth is relatively limited. Mobile phones are the main application of small- and medium-sized TFT LCD, accounting for 74.4% of the shipments in 2020, but with the gradual introduction of AMOLED, the ratio has fallen below 70% in 2021, and is estimated to drop down to 61.2% in 2027. The share of automotive panels in small- and medium-size TFT LCD will be 7.7% in 2020, 9.5% in 2021, 10.4% in 2022, breaking the mark of 10 percent, and even 14.1% in 2027.

Although component supply has eased in 2022, due to the impact of inflation, sluggish buying, coupled with the easing of the pandemic and the lifting of port congestion, the inventory of finished mobile phones has accumulated, and the shipment of mobile phone panels is forecast to decline by 12.2%. The penetration rate of AMOLED panels continues to increase, and the decline in shipments is relatively low, with shipments only decreasing by 5.0% in 2022. Shipments of function-oriented phone panel are expected to decline less than smartphone panel shipments in 2022, at 8.5 percent, due to easing supply and demand for key components and continued demand in lower-tier markets. As smart phones will gradually replace function-oriented phones, the shipment of TFT LCD panels for smart phones will continue to grow after 2024, but it is expected to decline from 2026 as AMOLED will continue to replace TFT LCD. Global shipments of TFT LCD panels for mobile phones will grow at a CAGR of -3.6% from 2022 to 2027, of which TFT LCD panels for smart phones will grow at -0.6% while AMOLED at 10.5%.

In 2022, global TFT LCD shipments for mobile phones by different companies only grew slightly in Japan. South Korean manufacturers have almost completely withdrawn from the production of TFT LCD panels for mobile phones, and a large number of Samsung low-end mobile phones have been sold to panel factories in China. The panels are also supplied by Chinese companies such as BOE, TCL, and CSOT. Mobile phone TFT LCD panel shipments in Japan mainly rely on the iPhone SE series to maintain. In 2022, shipments of TFT LCD panels for mobile phones in Japan will increase due to the launch of the third generation iPhone SE. In the future, iPhone SE series will be updated in a two-year cycle, and shipments of TFT LCD panels for mobile phones in Japan will also increase and decrease in this cycle. Among the three major panel manufacturers in Taiwan, only Innolux continues to emphasize LTPS TFT LCD shipments for smart phones. Au's 6-GEN LTPS TFT LCD production line has shifted to producing high-end NB panels. Color Crystal has no plans to build LTPS TFT LCD production capacity. As the factory has not expanded the production line of LTPS TFT LCD, its competitiveness in the TFT LCD panel market for smart phones will not be as high as that of Chinese manufacturers. In addition, the shipment of functional mobile phones that use a-Si TFT LCD panels will continue to decline. The shipment ratio of TFT LCD panels for mobile phones from Taiwan and mainland manufacturers will be about 1:2.6 by 2027. It will be a must for A-Si TFT LCD production line of Taiwan plant to switch to industrial control and vehicle-mounted panels with higher gross profit.

There are the following trends in equipment demanding:

- A. The equipment demanding is mainly for the production equipment of large-size LCD and LTPS and medium- and large-size OLED.
- B. The demands for Micro/Mini LED equipment will gradually increase in Taiwan and Mainland China.
- C. The investment funds of the Chinese government turn to semiconductors; the panel operations will tend to be in normal market ecology.
- D. Taiwan panel manufacturers emphasize the demands of high product quality and differentiation. In 2022, there will be demands for new expansion of factories, production lines and new equipment.
- E. The Chinese government actively promotes the localization of panel equipment.

According to the above trends, the most important equipment demands depend on the panel production capacity, some of which are still concentrated in the mainland market, and the new

challenges faced by Chinese local equipment manufacturers are also greater. However, in 2022, due to the effects of COVID-19 pandemic, demand of scattered supply chains, withdrawal of South Korean manufacturers from LCD market, cargo congestion and geopolitics, etc., Taiwan panel manufacturers will have a new demanding layout in the future.

(2) Semiconductor Equipment Industry

Short-term semiconductor market is facing headwinds, but long-term application development prospects are still promising, according to the Economic Daily 2022/12 report. The Semiconductor Industry Association (SEMI) recently released a report on global semiconductor equipment shipments, which showed a 9% quarterly increase in shipments in the third quarter. Taiwan is the world's second largest market in a single quarter. Global shipments of semiconductor equipment reached \$28.75 billion in the third quarter, up 9 percent quarter-on-quarter and 7 percent year-over-year, as reported by SEMI. By region, China became the largest market for semiconductor equipment shipments at \$7.78 billion in Q3, up nearly 20 percent quarter on quarter and 7 percent year on year, followed by Taiwan at \$7.28 billion, up nearly 10 percent quarter on quarter but down about 1 percent year on year.

South Korea ranked third with \$4.78 billion, down more than 10 percent both quarter and year on year. North America ranked fourth, with \$2.61 billion in sales, down about 1 percent quarter over quarter but up 14 percent year over year. Mr. Ajit Manocha, the President and CEO of SEMI, noted that global semiconductor equipment sales grew last quarter, in line with a positive outlook for 2022. The semiconductor industry continues to expand capacity to meet long-term market demand and technological innovation.

SEMI previously forecast that, global total expenditure on wafer plant facility will rise about 9 percent from the previous year to a new record of \$99 billion in 2022, and global wafer capacity growth continue to grow in 2022 and 2023. The global wafer plant equipment market is expected to maintain a high level of equipment acquisition spending from 2022 to 2023, driven by new plants and process technology upgrades. Taiwan is expected to lead global fab equipment spending in 2022, with total growth estimated at 47% from last year to US \$30 billion, as estimated by SEMI. South Korea fell 5.5 percent to 22.2 billion dollars, ranking the second. China, in the third place, had about \$20 billion.

In addition, equipment expenditure in Europe/the Middle East is expected to hit a record \$6.6 billion this year as strong demand for advanced processes for high efficiency computing (HPC) applications drives investment.

In terms of regions, China, Taiwan, and South Korea are the top three markets in terms of equipment spending in 2022. It concentrated to China, on particular emphasizing on semiconductor autonomy. Domestic wafer foundry vendors continue to expand their factories, driving semiconductor equipment spending to rank top. However, in October 2020, China's leading wafer foundry SMIC was included in the US export control watch list, which would cause SMIC under a certain degree of influence on the difficulty of buying equipment from US manufacturers.

China speeds up semiconductor de-USA actions, making the potential order demanding of Taiwan's semiconductor supply chain manufacturers increase. As affected by the US-China trade technology conflict, Chinese semiconductor manufacturers are facing the risk of US bans, and the pace of de-USA of China's major foundry packaging and testing plants is bound to accelerate. The degree of chain dependence on Taiwan vendors is also expected to increase.

The U.S.-China science and technology war has shown the autonomy of semiconductor equipment in production. Therefore, various countries have spent a lot of effort on the autonomy of semiconductor equipment, and Taiwan has made endeavor in this trend. In terms of packaging and testing, the adoption rate of Taiwan-made equipment is better than that of the heading process. For example, TSMC's adoption rate of Taiwan-made equipment in the rear process is about 30%. In the part of automation equipment, Taiwan's excellent automation machinery and equipment technology is also the best opportunity to enter semiconductor equipment. Since automatic handling equipment has nothing to do with the wafer process, it also increases the interest of wafer manufacturers in local equipment.

The state-of-art packaging such as 3D/2.5D/Fan-out has become a trend, yet; due to the

different processing methods of major manufacturers, there is no single standard equipment on the market that can correspond; every major manufacturer needs to be able to respond quickly and cooperate with the processes to develop equipment to enhance its competitiveness, which also creates a good developing opportunity for domestic equipment manufacturers.

According to the Taiwan Electronic Equipment Association (TEEIA), the value of Taiwan's electronic equipment is expected to exceed NT \$380 billion in 2022, of which the value of semiconductor equipment is expected to exceed NT \$140 billion, with an annual growth rate of 23%. It is expected that the output value of electronic equipment in Taiwan is expected to exceed NT \$1 trillion in 2030, becoming a new \$trillion-level industry in Taiwan.

TEEIA points out that Taiwan is the world's No.1 wafer OEM and IC closed test base, the world's No.2 in terms of IC design and semiconductor output value, and the world's No.4 in memory industry. It hopes that Taiwan combines the resources of Taiwan's industry, government, academic and research sectors to assist Taiwan's semiconductor, display, intelligent manufacturing and other equipment, components and solutions manufacturers to strengthen the industrial layout and expand the global market. Jointly build a global supply chain of high-tech industrial equipment, and make Taiwan a "center of advanced semiconductor manufacturing process" and an "advanced manufacturing center in Asia".

According to statistics, the output value of Taiwan's semiconductor equipment in 2022 is about NT \$143.3 billion, the output value of display equipment is about NT \$108 billion, and the output value of key modules, components, plant facilities and intelligent manufacturing systems is about NT \$130 billion. In total, the output value of Taiwan's electronic equipment in 2022 has exceeded NT \$380 billion, among which, the output value of semiconductor equipment grows 22.6% annually compared with that in 2021, and is expected to reach NT \$154.6 billion in 2023, maintaining its growth momentum.

TEEIA believes that key areas for upgrading equipment include semiconductor manufacturing, advanced packaging, compound semiconductors, next-generation displays, AI intelligent systems and intelligent healthcare. With the development of multiple sectors, it is expected that the electronic equipment industry will become a new \$trillion-level industry in Taiwan by 2030, creating 300,000 new jobs.

(3) Intelligent automation equipment industry

With the increasing progress of AI, lower prices of IoT components, and rapid changes in the application of big data analysis, the development of smart factories has gradually matured. Machines, equipment, devices, and components are connected through the Internet of Things, connecting data and information to each other, and smarting the production process to achieve the intelligent automation production lines.

The U.S.-China trade dispute is an important focus affecting the economy; yet, some industry players believe that due to the impact of the U.S.-China trade dispute, many companies begin to build overseas second production bases, and this demand is gradually fermenting, resulting in such as the machine tools that are relevant to smart manufacturing; but, it needs long-term cultivation and observation of follow-up effects.

In addition to machine tools manufacturers, vendors who are optimistic about that the smart manufacturing can drive market demands, the upstream component manufacturers and system integrators of machine tools also have similar observation conclusions. The machine tools vendors believe that in addition to the transformation of Chinese manufacturers towards smart manufacturing, other business opportunities, such as the gradual layout in Vietnam and Southeast Asia in response to environmental needs, may emerge one after another in the next a few years.

Key component manufacturers indicated that the global manufacturing industry has entered the era of smart manufacturing, and companies are stepping up their efforts to invest in smart factories. In addition to automation/intelligence of machinery and equipment, the impact of industrial IoT trends and virtual-real integration systems are all important issues. Regardless of industrial upgrading or transformation, in the process of building smart manufacturing production lines, the demand for automation-related components such as electronically controlled proportional valves, electronic flow meters, and manifold valves will also increase accordingly and bring some help to vendors.

In addition, in response to the trend of smart manufacturing, the requirement for real-time data visualization becomes more and more popular. For smart manufacturing system integrators, what they need to do is not only the integration of a single machine or a production line, but also the integration of different products in the entire plant. To have all machines and equipment with different brands display real-time operation information through remote monitoring, it needs to achieve the goals of efficient and intelligent management including equipment interoperability standardization, information transparency, and digitization.

Smart manufacturing is currently a necessary development direction for global manufacturers. Even if the plan is temporarily delayed or suspended due to uncertainties in the general environment, most of it is only a schedule adjustment; cases of full suspensions are rarely heard of. As for the affected and suspended case, as long as the general environment stabilizes, it not only will be restarted, the implementation progress will also be accelerated, which will bring a new wave of growth opportunities for related industry supply chain operators.

The US-China trade war and technological competition, inflation and COVID-19 have had a significant impact on the global machinery market demand, and is also a major obstacle to the development of Taiwan's machinery industry. Facing the new situation after the epidemic, promoting digital transformation will be an important way to enhance the competitiveness of the machinery industry. In the post-epidemic new circumstance, digital investment in manufacturing industry can be made in two directions: Based on the existing equipment, production line digital, intelligent transformation. And digital software (including related hardware facilities) that can improve the existing production system. For Taiwan's machinery industry, on the one hand, it can enhance competitiveness through enterprise digital transformation; On the other hand, it can grasp the digital demand of the global manufacturing industry under the new normal of the epidemic, accelerate the development of digital solutions for existing equipment and production lines, and strive for huge business opportunities.

According to TEEIA, apart from the deployment of new industrial sectors, there is also a need to pay attention to the new southward countries. Taking India as example, it is mainly focused on electronic and electrical manufacturing, rubber products, food industry, machinery and equipment, and intelligent manufacturing solutions. Expect opportunities like enterprise situation rooms, smart logistics/smart warehousing, and visual management.

In Thailand, focusing on the automobile manufacturing supply chain, electrical machinery and electronics, household appliance manufacturing, furniture, textile and other industries can be developed, enterprise intelligence room, production line optimization process, and intelligent logistics/intelligent warehousing can be developed. Malaysia mainly focuses on semiconductor packaging, electronic and electrical manufacturing, rubber products, food industry, machinery and equipment, including enterprise situation room, smart logistics/smart warehousing, management visualization and AI detection system.

In countries such as Vietnam, Singapore and Indonesia, where food and beverage, textiles, automotive, electronics and plastic & rubber machinery are key industries, TEEIA sees opportunities in production line optimization processes, IoT, MES/ sales/inventory management and automated warehousing.

3.3 Technology and R&D Overview

1.3.1 For the most recent fiscal year and during the current fiscal year up to the date of publication of the annual report, R&D expenditures:

Unit: NT\$ thousands

Year Item	2022	As of March 31, 2023
R&D expenses to Operating income	260,706	63,159
R&D expense to Operating income ratio	5.51%	8.56%

1.3.2 For the most recent fiscal year and during the current fiscal year up to the date of publication of the annual report, techniques and products that have been developed successfully for the Group

R&D Project (Technology)	Product
	● Disk Pad cleaning module for car
	● MINI inspection AGV
	● OH AGV
	● In-Feed Grinder for Panel fan-out module development
	● PLP peeling module development
	● Emission Microscopy + OBRICH , EMMI
	● Large Panel Rotate Tester
	● Electrical measurement system
	● Electric Cam Servo Mechanical for Rails both Side Type
	● Electric Cam Servo Mechanical for TO Type
	● High Speed Inspection Sorter With Multiple Bin Stage
	● Fully Automatic High Accuracy Large Die Fan-Out Die Bonder
	● Mini-LED Die Bonder
	● Die Pick & Place Sorter for Tray to Tray
	● Wafer & Wafer Carrier EFEM

1.4 Long-Term and Short-Term business development plans

1.4.1 Short-Term business plans

- (1) Cooperate with foreign technical cooperation, strengthen and deepen FPD's next-generation high value-added equipment, and drive the company's diversified and sustainable operation, so as to expand the future innovation and progress in the display industry, carefully select reasonable gross profit business opportunities and make profits first.
- (2) Continue the achievements of intelligent automation development in 2021, and concentrate resources to provide intelligent automation integration solutions for representative customers in key industries to achieve their intelligent manufacturing goals.
- (3) Continue to expand cooperation with world-class companies, become its long-term automation equipment partner, and ensure stable development of business sources.
- (4) Through technology introduction/cooperation, in line with the needs of partner customers, we will vigorously cut into the development of advanced testing technology of semiconductor front end with high added value, as well as the testing and grinding equipment of middle and back end packaging process.
- (5) Improve the product performance in the field of IC carrier board to deepen the product line and expand the customer base.

1.4.2 Long-Term business plans

- (1) Innovation and transformation, extension of tentacles and sustainable development are the guiding principles of development strategy.
- (2) Business orientation
 - The display industry, semiconductor industry and intelligent automation industry will be further promoted.
 - Extend related products to other foreign markets.
 - Strengthen the return of Taiwanese businessmen and the business opportunities of decentralized production by international manufacturers.

- Deeply cultivate the after-sales service market of equipment and components, and grow together with customers.
- (3) Product aspect
 - The core technology (equipment & process) is deeply developed.
 - Expand the core technology in cross-domain product integration and application development.
- (4) Internationalization strategy of cultivating multiple talents.
- (5) GPM formed a G2C business strategic alliance with its partners, C. Sun and GMM, to provide one-stop services for smart production. By integrating the human resources, material resources, and technical resources of multiple companies, we established a robust supply chain system and customer service system that connect all production equipment from upstream to downstream to assist customers in creating maximum value, and in turn, achieving the common belief of price fortification by securing costs, joint creation through mutual efforts, harmony and sharing, and long-term partnerships.

2. Market, Production, and Sales outlook

2.1 Market Analysis

1. The Company main product (service) sales (provision) area and market shares

The Company's products have presence mostly in Asia. During the last two year the sales percentage of the GPM export sales:

Unit: NT\$ thousands

Year Items	2021		2022	
	Amount	Ratio (%)	Amount	Ratio (%)
Domestic Net Sales	2,269,815	47.18%	2,540,361	53.66%
Net Sales from Export	2,541,560	52.82%	2,193,615	46.34%
Total	4,811,375	100.00%	4,733,976	100.00%
Market Share	Not applicable		Not applicable	

2. The supply and demand situation and growth potential of the market in the future

By cooperating with the Company's strategy, the Company will continue to deepen its core technologies and expand its applications in display, semiconductor, IC substrate, and intelligent automation industries.

(1) Display Industry

The main driving force for panel applications is the trend of large-scale product screens, yet after 2022, it may be impacted by LCD panel market by the erosion of AMOLED technology. Other applications include large automotive panels, digital signage, industrial, medical, automatic tendering machines, large game machines, and point-of-sale checkout systems, etc. Automotive panels are the most promising one, followed by digital signage products.

According to DIGITIMES Research, global shipments of automotive displays will reach 197 million units in 2022, up 7.2%, due to the war between Ukraine and Russia, the rise in oil prices and global inflation, as well as the weaker-than-expected recovery of the auto market due to the outbreak control in mainland China.

In the next five years, display penetration in the automotive market will continue to increase, especially the continuous development of electric vehicles and self-driving systems, and the trend of multiple panels in one vehicle continues to expand. Therefore, it is estimated that, by 2027, the global shipment of on-board displays will reach 288 million units, with a compound annual growth rate (CAGR) of 7.9% from 2022 to 2027.

In terms of applications, the center console and dashboard will continue to be the top two applications of vehicle displays, but because the penetration of the center console has reached

saturation, the proportion of total vehicle displays shipments in 2022 to 2027 will decrease by 0.6 to 1.7 percentage points year by year, from 51.0% in 2022 to 46.3% in 2027. The proportion of instrument panel will be maintained at about 33~34%. Heads-up display and rear mirror applications have the greatest potential for growth.

Cars with head-up displays and mirrors will remain mid-to-high tier for the foreseeable future, but penetration will continue to increase. Augmented reality head-up displays (AR-HUD) will become advanced Driver assistance systems (ADAS) in 2022-2023. Real-time road conditions, obstacles and danger warnings detected by the advanced driving assistance system can be directly displayed on the windshield. Recently, a number of manufacturers have adopted TFT LCD panels to achieve the AR-HUD effect, which helps to further improve the permeability of heads-up displays.

As for the non-physical rear mirror, it is estimated that the penetration rate of general passenger vehicles will increase with the further development of self-driving technology from 2025 to 2026. It is estimated that shipments of heads-up display and rear mirror applications will both grow at a CAGR of about 18-20% from 2022 to 2027, accounting for 9.1% and 2.3% of total vehicle display shipments in 2027, respectively.

DIGITIMES Research estimates that global shipments of vehicle displays will reach 288 million units in 2027, with a CAGR of 7.9% from 2022 to 2027. The central console is still the most important application, accounting for 51.0% in 2022. However, due to the high penetration rate, the growth potential is relatively small, and the proportion will fall below 50% in 2023, and will be about 46.3% in 2027.

Dashboards will be the second largest vehicle display application in terms of shipments, with a shipment share of 33 ~ 34%. The booming integrated smart cabin will remain the main driver for dashboard panel shipment growth, with a shipment CAGR of 8.1% in 2027. Rear mirror and heads-up display are still emerging applications, mainly for high-end vehicles, so the shipment is still low. It is expected that, by 2027, the shipment proportion will be 2.3% and 9.1%, respectively, and the shipment CAGR will be 20 ~ 24%.

A number of the Company's main products have been successfully introduced into main FPD customers. With the Company's strong research, development and promotion of G8.5/G10.5 equipment, automotive panel related equipment and Micro/Mini LED equipment, it is expected that the Company will be able to achieve the outcomes for Taiwan manufacturers in the future display equipment.

(2) Semiconductor Industry

Overlooking the market conditions, 5G communication applications, mobile devices, automotive electronics, AR/VR, high-performance computing, the Internet of Things, and AI artificial intelligence will still be the main axes of market development in the next three years. State-of-the-art packaging such as 3D/2.5D IC/Fan-out has become a trend. However, due to the different process methods of major manufacturers, there is no single standard equipment in the market that can correspond. Therefore, every major manufacturer needs to be able to respond quickly and cooperate with the equipment developed by the process to enhance its competitiveness, which also creates a good development opportunity for domestic equipment manufacturers.

The Company has been focusing on the business of semiconductor packaging equipment for many years. Many products have been recognized by first-tier manufacturers in the market. The Company has the advantage of being close to customers and has a strong technical foundation for many years, associated with flexible characters to fit customizing requirement, the Company can provide long-term satisfactory services to customers. In terms of advanced packaging technology, the Company has also actively invested in the development of forward-looking technology equipment's, making every effort to deploy new process equipment in the future. At present, a number of new process equipment has been successfully introduced into the world's major factories. The outlook for 2023 should be cautiously optimistic based on rising market demands.

Due to the looming US-China trade war, plus the variables of COVID pandemic. The factors that drive the re-growth of the semiconductor market first point to the investment in 5G wireless communication equipment and mobile phones; firstly, the enterprise investment in base stations and other related equipment, followed by the increase in mobile phone production and investment in new components. Japanese component factories also have the growth of 5G-related demands.

Although the trade war has depressed the short-term semiconductor development in mainland China, yet, it has enhanced the determination of mainland China to expand its own semiconductors, which will also help the semiconductor equipment market.

DIGITIMES Research reported that orders released by TSMC due to the expansion of factories have become an important growth driver for the global supply chain. Not only international equipment manufacturers such as ASML, but also in Taiwan's supply chain, many companies' TSMC orders account for a relatively high proportion of revenue. As TSMC's market share and production capacity continue to expand, and its share of advanced manufacturing processes is absolutely ahead, its reliance on TSMC will only increase. However, since high proportion of orders is from a single company, operational risks will also increase. The competition result among global wafer foundry vendors is clear; TSMC's market share is roughly estimated to be close to 60%. The market expects that TSMC will start to expand production in an all-round way, and after the new production capacity will be opened in 2023, the market share is expected to exceed 60% in 2023.

It should be noted that TSMC's mature and advanced process production and power are rapidly growing, and Taiwan, the United States, Japan and China have fully built new factories or further expanded and upgraded equipment. The orders released have become the completing objects of global equipment and materials supply chains. Such as, TSMC's Tainan Science Park Feb 18 and the new 5nm plant in the United States, covering the objects of plant construction, wafer manufacturing, packaging, testing, exposure machines, etching, PVD, CVD, measurement and polishing and other equipment and materials, plus all the materials required after mass production; directly or indirectly bringing living water into thousands of semiconductor companies around the world.

(3) Smart Manufacturing Industry

The Company's smart equipment mainly focuses on solutions such as unmanned vehicle system/intelligent diagnosis and maintenance system (IDMS)/robotic processing system. System integration capability is the Company's advantage. We have established equipment in the semiconductor/panel/solar/PCB industries, and have accumulated solid production and manufacturing hard work and system integration soft power, and have achieved very high success in domestic and foreign industries evaluation and repeated awards. Nowadays, in response to the development trend of Industry 4.0 and smart machinery, we have provided smart manufacturing solutions to speed up the drive of smart manufacturing solutions in the manufacturing industry.

3. Advantages and disadvantages of competitive niches and development prospects and countermeasures.

(1) Favorable factors

In the display field, through technology transfer of Japan's high value-added Array segment PROBER, wet process etching and other equipment technologies, the Company successfully developed the main process products of the Array and Cell segment, and effectively expanded the application to major customers, making the Company's operations in the display field more efficient, complete and healthy.

In 2023, the global electronics market will focus on smart handheld devices, Internet of Things, 5G, memory, artificial intelligence, automotive electronics, metaverse, and virtual reality and augmented reality (AR/VR); among which the growing potential of future markets on automotive semiconductors and memory cannot be ignored. In addition, 5G and AI applications are also gradually growing, and these markets generate demands for many new equipment. The semiconductor industry is in a wave, and advanced semiconductor packaging has become a trend. However, due to the processes of major manufacturers are different, there is no single standard equipment in the market that can correspond, therefore, every major manufacturer needs to be able to respond quickly and cooperate with the equipment developed by the process to enhance its competitiveness. The Company has the advantage of closing to customers and years of technical foundation, plus the support of the government and Taiwan's leading manufacturers for the localization of equipment, it is a good time to enter the market and master the trend and also with the condition of positive development.

The market demands for intelligent automation has exploded; the Company has won the favor of heavyweight companies in different fields for large-scale alliances and cooperation, and its prosperity is expected.

A. Research and Development:

The Company is constantly dedicated to the research and development of innovative and diversified products, and cooperates with corporate research institutions and academic institutions to develop advanced process equipment, continuously improves the own technical capabilities. The Company's R&D capability is confirmed by the manufacturing, governmental, academic and research regions

Except accumulating complete core technologies and integrated application capabilities, which can serve as a strong background for the Company's continuous expansion, in recent years, the Company has successively completed many technical cooperation projects with international manufacturers. By introducing world-class technologies, it will further help the Company carry out international market layout and transformation.

B. Complete quality system

The Company has a complete Q (quality) D (delivery) T (technology) C (cost) S (service) S (safety) quality system, which can provide a full range of services, conducive to attracting world-class customers to form strategic partnerships. At present, considerable progress has been made in the corporate strategy of "strategic cooperation/cross-regional cooperation, alliances go hand in hand together".

C. Powerful logistics support system

The Company has a long history and good credit status. After years of contacts with outsourcing and material suppliers, the two parties have established a good supply, demand and cooperative partnership, which is conducive to expand production capacity and stable material supply.

(2) Unfavorable Factors and Countermeasures

A. By facing the rise and expansion of China panel industry, China government actively drives the localization of its equipment, and the Company gradually faces strong competition from China's local equipment. Mainland China's greater support for the semiconductor industry has also driven the rapid development of its local equipment industry. China local equipment manufacturers compete for the market with low prices, creating a competitive relationship with each other. Countermeasures:

- (A) Continuing to enhance the Company-owned product technology and intellectual property patent applications, and cooperate with the introduction of foreign advanced technology to improve product levels and get rid of low-price competition.
- (B) Enhancing operating resources in mainland China and the design and manufacturing capabilities of mainland subsidiaries to expand the competitiveness of the mainland China market. Part of the equipment development is localized; integrating local resources to control costs; and strengthen local services in the mainland China.
- (C) Make alliances with local equipment factories in mainland China; except consolidating the business opportunities of existed products, cooperate to drive high-value-added products to mainland China customers.
- (D) Make full use of the local equipment supply chain in mainland China and integrate the QDTCSS energy that the Company is good at to provide customers with more valuable services and create a win-win situation.
- (E) Close to customers and quick response are the key factors for us to effectively enter into the development of new processes for customers. Under this premise, we can continue to innovate and grow with customers. However, under the status of limited resources and rapid market evolution, mature products and new R&D equipment should carefully chose in terms of funds and manpower.
- (F) Based on core technologies; cooperate with industry trends; invest R&D on new products; and expand industrial applications, including memory, 5G, AI, and Mini/Micro LED, etc., to expand market supply/demands.

B. FPD industry may not have a long and lasting development opportunity. Countermeasures:

- (A) Cut into the high value-added heading cleaning, wet etching, and testing equipment of the FPD industry.
- (B) Hold the business opportunities of the renovation of FPD customers' existing equipment; expand integration and promoting after-market value-added services.
- (C) Develop different industries such as semiconductors and smart manufacturing, and

deploy southbound markets.

- (D) Continue to carry out innovative operations of strategic alliances, technology transfer cooperation, and cross-domain integration.

2.2 Main usage and Production Process of the Primary Products

1. Main usage

The Company is specialized in design, manufacturing and sales of equipment in FPD, semiconductor, intelligent automatic and biomedical.

2. The process of the Company's production and manufacturing are as follows:

All the Company's new product R&D shall follow the strict "C process design development control procedure" to control the R&D projects. C process includes "C0 Market Assessment", "C1 technique and product planning", "C2 Design Phase", "C3 Manufacturing and Assembly Phase", "C4 Testing and Validating Phase" and "C5 Result Confirmation Phase"

Development results are controlled by "S process", including "S1 Purchased Material Inspection", "Machine Component Module Assembly", "S4 Electricity Control and Whole Machine Control", "S4 Cold Run Test" and "S5 Hot Run Test".

2.3 State of Supply of Main Materials

The main material and source of the semiconductor equipment and TFT LCD equipment produced and manufactured by the Company are as follows:

Mechanical Component

(1) Functional Machine Component

The mechanical designers draw the technical drawings based on specifications and engineering department produce or outsource to contractor to produce. The main materials includes metal like steel, iron and aluminum.

(2) Standard Mechanical Parts

Other general parts such as bearing, servo motor, drive belt, spring, stamping die, guide rod and buffer are purchased through trader or from domestic market based on the decision and selection of mechanical designers.

(3) Software such as Computer and Human Machine Interface

Industrial and human machine interface are acquired through trader or from domestic market based on the decision and selection of electronic controller.

(4) Various signal transmitting and control components

Components such as sensors, solenoid valve, server controller and touch switch are acquired through trader or from domestic market based on the decision and selection of electronic controller.

(5) Electric and transmitting components

Components such as cylinder, illuminating lamp, transformer and power supply are acquired through trader or from domestic market based on the decision and selection of electronic controller.

2.4 Key Supplies & Customers

2.4.1. Key Suppliers

Names of suppliers accounting for more than 10% of the total purchase in any of the previous two years:None.

Unit: NT\$ Thousands / %

2021				2022			
Supplier	Procurement Amount	As % of 2021 Total Net Purchase	Relation	Supplier	Procurement Amount	As % of 2022 Total Net Purchase	Relation
Others	3,044,153	100.00%	—	Others	2,914,088	100.00%	—
Total Net Procurement	3,044,153	100.00%		Total Net Procurement	2,914,088	100.00%	

2.4.2. Key Customers

Names of customers accounting for more than 10% of the total sales in any of the previous two years:

Unit: NT\$ Thousands / %

2021				2022			
Customer	Net Revenue	As % of 2021 Total Net Revenue	Relation	Customer	Net Revenue	As % of 2022 Total Net Revenue	Relation
Customer B	1,053,122	21.89%	—	Customer B	1,114,563	23.54%	—
Customer M	263,776	5.48%	—	Customer Q	435,367	9.20%	—
Customer N	245,300	5.10%	—	Customer P	262,089	5.54%	—
Customer E	191,389	3.98%	—	Customer T	189,058	3.99%	—
Others	3,057,788			Others	2,732,899		
Total Net Revenue	4,811,375			Total Net Revenue	4,733,976		

2.5 Production Volume and Value in the Past Two Years

Unit: pieces / NT\$ Thousands

Year Output Major Products (or by department)		2021			2022		
		Production Capacity	Production Volume	Production Value	Production Capacity	Production Volume	Production Value
		Not applicable	236	1,637,517	Not applicable	245	1,515,333
			3,037	1,550,308		3,941	1,804,212
			634	385,525		78	48,612
			8	710,566		220	793,630
			3,915	4,283,916		4,484	4,161,787
Total							

2.6 Sales Volume and Value in the Past Two Years

Unit: pieces / NT\$ Thousands

Shipments & Sales Major Products (or by departments)	Year		2021				2022			
			Domestic Sales		Export Sales		Domestic Sales		Export Sales	
			Volume	Value	Volume	Value	Volume	Value	Volume	Value
Display Process Equipment			84	976,382	67	1,021,567	116	1,212,745	88	915,765
Semiconductor Process Equipment			363	947,054	732	782,071	431	991,615	835	999,665
Intelligent Automation Equipment			149	807	454	455,166	16	2,991	53	63,969
Display Process Equipment			0	345,572	1	282,756	0	333,010	0	214,216
Total			596	2,269,815	1,254	2,541,560	563	2,540,361	976	2,193,615

3. Human Capital

Year		2021	2022	As of March 31, 2023
Number of Employees	Indirect Labor	370	366	359
	Direct Labor	478	495	494
	Total	848	861	853
Average Age		40.56	40.86	40.86
Average Years of Service		9.14	9.42	9.53
Education (%)	Ph.D.	0.35%	0.23%	0.23%
	Master's	20.99%	21.84%	22.15%
	Bachelor's	64.98%	64.69%	64.85%
	High School	11.2%	11.27%	10.78%
	Others	2.48%	1.97%	1.99%

4. Expenditure of environmental protection

In the latest year and up to the date of publication of the annual report, the damages (including compensation) incurred due to environmental pollution and violations of environmental protection laws and regulations as a result of environmental protection audits shall be listed; and disclose the estimated amount and countermeasures that may occur at present and in the future. If unable to be reasonably estimated, it should explain the fact why unable to be reasonably estimated:

All environmental protection affairs in the Company's plant are implemented in accordance with national laws and regulations; there is no loss (including compensation) and punishment due to environmental pollution. Meanwhile, the Company actively invests in environmental protection and pollution prevention tasks with a total investment of NT\$874,000. Every year the Company invested a large amount of money to add and improve pollution prevention and control equipment, and the process is constantly updated to achieve pollution reduction, resource recovery and reuse purpose; also, the Company actively drives environmental safety and health management measures, and regularly implements environmental inspections of plants according to the law, enhancing hazard identification safety training, disaster prevention training, and employee health inspection and promotion for all employees; expecting to achieve the goal of zero pollution in production and zero accidents in the workplace. Regarding the impact on the environment and climate, we are dedicated to reducing emissions of greenhouse gases and efficiently using energy.

In addition to complying with domestic laws and regulations, we also strive to achieve compliance with the norms of the European Union Environmental Protection Directive (RoHS) and international conventions.

5. Labor relations

5.1 List the Company's employee welfare measures, education, training, and retirement systems and the implementation status, as well as labor-management agreements and protection measures of employee rights and interests:

1. Employee welfare measures

The Company believes that employees are the most important assets. In addition to providing appropriate work content, it also provides high-quality remuneration and benefits. The Company also encourages employees to devote themselves to their families, pursue interests, care for society, and create a comfortable life.

(1) Salary and leaves

- Competitive salary level.
- Provide bonuses for Dragon Boat Festival, Mid-Autumn Festival and Lunar New Year, etc.
- In order to reward employees for their outstanding performance, the Company pays quarterly performance bonuses, year-end bonuses and employee remuneration according to the achievement degree of operational goals, profitability and individual performance of employees. The employee remuneration is allocated according to the Company's articles of association.
- 3 days of paid sick leaves per year.
- Annual 0.5-day leave on full pay for enrollment of Grade-1 newcomer with primary school.

(2) Living and incentive subsidy

- Provide wedding and funeral, childbirth, New Year's Day, and birthday cash gifts and hospitalization condolences.
- Childcare measures, NT\$3,000-6,000 per month for childcare of the third child and education allowance.
- To encourage employees to innovate, the Company provides innovative research bonuses, proposal improvement bonuses, outstanding team bonuses for special performance, and outstanding employee bonuses, etc., to stimulate employees' work enthusiasm and teamwork spirit.
- To reward employees for self-improvement, there are bonuses to drive employees to obtain English and Japanese licenses or become excellent internal training lecturers, and let employees to earn training credits.
- Subsidize the cost of parking spaces.
- If employees hold outdoor social activities themselves, the Company provides the outdoor social activity subsidy in the amount of NT\$200 per person per time.
- Subsidize on-job training expenses.
- Provide employees with prepayment measures for buying vehicles, with an advance payment of NT\$150,000-300,000 to improve employees' living functions.
- Provide salary prepaying measures for employees to buy houses; employees can advance NT\$360,000-900,000 in the perspective of reducing the living stress of colleagues.

(3) Stress-relieving environment

- Build a comfortable milk collection room for female employees.
- Each plant has a staff cafeteria; and provides staff meal allowances.
- Build a library; and use the bar table to achieve the effect of stress relief.
- Each plant has a fitness center.
- Free coffee machines and snack vending machines.

(4) Soft activities

- Host a series of parent-child activities such as concerts, consensus camps, and family days to enable employees to achieve balance between work and life.
- Host group health and fun competitions on different festivals.
- Host the year-end/spring wine activities every year.

(5) Meal enjoyment

- Free afternoon tea.
- Distribute healthy meals on Father's Day, Mother's Day and other festivals.

- (6) Family members share
 - Group insurance for employees' family members.
 - Provide health check discounts for employees' family members.
- (7) Special contracts
 - Sign a special contract with the consulting vendor to provide stress relief channels for colleagues.
 - Sign a special contract with the kindergarten.
- (8) Other measures
 - Provide annual free health check.
 - Model staff and senior staff reward system.
 - Perfect performance management system.
 - Each supervisor develops the plan according to the performance indicators. In order to achieve the Company, department and individual goals, the performance appraisal of all colleagues is conducted on a regular basis every six months for guidance and feedback. Teach supervisors to perform assessment and performance interview assignments to improve the work performance of colleagues in the Company; provide career planning for employees, and establish a reasonable reward and punishment feedback mechanism. The assessment results are used as the basis for the issuance of bonuses, salary adjustments, remuneration, promotion, talent training and development plans.
 - Implement the connection of traffic vehicles in the plant area (to reduce the commuter traffic flow and total exhaust amount, and the environmental load).
- (9) Welfare measures of the Welfare Committee:
 - Provide education scholarships for children and employees from elementary schools to research institutes.
 - Discounts at designated stores of the Welfare Commission.
 - Provide gifts (Pay Easy points) for weddings, funerals, births, festivals, and birthdays.
 - Club activities (the nature of the club includes 10 clubs in the categories of sports, public welfare, and stress relief, etc.).
 - Irregular cultural and recreational activities (movie watching, Christmas Party, and festival activities).

2. Advanced study and training system

The Company believes that talent development is the cornerstone of the Company's growth. Through training it can discover more potential; we provide sufficient resources to help colleagues create themselves, create corporate value and core competitiveness, and promote corporate development and employee growth, in the perspective of creating a win-win situation.

- (1) The Company has established the "Education and Training Quality Manual" for employees to follow. The Company provides subsidies for education and training every year to improve the knowledge and skills of personnel in the organization, cultivating and reserve human resources, in the goal of achieving organizational performance and enhancing the Company's competitiveness. The content is outlined below:
 - A. Education and training system: GPM established a complete training and development system to establish a clear education and training planning process; and plan for different courses according to grades and titles to achieve vision and annual strategic goals, and cultivate talents.
 - a. Hierarchy training course: According to the planning hierarchy map of chiefs in different hierarchies, carry out training for management knowledge to confirm that each manager has management knowledge. It is divided into a learning map for cultivating low-level managers, low-level managers, middle-level managers and senior managers.
 - b. Professional training courses: According to the skills required by each unit, design professional training maps, such as R&D and design training maps, customer service functions training maps and other maps, to ensure that employees have sufficient knowledge and technology on the jobs.
 - c. Training courses for new recruits: Explain the Company profile, development history, management regulations, information security, occupational safety/health and occupational safety and health management system concepts.
 - d. Internal lecturer training courses: The administrative unit hosts internal lecturer training courses according to actual needs to evaluate colleagues with expertise and enthusiasm

for teaching, and to study teaching skills.

e. Self-enlightenment training courses: Spiritual growth courses such as aesthetics, art, medicine, health care, and literature, etc.

f. Soft courses: Including physical health care, family relations, psychological relief and insurance and financial management courses.

B. Mentoring system: Each new colleague is assigned a mentor to provide work advice and speed up the newcomer to adapt to the working environment.

C. Statistics and expenses related to the employee education and training of the Group in 2022:

Education and training	Internal training	External training	Total
Batches	124	154	278
Number of trainees	4,401	236	4,637
Hours	9,147	1,657	10,804
Expenses (NT\$ thousands)	\$1,211	\$334	\$1,545

3. The retirement system and its implementation

(1) We provide labor insurance, national health insurance, group insurance and group business travel safety insurance to meet the comprehensive insurance needs of our colleagues.

(2) Retirement system and implementation status: The retirement system of the Company and its subsidiaries shall be handled according to the laws and regulations of various locations.

A. Companies within the territory of the ROC: All have the labor retirement regulations in accordance with the "Labor Standards Act", and deposit more than 2% of the monthly retirement reserves to the special account of the Labor Retirement Reserve Supervision Committee; since July 1 2005, fully implementing the "Labor Pension Regulations". The applicable regulations are as follows:

(A) Employees reporting to job positions by and after July 1, 2005 shall fully apply the "Labor Pension Regulations".

(B) Employees reporting to job positions before July 1, 2005 may choose the pension under the "Labor Pension Act" or "Labor Standards Act" within five years from July 1, 2005 according to their actual needs; if the employee has not yet made the choice by the expiration date, the pension provisions of the "Labor Standards Act" will continue to be applied from the date of implementation.

(C) Employees who have one of the following circumstances can apply for retirement by themselves:

- The service time exceeds 15 years and over 55 years old.
- The service time exceeds 25 years.
- The service time exceeds 10 years and over 60 years old.

(D) Retirement payment criteria:

- According to their working years, two bases are given for each full year. However, for those who have worked for more than 15 years, a base will be given for each full year, and the maximum total is limited to 45 bases. If less than half a year, it will be counted as half a year; if exceeding half a year yet below a year, it will be counted as one year.
- According to the provisions of Item 1.2, Article 54, for worker under forced retirement with mental or physical disability, which is caused by duty performance, extra 20% shall be added according to the provisions of the above item.

B. Companies in China:

(A) In accordance with the local social insurance operation mode, such as basic medical insurance, maternity insurance, basic endowment insurance, work-related injury insurance and unemployment insurance, the Company has started to fulfill the obligation to pay social insurance after going through the procedures for increasing the number of employees in social insurance. The basic pension insurance benefits shall be allocated

monthly according to the contribution base, and the provision ratio shall be applied in accordance with local laws and regulations.

(B) When an employee reaches the statutory retirement age and the accumulated number of contributory years, he/she may receive pension in accordance with local regulations.

Composition of basic pension: Social pooling and personal accounts.

4. The agreement between employee and employer and the protection measures for employees' rights and interests:

The Company greatly emphasizes the rights and interests of employees and their future development, and has established an Employee Welfare Committee to provide various employee welfare measures. An "Education and Training Quality Manual" is also built to encourage employees to participate in various training and skills training. Meanwhile, the Company also establishes a communication channel between employees and employer, and discloses welfare measures, learning and development, employee communication and life balance on the Company's website. When there are major changes in the Company's operations that affect labor rights, the Company will immediately communicate and coordinate with employees through formal communication channels; and the Company regularly holds employee meetings, labor-management meetings and other meetings with employees to announce important information and understand labor's ideas, and provide "General Manager's Mailbox", "Anti-Bullying Mailbox", "Model Staff Dinner Party" and "Employee Satisfaction Survey" and other communication channels to collect improvement opinions, and record and propose improvement proposals after collection, in order to establish a reliable labor-management communication environment.

- Build the "General Manager's Office Mailbox", which will be compiled and replied by a dedicated person.
- Hold "Staff Meetings" quarterly to provide opportunities for employees to express their opinions as a reference for company improvement.
- Hold a "employee-employer meeting" on a quarterly basis. In order to promote harmonious employee-employer relations, regularly hold employee-employer meetings to listen to employees' suggestions.
- Select annual model employees and host a "model employee dinner party" to listen to the suggestions given by the model employees to the Company.
- Each plant has dedicated person in charge of employees relations, who can provide face-to-face assistance and listen to the voices of colleagues.
- Irregularly hold "Employee Forum" and the chairman will discuss and listen to the ideas of employees.
- Regularly provide "Employee Satisfaction Survey" to provide a channel for colleagues to advise the Company.

5. Employees' work safety and health of

(1) Work safety environment

- Establish an Occupational Safety and Health Committee, hold regular quarterly meetings to discuss matters related to environmental protection, safety and health.
- As a basis for improving the workplace environment, perform work environment monitoring every six months to assess personal exposure.
- Established the emergency response plans, including rapid response to accidents, disaster recovery and response procedures for potential disasters.
- Passed the certification of occupational safety and health management system (ISO45001:2018).
- Regularly hold fire drills and AED first aid training for all staff.
- Establish safety and health policies and division of powers and responsibilities of supervisors at all levels. Hold committee meetings with discussions.
- Create a smoke-free office environment.

- Official vehicles are equipped with tire pressure detectors and tire pressure/tread pattern detectors.
- COVID-19 prevention measures
 - * Established the [GPM Group Pandemic Prevention Command Center] on January 30, 2020.
 - * Implement employee securing plan and related subsidies for overseas business trips.
 - * Guests (visitors), contractors, and employees will undergo a comprehensive body temperature measurement before entering the plant.
 - * Pandemic prevention drills for handling suspected or confirmed cases of COVID-19 and pandemic prevention propaganda.
 - * Enhance the pandemic prevention space (dressing room, smoking area, and elevator space) and maintain social distance.
 - * Provide anti-pandemic warming and nourishing soup.
 - * Build red tents for visitors to quickly screen.
 - * GPM Safe Anti-Pandemic Dormitory is provided for colleagues to use during home quarantine.
 - * Provide employees with home antigen rapid screening reagents.
 - * Implement home office & zoning diversification measures.
 - * Distribute protective masks and goggles.
 - * To improve the protection of colleagues against the risk of pandemic, GPM has insured pandemic prevention insurance and vaccine insurance for each of their colleagues. Currently, pandemic prevention insurance is NT\$1,509 per person, and vaccine insurance is NT\$228 per person, with a total cost of NT\$724,329

(2) Employees' Physical and mental health

- Provide regular health inspections for on-job workers every year, and conduct physical inspections for new employees (the frequency and items are superior to the one stipulated by laws and regulations).
- Health grading management system; follow colleagues' health examination results to carry out grading management.
- On-site medical care service, with more convenient physical consultation, and tracking down the health examination and re-examination status of colleagues.
- Since 2018, we have conducted annual routine sport events (769.71kg cut down in weight loss activities since 2018, including 185.15kg weight loss in 2022, brisk walking activities of totally 53,018.7 km since 2020, a total of including 30,948.79 km in 2022) to maintain the health of the staff.
- Hold innovative health activities every year (collecting the sports passport stamps to draw smart watches in 2021); attract colleagues to participate in sports through annual innovative activities.
- Make special appointment by the psychological counseling office to provide colleagues spiritual assistance.
- Invite colleagues to fill in the physical and mental health questionnaire, and the plant nurses follow up to track down the respective mental states.

6. Fulfill corporate sustainability

Under the goal of integrity governance, green environment and social care, GPM takes positive actions to step into the issue of sustainability. On the way of sustainability, GPM will jointly grow with the world and co-exist and prosper with the ecological environment.

(1) Company governance

- The Company established an effective company governance structure, adhering to the principle of integrity management, following the laws and regulations, establishing a Board of Directors and various Statutory Committees, and setting important internal regulations of the Company to implement the company governance practices.
- The Company information is regularly announced on the official website and the Open Information Observatory Station, implementing open and transparent information disclosure, emphasizing the two-way communication with various stakeholders, and regularly reporting the communication results to the Board of Directors.

(2) Social co-prosperity

- The Company strictly obeys the labor laws and regulations and respects the internationally recognized basic labor rights principles, protects the legitimate rights and interests of employees and implements the employment policy of fair and non-discriminatory treatment, and established an appropriate management system to supervise the management. The Company insures all employees in life insurance, health insurance, disease, cancer, and disability insurance and provides retirement reserves.
- The Company believes that employees are the most important assets. In addition to providing employees with appropriate work content according to business needs, the Company also provides a safe and comfortable working environment, and builds superior salaries and benefits. The Company encourages employees to devote themselves to their families, pursue interests, care for society, and create a comfortable life.
- The Company actively participates in social participation, expecting to spread goodwill far and wide, improve the common life quality of the society, and shorten the gap between the rich and the poor and mitigate inequality. The Company's social participation activities are divided into public welfare care platform, industry-university cooperation platform, and incubation platform. The public welfare platform provides support and financial assistance for social disadvantaged groups; the industry-university cooperation platform provides internship vacancies for school students and R&D projects; the incubation platform provide a platform for local elementary schools and junior-high schools to express their talents and promote local cultural characteristics.

(3) Environmental sustainability

- Climate change has a profound impact on people's lives. As the issue of extreme climate gradually emerges, GPM had accepted the guidance for greenhouse gas inventory under ISO14064-1:2018 since 2021, and officially introduced greenhouse gas inventory in 2022, set up low-carbon emission policies to achieve carbon neutrality first, aiming at net zero emissions ultimately, and has passed external examination for greenhouse gas inventory in 2022.
- In 2021, we were facing the problem of water and electricity shortage. The Company has been reviewing the water and electricity consumptions on a monthly basis, understanding the usage situation, and coordinating the improvement plans. Meanwhile, it made design on equipment with less water consumption in the process, which both meets the customer needs and achieves the goal of environmental protection.

(4) Awards

- Ranked the 11th in Little Giant Group for World Magazine's Enterprise Sustainable Citizen Award.
- Selected as outstanding institution by Central Science Park Administration for promoting occupational safety and health in 2022.
- Ranked the second in 2022 Taichung City Health Racing Walk Competition for Bodies with more than 100 Employees held by Taichung Municipal Government Health Bureau.
- Won the National Health Service Award for 2022 Outstanding Performance with Healthy Workplace. °
- Won the award of Central Science Park Administration for "promoting equality in the workplace.

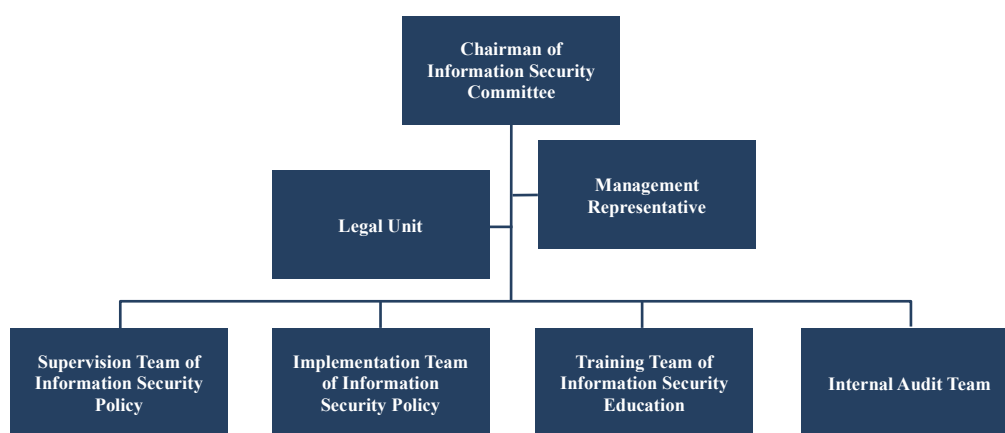
5.2 For the most recent fiscal year and during the current fiscal year up to the date of publication of the annual report, loss from labor-management dispute and disclosure of possible loss amount and mitigation efforts (including the violation of the Labor Standards Act discovered through the labor inspections. The date and the serial number of the punishment, the title and content of the violated provision, and the punishment shall be specified) and the estimated amounts that occurred or may occur in the future. If it cannot be reasonably estimated, the fact shall be affirmed: None.

6. Information security management.

6.1 State the information security risk management framework, information security policy, specific management plan, and resources invested in the information security management, etc.

6.1.1 Information security risk management framework

To maintain and enhance information security management and ensure the confidentiality, integrity and availability of assets and information, the Company established the "Information Security Committee" on October 26, 2020. The "Information Security Committee" is in charge of various information security governance, planning, supervision and promotion of implementation, and regularly holds management review meetings to make appropriate revisions according to the assessment results, laws, and the latest development of technologies and business to ensure complying with actual needs; and regularly report the information security risk management to the Board of Directors per year.



6.1.2 Information security policy

The Company has been dedicated to improve the information security from various internal information security management mechanisms, regular information security propaganda, and employee information security training over the years. The concept of "responsibility" ensures the confidentiality, integrity and availability of the data processing of customers and colleagues, so that the Company's data processing is fully guaranteed and can provide safe, stable and efficient information services.

➤ Conduct in ISO/IEC 27001:2013 ISMS information security management system

The Company has obtained ISO/IEC 27001:2013 ISMS international certification in information security management system in 2021 (certification company: Grey International Certification Co., Ltd., certificate number: IAS-ISMS-21-014); following the ISMS information management system to perform information security policy, set information security goals, control information security and continuously run contingency drills to protect the Company's important systems and On October 14, 2022, we passed the first year of follow-up verification and audit for ISO/IEC 27001:2013 ISMS information security management system, and the certificate will be valid until the next verification year.

➤ File system management

To improve information security management, the Company's information policy governance and standardization are uniformly submitted by the information unit for internal electronic signatures. After reviewed by the first-level supervisors of each unit and president, the information unit will make application through the internal electronic file

system and submit it to the Document Control Center. After the process is reviewed, a company-wide document announcement will be issued.

6.1.3 Specific management plan

To protect the security of confidential documents and customer data, except passing the annual ISO/IEC 27001:2013 ISMS information security management system verification, the Company also enhances the defense and detection capabilities of information security equipment.

We give promotional explanations on various information security at the staff meeting annually, including the relevant provisions of the trade secret protection law and explanations on information security policy, and require new employees to sign the consent on information security policy to ensure that the information security policy is known to all colleagues.

We carry out core system disaster recovery drill annually, and use DR Backup to restore the remote computer room system, to ensure the normal operation of the core system.

Physical network security management, such as internal (inter-factory)/external firewall mechanism, DMZ network isolation zone and security zone establishment, is used to separate servers for internal and external services, and work with network traffic anomaly detection and analysis system and other equipment to ensure the physical security of the network. Data access control management is deployed on the client computer through the DLP system and anti-virus system to protect computer data security and enhance the USB management of mobile storage devices; and assign different access rights according to business and functions. In addition, a data backup and restoration mechanism is established to ensure data security, enhance internal and external attack defense and recovery capabilities, properly maintain customer data and information security, and join the SP-ISAC Science Park Information Security Information Sharing and Analysis Center to understand and master domestic and foreign information security threats and weaknesses via the platform information-share mechanism, in the perspective of facilitating management and early response.

➤ Reporting process of information security incident



6.1.4 Resources invested to security management

➤ Information security training

Information security training for employees is held in Hsinchu Science Park plants and Taichung Science Park plants every year. External information security lecturers are invited to the plants to explain external hacking and fraud methods and prevention awareness. Meanwhile, it also propagandizes the latest information security concepts to colleagues to reduce risks. It is expected to elevate the awareness of information security of all employees and timely protect the Company's rights and interests at anywhere.

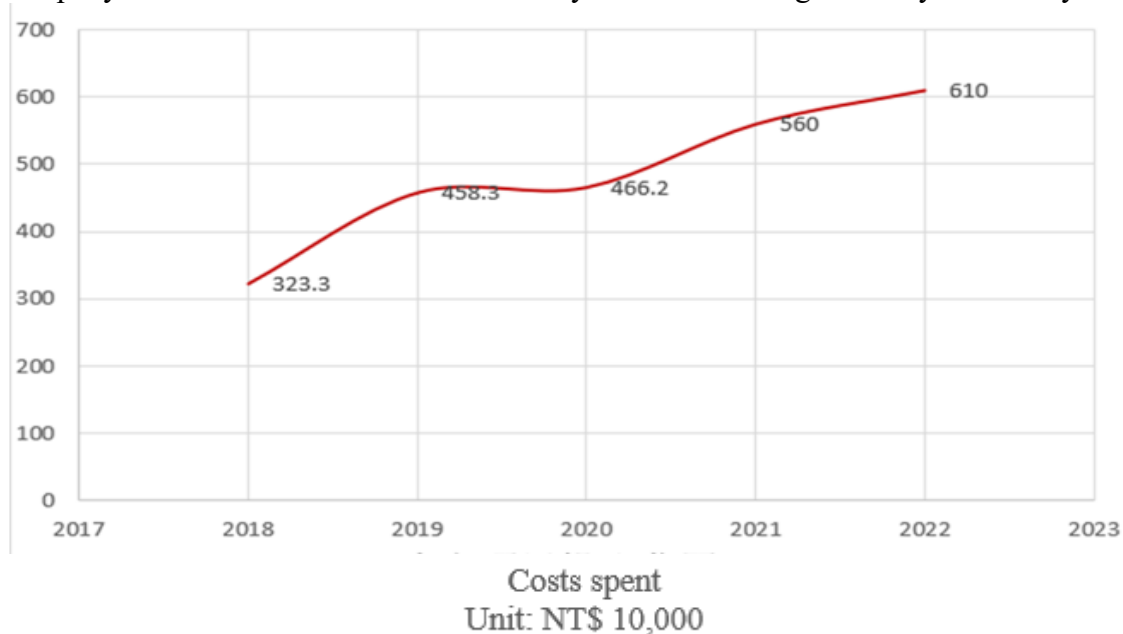
➤ Conduct in multi-factor authentication mechanism (MFA)

Nowadays, cyber-attacks have emerged one after another, multinational corporations, financial industries to high-tech manufacturing industries are all possible attacking targets. More and more attack methods are used to steal client identities to log in to the network application service layer. Account and password protection are way not enough. Therefore,

the Company has introduced multi-factor authentication (MFA) information security products. User needs to pass two or more authentication mechanisms before he/she can connect to the Company's internal services. When applied to external connection services such as VPN and Webmail, user needs to pass the MFA authentication mechanism to confirm that the connection port is by the correct person, which can effectively prevent external hacker's intruding behaviors from connecting and protect company data security.

➤ Description of costs spent in recent years

To protect the Company's rights and interests and prevent the risk of being hacked, the Company's investment in information security has increased significantly in recent years.



6.2 Losses, potential effects arising from significant cybersecurity events, and countermeasures for the most recent year and up to the date of publishment of the annual report; for those that cannot be reasonably estimated, describe the facts regarding the inability to reasonably estimate: None.

7. Material Contracts

For the most recent fiscal year and during the current fiscal year up to the date of publication of the annual report, the Company's important contracts that are still valid and will become due recently:

Nature of Contract	Contracting Parties	Contract Start/End Date	Main Content	Restrictive Provisions
Technology Transfer Contract	MICRONICS JAPANCO., LTD.	From March 12, 2015	Transfer of Technology	Data related to Transfer of Technology Contract shall not be re-authorized or transferred to third party.
Technology Cooperation Contract	Sumitomo Precision Products CO.,LTD.	Ten years, Starting from September 9, 2016	Technical Cooperation	If no termination request being proposed upon due, the contract will be renewed.
Technology Licensing and Mutual Development Agreement	International Business Machines Corporation.	Starting from November 3, 2016	Technology Licensing and Mutual Development	If no significant violation, the contract remains valid indefinitely.
Lease Agreement	Central Taiwan Science Park Bureau	September 17, 2005 to December 31, 2024	Factory Lease Agreement with Central Taiwan Science Park	None
Lease Agreement	Hsinchu Science Park Bureau	August 1, 2016 to July 31, 2036	Factory Lease Agreement with Hsinchu Science Park	None
Long-term Borrowing	Taipei Fubon Bank	July 1, 2021 to July 1, 2026	Collateral loan of Factory in Central Taiwan Science Park	Note
Long-term Borrowing	Cathay United Bank	November 24, 2021 to March 31, 2024	Collateral loan of Factory in Hsinchu Taiwan Science Park	None

VI. Financial Highlights and Analysis

1. Condensed Balance Sheets and Condensed Statements of Comprehensive Income from 2018 to 2022

1.1 International Financial Reporting Standard.

1.1.1 Consolidated Condensed Balance Sheets - GPM & Subsidiaries

Unit : NT\$ Thousands

Year		2018	2019	2020	2021	2022
Item						
Current assets		5,556,032	5,304,587	4,797,281	4,686,670	5,631,173
Property, plant and equipment		622,497	588,628	720,976	746,793	726,466
Intangible assets		65,961	25,692	20,536	13,772	13,078
Other assets		276,706	534,953	557,277	1,349,176	1,525,644
Total assets		6,521,196	6,453,860	6,096,070	6,796,411	7,896,361
Current liabilities	Before distribution	3,027,527	2,807,895	2,902,762	3,093,171	3,902,059
	After distribution	3,242,204	3,055,599	3,061,898	3,334,105	4,196,291
Non-current liabilities		633,138	825,529	521,349	794,921	752,533
Total liabilities	Before distribution	3,660,665	3,633,424	3,424,111	3,888,092	4,654,592
	After distribution	3,875,342	3,881,128	3,583,247	4,129,026	4,948,824
Equity attributable to owners of the parent		2,417,626	2,386,653	2,217,221	2,441,861	2,642,492
Share capital		1,651,361	1,651,361	1,651,361	1,651,361	1,651,361
Capital surplus	Before distribution	199,091	199,091	187,088	226,704	267,824
	After distribution	199,091	199,091	187,088	210,642	267,824
Retained earnings	Before distribution	599,645	632,606	535,543	585,316	757,449
	After distribution	384,968	384,902	376,407	360,444	463,217
Other equity		(32,471)	(96,405)	(48,346)	60,035	(3,888)
Treasury shares		—	—	(108,425)	(81,555)	(30,254)
Non-controlling interests		442,905	433,783	454,738	466,458	599,277
Total equity	Before distribution	2,860,531	2,820,436	2,671,959	2,908,319	3,241,769
	After distribution	2,645,854	2,572,732	2,512,823	2,667,385	2,947,537

1.1.2 Consolidated Condensed Statements of Comprehensive Income -GPM & Subsidiaries

Unit : NT\$ Thousands

Item \ Year	2018	2019	2020	2021	2022
Operating revenue	4,873,153	4,236,015	3,460,391	4,811,375	4,733,976
Gross profit	1,286,332	1,230,621	820,423	1,148,528	1,406,728
Operating income	433,227	359,126	77,609	316,975	422,834
Non-operating income and expenses	58,846	1,123	128,153	33,461	211,274
Income before income tax	492,073	360,249	205,762	350,436	634,108
Net profit(Loss)from continuing operations	406,267	289,906	160,618	321,231	492,215
Net profit(Loss)from close operations	----	----	----	----	----
Net profit (Loss)	406,267	289,906	160,618	321,231	492,215
Other comprehensive income, net of income tax	(28,394)	(66,121)	70,227	89,928	(65,308)
Total comprehensive income	377,873	223,785	230,845	411,159	426,907
Profit(Loss) attributable to owners of parent	370,105	249,158	149,511	246,089	390,200
Profit(Loss) attributable to non-controlling interests	36,162	40,748	11,107	75,142	102,015
Comprehensive income attributable to owners of parent	345,936	183,704	198,700	317,740	333,082
Comprehensive income attributable to non-controlling interests	31,937	40,081	32,145	93,419	93,825
Earnings per share (Note)	2.24	1.51	0.93	1.54	2.41

1.1.3 Condensed Balance Sheets - Parent Company

Unit : NT\$ Thousands

Year Item		2018	2019	2020	2021	2022
Current assets		3,481,176	3,362,942	2,651,056	2,427,609	3,123,481
Property, plant and equipment		412,781	399,051	391,307	428,605	408,931
Intangible assets		48,567	13,664	10,521	3,730	3,441
Other assets		1,348,542	1,519,061	1,510,550	1,884,946	2,223,445
Total assets		5,291,066	5,294,718	4,563,434	4,744,890	5,759,298
Current liabilities	Before distribution	2,428,187	2,277,795	2,115,889	1,803,696	2,652,134
	After distribution	2,642,864	2,525,499	2,275,025	2,044,630	2,946,366
Non-current liabilities		445,253	630,270	230,324	499,333	464,672
Total liabilities	Before distribution	2,873,440	2,908,065	2,346,213	2,303,029	3,116,806
	After distribution	3,088,117	3,155,769	2,505,349	2,543,963	3,411,038
Equity attributable to owners of the parent		2,417,626	2,386,653	2,217,221	2,441,861	2,642,492
Share capital		1,651,361	1,651,361	1,651,361	1,651,361	1,651,361
Capital surplus	Before distribution	199,091	199,091	187,088	226,704	267,824
	After distribution	199,091	199,091	187,088	210,642	267,824
Retained earnings	Before distribution	599,645	632,606	535,543	585,316	757,449
	After distribution	384,968	384,902	376,407	360,444	463,217
Other equity		(32,471)	(96,405)	(48,346)	60,035	(3,888)
Treasury shares		—	—	(108,425)	(81,555)	(30,254)
Non-controlling interests		—	—	—	—	—
Total equity	Before distribution	2,417,626	2,386,653	2,217,221	2,441,861	2,642,492
	After distribution	2,202,949	2,138,949	2,058,085	2,200,927	2,348,260

1.1.4 Condensed Statements of Comprehensive Income-Parent Company

Unit : NT\$ Thousands

Item \ Year	2018	2019	2020	2021	2022
Operating revenue	3,827,468	3,335,058	2,453,801	3,094,707	2,933,423
Gross profit	917,237	860,415	486,886	513,939	644,574
Operating income	340,233	226,162	56,911	75,870	93,956
Non-operating income and expenses	73,320	58,448	104,815	142,541	338,199
Income before income tax	413,553	284,610	161,726	218,411	432,155
Net profit(Loss)from continuing operations	370,105	249,158	149,511	246,089	390,200
Net profit(Loss)from close operations	—	—	—	—	—
Net profit (Loss)	370,105	249,158	149,511	246,089	390,200
Other comprehensive income, net of income tax	(24,169)	(65,454)	49,189	71,651	(57,118)
Total comprehensive income	345,936	183,704	198,700	317,740	333,082
Profit(Loss) attributable to owners of parent	—	—	—	—	—
Profit(Loss) attributable to non-controlling interests	—	—	—	—	—
Comprehensive income attributable to owners of parent	—	—	—	—	—
Comprehensive income attributable to non-controlling interests	—	—	—	—	—
Earnings per share (Note)	2.24	1.51	0.93	1.54	2.41

1.2 Auditors' Opinions from 2018 to 2022

Year	CPA	Audit Opinion	Remark
2022	Li Tien Yi 、 Chiang, Tsai-Yen	Unqualified Opinions	
2021	Li Tien Yi 、 Chiang, Tsai-Yen	Unqualified Opinions	
2020	Li Tien Yi 、 Chiang, Tsai-Yen	Unqualified Opinions	
2019	Li Tien Yi 、 Kwok-Ah Tsang	Unqualified Opinions	
2018	Kwok-Ah Tsang 、 Li Tien Yi	Unqualified Opinions	

2. Financial Analysis from 2018 to 2022

2.1. Consolidated Financial Analysis –GPM & Subsidiaries

Year (Note 1) Item		Financial Analysis from 2018 to 2022				
		2018	2019	2020	2021	2022
Capital structure analysis	Debt ratio (%)	56.13	56.29	56.16	57.2	58.94
	Long-term fund to property, plant and equipment ratio (%)	535.58	556.19	388.36	441.64	492.54
Liquidity analysis	Current ratio (%)	183.51	188.91	165.26	151.51	144.31
	Quick ratio (%)	141.4	153.71	133.52	123.31	111.58
	Times interest earned (Times)	24.47	10.8	8.01	19.9	25.54
Operating performance analysis	Average collection turnover (Times)	2.6	1.87	1.59	2.45	1.95
	Days sales outstanding	140.38	195.18	229.55	148.97	187.17
	Average inventory turnover (Times)	2.33	2.39	2.49	3.56	2.7
	Average payment turnover (Times)	2.18	2.32	2.48	3.06	2.47
	Average inventory turnover days	156.65	152.71	146.58	102.52	135.18
	Property, plant and equipment turnover (Times)	7.81	6.99	5.28	6.55	6.42
	Total assets turnover (Times)	0.76	0.65	0.55	0.74	0.64
Profitability analysis	Return on total assets (%)	6.66	4.91	2.89	5.21	6.98
	Return on equity attributable to owners of the parent (%)	15.04	10.2	5.84	11.51	16
	Pre-tax income to paid-in capital (%)	29.79	21.81	12.46	21.22	38.39
	Net margin (%)	8.33	6.84	4.64	6.67	10.39
	Earnings per share (NT\$)	2.24	1.51	0.93	1.54	2.41
Cash flow	Cash flow ratio (%)	6.79	—	48.7	10.76	2.71
	Cash flow adequacy ratio (%)	52.06	31.19	87.1	97.26	98.8
	Cash flow reinvestment ratio (%)	0.14	—	36.48	3.97	—
Leverage	Operating leverage	1.38	1.33	2.25	1.36	1.32
	Financial leverage	1.05	1.11	1.51	1.06	1.06

Changes that exceed 20% in the past two years and explanation for those changes:

1. Interest security multiple: due to the increase of the pre-tax profit in 2022 compared to that in 2021.
2. Receivables turnover rate (times), average days of collection: due to the increase of the receivable accounts in 2022 compared to that in 2021.
3. Inventory turnover (times), average days of sales: due to the increase of the inventories in 2022 compared to that in 2021.
4. Rate of return on assets, rate of return on equity, ratio of net profit before tax to paid-in capital, net profit ratio, and earnings per share: due to the increase of the pre-tax and after-tax pure profits in 2022 compared to that in previous year.
5. Cash flow ratio: It is due to the increase of accounts receivable, inventory, prepayments, bank loans and accounts payable in 2022, resulting in decrease of the cash inflow of operating activities in 2022 compared to the previous year.

2.2 Financial Analysis – Parent Company

<div> <div>Year (Note 1)</div> <div>Item</div> </div>		Financial Analysis from 2018 to 2022				
		2018	2019	2020	2021	2022
Capital structure analysis	Debt ratio (%)	54.30	54.92	51.41	48.53	54.11
	Long-term fund to property, plant and equipment ratio (%)	677.60	691.13	566.61	635.16	704.88
Liquidity analysis	Current ratio (%)	143.36	147.64	125.29	134.59	117.77
	Quick ratio (%)	102.93	115.42	97.18	109.61	88.92
	Times interest earned (Times)	26.7	10.15	8.48	22.99	28.84
Operating performance analysis	Average collection turnover (Times)	2.65	1.77	1.37	2.28	1.85
	Days sales outstanding	137.73	206.21	266.42	160.08	197.29
	Average inventory turnover (Times)	2.43	2.75	2.99	4.86	3.76
	Average payment turnover (Times)	2.05	2.14	2.3	2.87	2.2
	Average inventory turnover days	150.2	132.72	122.07	75.1	97.07
	Property, plant and equipment turnover (Times)	9.2	8.21	6.2	7.54	7
	Total assets turnover (Times)	0.73	0.63	0.49	0.66	0.55
Profitability analysis	Return on total assets (%)	7.38	5.16	3.33	5.45	7.66
	Return on equity attributable to owners of the parent (%)	15.96	10.37	6.49	10.56	15.34
	Pre-tax income to paid-in capital (%)	25.04	17.23	9.79	13.22	26.16
	Net margin (%)	9.66	7.47	6.09	7.95	13.30
	Earnings per share (NT\$)	2.24	1.51	0.93	1.54	2.41
Cash flow	Cash flow ratio (%)	5.36	—	59.93	10.03	5.65
	Cash flow adequacy ratio (%)	48.02	10.93	69.87	77.32	89.47
	Cash flow reinvestment ratio (%)	—	—	43.77	0.77	—
Leverage	Operating leverage	1.37	1.17	0.86	1.95	1.78
	Financial leverage	1.05	1.15	1.49	1.14	1.19

Changes that exceed 20% in the past two years and explanation for those changes:

1. Interest security multiple: due to the increase of the pre-tax profit in 2022 compared to that in 2021.
2. Average days of collection: due to the increase of the receivable accounts in 2022 compared to that in 2021.
3. Inventory turnover (times), average days sold, payables turnover (times): due to the decrease of the cost of goods sold in 2022 compared to that in 2021.
4. Rate of return on assets, rate of return on equity, ratio of net profit before tax to paid-in capital, net profit ratio, and earnings per share: due to the increase of the pre-tax and after-tax pure profits in 2022 compared to that in previous year.
5. Cash flow ratio: It is due to the increase of accounts receivable, inventory, prepayments, bank loans and accounts payable in 2022, resulting in decrease of the cash inflow of operating activities in 2022 compared to the previous year.

Note 1 : Financial analysis formula:

1. Capital Structure Analysis:

- (1). Debt ratio = Total liabilities / Total assets
- (2). Long-term fund to property, plant and equipment ratio = (Shareholders' equity + non-current liabilities) / Net property, plant and equipment

2. Liquidity Analysis:

- (1). Current ratio = Current assets / Current liabilities
- (2). Quick ratio = (Current assets – inventories – prepaid expenses) / Current liabilities
- (3). Times interest earned = Earnings before interest and taxes / Interest expenses

3. Operating Performance Analysis:

- (1). Average collection turnover(includes account receivable and note receivable due to operating generated) = Net sales / Average account receivables(includes account receivable and note receivable due to operating generated).
- (2). Days sales outstanding = 365 / Average collection turnover
- (3). Average inventory turnover = Operating costs / Average inventory
- (4). Average payment turnover(includes account payable and note payable due to operating generated). = operating costs / Average account payables(includes account payable and note payable due to operating generated).
- (5). Average inventory turnover days = 365 / Average inventory turnover
- (6). Property, plant and equipment turnover = Net sales / Average property, plant and equipment
- (7). Total assets turnover = Net sales / Average total assets

4. Profitability Analysis:

- (1). Return on total assets = [Net income + Interest expenses x (1 – tax rate)] / Average total assets
- (2). Return on equity attributable to shareholders of the parent = Net income attributable to shareholders of the parent / Average equity attributable to shareholders of the parent
- (3). Net margin = Net income / Net sales
- (4). Earnings per share = (Net income attributable to shareholders of the parent – preferred stock dividend) / Weighted average number of shares outstanding

5. Cash Flow:

- (1). Cash flow ratio = Net cash provided by operating activities / Current Liabilities
- (2). Cash flow adequacy ratio = Five-year sum of cash from operations / Five-year sum of capital expenditures, inventory additions, and cash dividend
- (3). Cash flow reinvestment ratio = (Cash provided by operating activities – cash dividends) / (Gross property, plant and equipment + long-term investments + other noncurrent assets + working capital)

6. Leverage:

- (1). Operating leverage = (Net sales – variable costs and expenses) / Operating income
- (2). Financial leverage = Operating income / (Operating income – interest expenses)

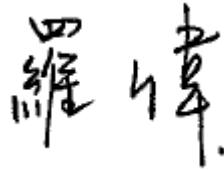
3.Audit Committee's Review Report

Gallant Precision Machining Co., Ltd.

Audit Committee's Review Report

The Board of Directors has prepared the Company's 2022 Business Report, Financial Statements, and proposal for allocation of profits. The CPA firm of LI TIEN YI & Chiang, Tsai-Yen was retained to audit GPM's Financial Statements and has issued an audit report relating to the Financial Statements. The Business Report, Financial Statements, and profit allocation proposal have been reviewed and determined to be correct and accurate by the Audit Committee members of Gallant Precision Machining Co., Ltd. According to Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Law, we hereby submit this report.

Chairman of Audit Committee :



February 22 , 2023

4. Consolidated Financial Statements and Independent Auditors' Report along with Parent Company Only Financial Statements and Independent Auditors' Report

Please refer to Annual Report page 126 and page 193

5. Financial Difficulties:

The Company should disclose the financial impact to the Company and its affiliated companies have incurred any financial or cash flow difficulties from Jan. 1, 2022 through until April. 25, 2023 : None.

VII. Financial Sttus and Risk

1. Financial Status

Consolidated Report :

Unit: NT\$ Thousands

Item \ Year	2022	2021	Change	
			Amount	% of Change
Current Assets	5,631,173	4,686,670	944,503	20.15
Property, Plant and Equipment	726,466	746,793	(20,327)	(2.72)
Intangible Assets	13,078	13,772	(694)	(5.04)
Other Assets	1,525,644	1,349,176	176,468	13.08
Total Assets	7,896,361	6,796,411	1,099,950	16.18
Current Liabilities	3,902,059	3,093,171	808,888	26.15
Non-current Liabilities	752,533	794,921	(42,388)	(5.33)
Total Liabilities	4,654,592	3,888,092	766,500	19.71
Common Stock	1,651,361	1,651,361	0	0.00
Capital Surplus	267,824	226,704	41,120	18.14
Retained Earnings	757,449	585,316	172,133	29.41
Other Equity	(3,888)	60,035	(63,923)	(106.48)
Treasury stocks	(30,254)	(81,555)	51,301	(62.90)
Equity attributable to owners of the parent	2,642,492	2,441,861	200,631	8.22
Non-controlling Interest	599,277	466,458	132,819	28.47
Total Equity	3,241,769	2,908,319	333,450	11.47

Main reasons and impacts of significant changes in assets, liabilities and shareholders' equity in the last two years:

1. The increase in current assets is mainly due to the increase in accounts receivable and inventory compared to the previous period.
2. The increase in current liabilities is mainly due to the increase in short borrowings and long borrowings due within one year compared to the previous period.
3. The increase of retained surplus is mainly due to the increase of net profit in 2022 compared with the previous period.
4. The decrease in other interests is mainly due to the decrease in the difference between the non-current evaluation of financial assets measured at fair value through other comprehensive gains and losses and the conversion of financial statements of foreign operating institutions in 2022.
5. The reduction of treasury stocks, is mainly due to the transfer of treasury stocks by GPM in 2022.

2. Operating Results

Consolidated Report :

2.1 For the past two years, the main reason that caused the significant changes in operating revenue, operating income and income before tax and its impacts:

Unit: NT\$ Thousands

Item \ Year	2022	2021	Change	% of Change
	Amount	Amount		
Net Sales	4,733,976	4,811,375	(77,399)	(1.61)
Gross Profit	1,406,928	1,148,528	258,200	22.48
Operating Income	422,834	316,975	105,859	33.40
Non-Operating Income and Expenses	211,274	33,461	177,813	531.40
Net Income before Income Tax	634,108	350,436	283,672	80.95
Net profit(Loss)from continuing operations	492,215	321,231	170,984	53.23
Net profit(Loss)from close operations	----	----	----	----
Net Income	492,215	321,231	170,984	53.23
Other Comprehensive Income, net of tax	(65,308)	89,928	(155,236)	(172.62)
Total Comprehensive Income	426,907	411,159	15,748	3.83
Profit(Loss) attributable to owners of parent	390,200	246,089	144,111	58.56
Profit(Loss) attributable to non-controlling interests	102,015	75,142	26,873	35.76
Comprehensive income attributable to owners of parent	333,082	317,740	15,342	4.83
Comprehensive income attributable to non-controlling interests	93,825	93,419	406	0.43
Earnings per share	2.41	1.54	0.87	56.49

Main reasons for significant changes in operating income, operating profit and loss and net profit before tax in the last two years:

1. Increase in operating gross profit, operating profit and loss, net profit before tax, net profit of continuing business units in the current period, net profit (loss) in the current period, net profit attributable to the parent owner, and earnings per share: It is mainly due to the increase of operating profit and foreign currency exchange profit in 2022 compared to previous year.
2. Increase in non-operating income and expenses: It is mainly caused by the increase of foreign currency exchange profit and dividend income in 2022.
3. Increase in net profit attributable to non-controlling interest: It is mainly due to the increase of net profit of GMM, a subsidiary company incorporated in 2022, compared with 2021.
4. Decrease in other comprehensive gains and losses (net after tax) for the current period: It is mainly due to the decrease of unrealized profit and loss of financial assets measured at fair value through other comprehensive profit and loss of the listed subsidiary in 2022 compared with the previous period.

2.2 The expectation on sales volume and basis forming the expectation, the impacts on the Company's financial condition and business and the mitigation efforts:

Unit: Sets

Main Products	2023budget
Display Process Equipment	136
Semiconductor Process Equipment	223
Intelligent automation equipment	0
Other Equipment	0

Note: The forecast is based on the customers' forecast and taking into account the market conditions. The aforementioned estimated quantity does not include others and parts.

3. Cash Flow

Unit: NT\$ Thousands

Cash Balance Dec. 31, 2021	Net Cash Provided by Operating Activities in 2022	Net Cash Inflows from Investing Activities in 2022	Net Cash Outflows from Financing Activities in 2022	Impact of Foreign Exchange Ratio	Cash Balance Dec. 31, 2022
1,221,566	105,753	(247,494)	261,619	4,302	1,345,746

3.1 Analysis of the Change in Cash Flow in 2022

1. Operating activities: The cash inflow from operating activities in 2022 was mainly due to the increase in current contractual liabilities.
2. Investment activities: It is mainly the result of obtaining the price of financial assets measured at fair value through other comprehensive gains and losses.
3. Financing activities: Mainly due to debt borrowings and transfer of treasury stock to staff.

3.2 Remedial Actions for Cash Shortfall :

The company has ample cash on-hand; remedial actions are not required.

3.3 Cash Flow Projection for Next Year :

1. Cash inflow from operating activities was NT \$41,486 thousand: It is mainly due to cash collection from accounts receivable against accounts payable and operating expenses.
2. The cash outflow from investing activities was NT \$86,069 thousand: It is mainly caused by the payment of staff compensation and dividends.
3. Cash inflow from financing activities was NT \$62,000 thousand: It is mainly due to the impact of increase of bank lending.

4. Major Capital Expenditure

4.1 Major Capital Expenditure and Sources of Funding : Not applicable.

5. Investment Policies :

5.1 Latest investment policy, major causes of profits and losses and improvement, and future plan for the next year (Investment that exceeds 5% of paid-in capital) :

Unit: NT\$ Thousands

Item	Description	Initial Investment amount	Policy	The main reasons for profit/loss	Improvement plan
Gallant-Rapid Corporation Limited		459,050	Investment in Gallant Precision Industries (Suzhou) Co., Ltd.	The company's business focus is not only to provide equipment and after-sales service for customers in the mainland market, but also to take advantage of the number of installed machines in the mainland customer market to grasp business opportunities in the after-sales market and operate properly, thus enhancing its profitability.	1. Integrate external resources and improve per capita profitability. 2. Strengthen the internal process management mechanism, reduce costs and improve operational efficiency. 3. Continue to improve and strive to improve the after-sales service satisfaction of customers in the mainland market.
Gallant Micro. Machining CO., Ltd.		379,182	Production and Sales of Precision Mold and other Parts	Cooperate with advanced packaging development trends, make in-depth promotion for advanced packaging customers, and reinforce the promotion in the Mainland market	Integrate the G2C resources and expand the major product portfolio in the semiconductor industry market

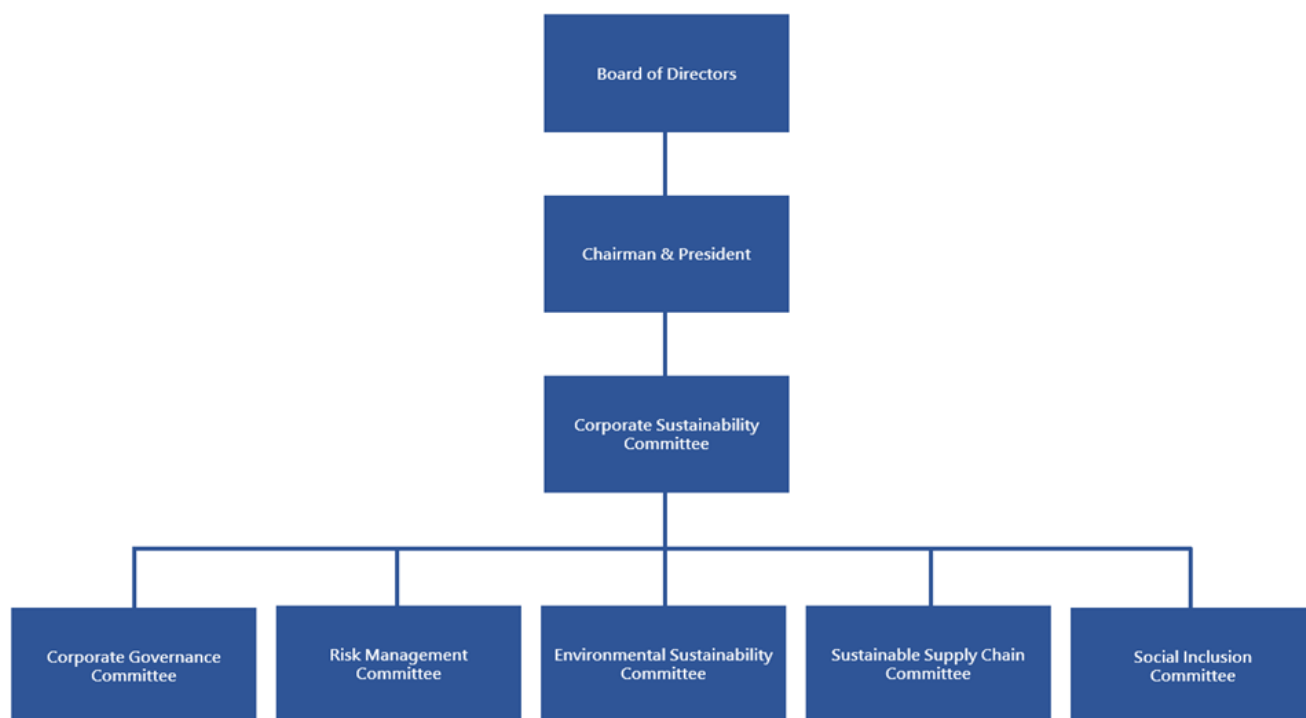
5.2 Investment plan for the next year: There will be no single investment that exceeds 5% of paid-in capital: As a result, this analysis is not applicable.

6. Risk Management

6.1 Risk Management Organizational Chart:

To promote CSR and sustainability, the Company establishes "Corporate Sustainability Committee" in 2016. The Corporate Sustainability Committee is in charge of affairs related to CSR, corporate governance and ethical corporate management policies. The execution and results shall be reported to Board of Directors at least once annually.

The organizational chart of the Company's Corporate Sustainability Committee:



6.2 The Impact and Future Mitigation Efforts to Risks Associated with Interest Rate Fluctuation, Foreign Exchange Volatility, and Inflation

1. In 2022, the GPM Group has interest expense amounting NT\$26,091 thousand which accounts for 0.55% of sales. As a result, the fluctuation of interest rate does not impose significant effect to the Company.
2. In 2022, the GPM Group has exchange benefits amounting to NT\$105,774 thousand which accounts for 2.23 % of sales. This does not impose significant effect to the Company.
3. For the most recent fiscal year, inflation did not have significant impact on the GPM Group

6.3 The Impact and Future Mitigation Efforts to Risks Associated with High Risk/ High-Leveraged Investment, Lending, Endorsements, and Guarantees for Other Parties, and Financial Derivative Transactions:

To prudently control the financial risk, the Company does not take part in high risk and high leveraged investment. The Company's derivative transaction is not speculative. All the operation is in accordance with GPM's "Procedures for Acquisition or Disposal of Assets". Therefore, the Company does not have significant risk.

The Company stipulates control process such as "Procedures for endorsement and guarantee" and "Procedures for financing". As of March 31, 2023, the Company has provided NT\$70,450 thousand of guarantee to its Affiliates, which does not exceed the limitation.

Depending on subsidiaries operation, the Company will give support.

6.4 Future Research & Development Projects and Corresponding Budget:

The GPM Group R&D plan for the most recent fiscal year can be found on page 74. In 2023, R&D budget is NT\$119,781 thousand. So far the progress of R&D item is in line with R&D plan.

6.5 The Impact of Changes of Important Domestic and Foreign Policies and Laws on the Company's Finances and Business, and the Countermeasures:

So far, the important policy and amendment of laws or regulations published by the government does not have significant impact on the Company. The GPM Group companies follow rules and regulations published by government, both domestically and internationally. The Company and companies that GPM has invested have personnel collecting the update of policies and laws for the reference of management team.

6.6 The impact of technological changes (including information security risks) and industrial changes on the Company's financial business and countermeasures:

The Group has full-time personnel to watch the technological changes and industry trends in related industries, evaluate the impact on the Company's future development and financial business, and take necessary countermeasures. However, in the recent year, there were no events that had a significant impact on the financial business of the Company due to technological changes and industrial changes.

6.7 The Impact of Change of Corporate Image on the Enterprise Crisis Management and the Countermeasures:

For more than 30 years, the Company has been adhering to the corporate spirit of "Team, Innovation, Responsibility, and Learning" and "people-oriented" to operate steadily, fulfill the social obligations of the Company, and establish and always maintain a good corporate image. Therefore, there is no incident that has a significant impact on corporate crisis management due to changes in corporate image.

6.8 The Expected Benefit, Risk and Future Mitigation Efforts to Risks Associated with Mergers and Acquisitions:

The company does not have a merger and acquisition plan

6.9 The Expected Benefit, Risk and Future Mitigation Efforts to Risks Associated with Facility Expansion:

The company does not have a facility expansion plan

6.10 The Risk and Future Mitigation Efforts to Risks Associated with Purchase Concentration and Sales Concentration:

1. Our main materials and outsourcing partners mostly from domestic companies. The supplier are not irreplaceable and plenty of sources of supply. The Company adopts diversified procurement principle and maintains long-term stable relationship with supplier to minimize the risk of force majeure and shortage of source. As a result, the Company does not have the risk of purchase concentration.
2. In terms of FPD equipment sales, the clients were just a few panel factories. For a panel factory to construct plant, the capital expenditure payment is concentrated and the amount is enormous. This situation could easily lead to sales concentration for an equipment manufacturer. However, domestic clients are slowing down their pace in expansion in recent years. Coupled with GPM's effort of business development in China, the demand from China has increased and catch up with domestic clients. Thus, the sales concentration risk has lowered dramatically.

3. Along with FPD field, GPM group is also actively seeking demands for equipment from other industries, including green energy, electronic component, shoes-making and medical device. The development of equipments includes processing equipment, optical inspection equipment, automation, integration of whole factory and production line. In the future, we can expect that sales customers will be in fair distribution.

6.11 The Effect, Risk and Mitigation Effort to Risks Associated with Sales of Significant Numbers of Shares by Directors and Major Shareholders Who Own 10% or More of the Total Outstanding Shares:

The shareholding transfer is monthly declared to Competent Authority for investors reference. GPM tracks closely the shareholdings variation of directors and shareholders holding more than 10% of the outstanding shares to lower risk and take immediate action. As of now, there is no transfer of shareholding that would have impact on the operation and financial condition of the Company.

6.12 Effects of, Risks and Response to Changes in Management Rights:

The Company does not have change in management rights.

6.13 For any litigious matters, whether the case has been finalized or the still pending, that involves the company and company's directors, supervisors, general managers, person with actual responsibility in the company, and major shareholders holding more than 10% of the company's shares, shall be disclosed. If there has been any substantial impact upon shareholders' equity or prices for the company's securities as a result of any litigation involving the company, the annual report shall disclose the facts in dispute, amount in dispute, commencement date of the dispute, main parties involved, and current status of the case as at the date of printing of the report: None.

6.14 Other material risk and mitigation efforts: None

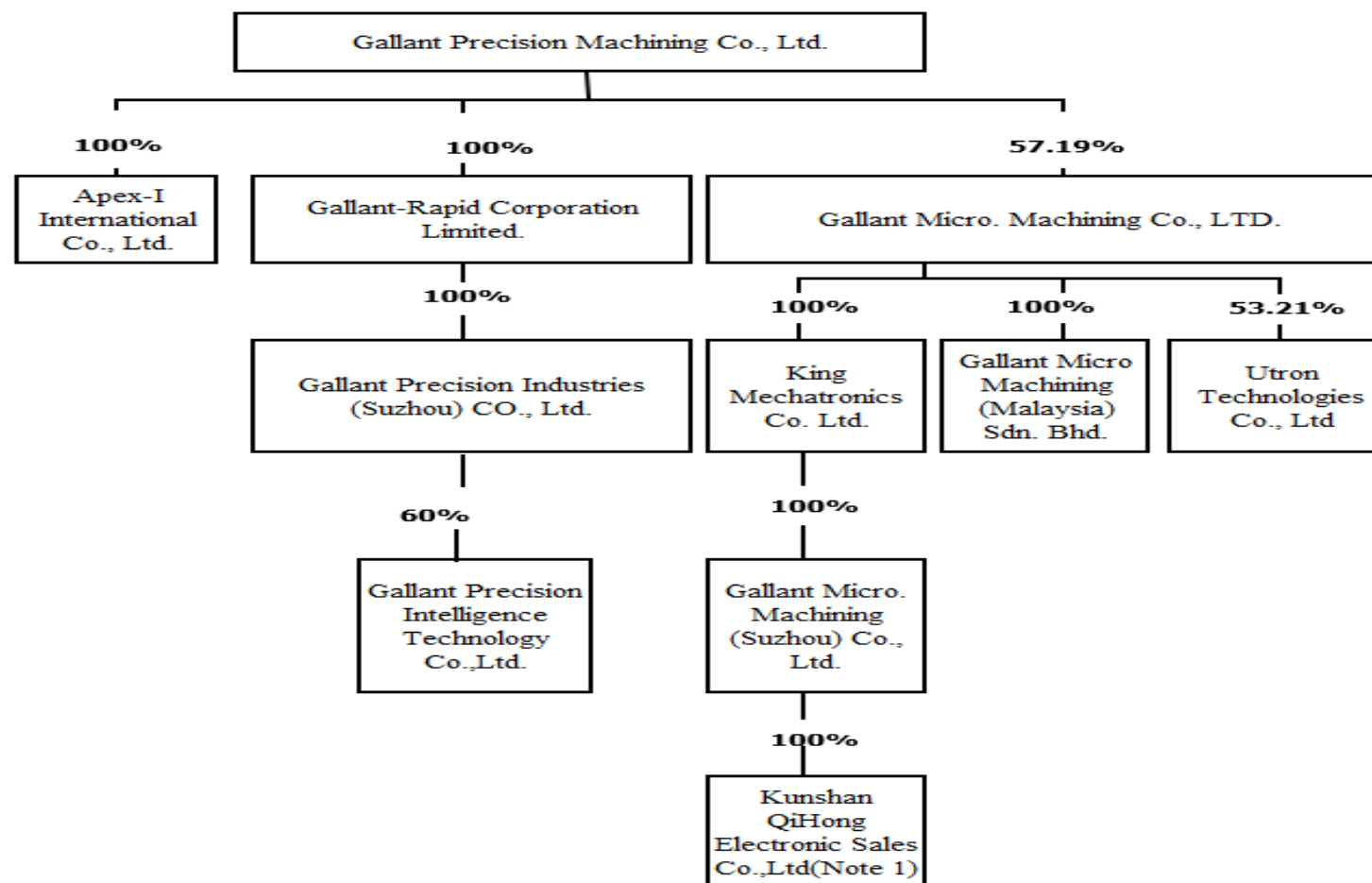
7. Other Material Events: None.

VIII. Other Special Notes

1. Subsidiary Information

1.1 Affiliated Companies Chart

As of Dec. 31, 2022



Note 1: The Group acquired all of share of Kunshan Qihong Electronic Sales Co., Ltd. in May 2021. Consolidation of subsidiaries begins from the date the Group obtains control of the subsidiaries.

1.1.1 GPM Affiliated Companies

As of Dec. 31, 2022. Unit: NT\$ thousand / Foreign Currency thousands

Company Name	Date of Incorporation	Address	Capital Stock	Major Business
APEX-I INTERNATIONAL CO., LTD	2001/04/03	2F.-1, No. 8, Taiyuan 1st St., Zhubei City, Hsinchu County 302082 , Taiwan (R.O.C.)	NTD 66,000	Sale of Machinery Equipment and Parts
Gallant Micro. Machining Co., LTD.	2010/10/15	No.2-1, Minsheng St., Tucheng Dist., New Taipei City 236, Taiwan (R.O.C.)	NTD 282,765	Production and Sales of Precision Mold and other Parts
Gallant-Rapid Corporation Limited.	2000/06/15	P.O. Box 3321, Road Town, Tortola, British Virgin Islands	USD 13,560	Investment in Gallant Precision Industries (Suzhou) Co., Ltd.
King Mechatronics Co., Ltd.	2001/09/24	P.O. Box 3152, Road Town, Tortola, British Virgin Islands	USD 2,781	Investment in Gallant Micro. Machining (Suzhou) Co., Ltd.
Gallant Precision Industries (Suzhou) CO., Ltd.	1995/04/19	1#Building , No.56 Songshan Road , New District , Suzhou , 215151 P.R.C.	USD 9,320	Production of optoelectronic products whole machine equipment, mechatronics equipments, and the manufacturing of its parts and accessories
Gallant Micro. Machining (Suzhou) Co., Ltd.	2003/01/28	No. 5011, Baodai West Road, Jinqiao Development Area, Mudu Town, Wuzhong District, Suzhou City, China	USD 4,550	Production and Sales of Precision Mold and other Parts
Gallant Micro Machining (Malaysia) Sdn. Bhd.	1996/10/08	B303-03-11, Krystal Point, Jalan Sultan Azlan Shah, 11900 Penang, Malaysia	MYR 500	The Import/Export and Buy/Sales of Semiconductor Machine and related Components and Parts
Gallant Precision Intelligence Technology Co.,Ltd.	2017/03/06	1#Building , No.56 Songshan Road , New District , Suzhou , 215151 P.R.C.	CNY 10,000	Optical products whole machine equipment, mechatronics equipments, and the manufacturing of its parts and accessories
Utron Technologies CO., Ltd.	1983/07/21	3F., No. 9, Aly. 8, Siwei Ln., Zhongzheng Rd., Xindian Dist., New Taipei City 231622 , Taiwan (R.O.C.)	NTD 35,000	Planning, development, design and manufacturing of electrical logging fixture
Kunshan QiHong Electronic Sales Co.,Ltd	2009/08/08	House 5, No.1369, Hengsheng Road, Yushan Town, Kunshan City, China	CNY 1,000	Testing and manufacturing of circuit board testing equipment, wire and cable and semiconductor

1.1.2 Data of Common Shareholders of Treated-as Controlled Companies and Affiliates:

None.

1.1.3 Business of GPM and its Affiliated Enterprises

Business Scope of Its Subsidiaries:

GPM specializes in manufacturing and sales of semiconductor packaging front-end equipment and FPD production process equipment.

The affiliates involve in industries such as semiconductor packaging equipment, FPD production processing equipment, precision module and parts, production, trading and sales of precision components. There are also affiliates belong to investment or trading industry.

The affiliates are aiming at division of capacity, lowering cost, after sales service, product diversification, holding company purpose and operating diversification. For more details, please see Basic Information of Affiliates.

1.1.4 Directors, Supervisors and Presidents of GPM's Affiliated Companies

As of Dec. 31,2022 ; Unit : Thousands shares ; %

Company Name	Title	Name or Representative	Thousand shares	% of Holding
APEX-I INTERNATIONAL CO., LTD	Chairman Director Director Supervisor	Gallant Precision Machining Co., Ltd.(GPM) Rep. : Jason Chen Gallant Precision Machining Co., Ltd. (GPM) Rep. : H.M. Lee Gallant Precision Machining Co., Ltd. (GPM)Rep. : Y.C. Lee Gallant Precision Machining Co., Ltd. (GPM) Rep. : Rita Chen	GPM holds 6,600	100
Gallant Micro. Machining Co., LTD.	Chairman Director Director Director Independent Director Independent Director President	Frank, Liang Gallant Precision Machining Co., Ltd. (GPM) Rep. : Jason Chen Hung-Ming Hsu Jung-Liang Chen Shingo Shih Bell Chen Dun Jhih Shih	283 GPM holds 16,172 438 272 0 0 395	1.00 57.19 1.55 0.96 0 0 1.40
Gallant-Rapid Corporation Limited	Chairman	Gallant Precision Machining Co., Ltd. (GPM) Rep. : Jason Chen	GPM holds 13,560	100
King Mechatronics Co., Ltd.	Director	Gallant Micro. Machining Co., LTD. (GMM) Rep. : Jung-Liang Chen	GMM holds 2,781	100
Gallant Micro. Machining (Suzhou) Co., Ltd.	Chairman Director Director Supervisor President	Jung-Liang Che Hung-Ming Hsu Zong Yan Lin Wen Chin Chou Guo Ning Sun	King Mechatronics Co., Ltd. investment US\$2,781	100
Gallant Precision Industries (Suzhou) CO., Ltd.	Chairman Director Director Supervisor President	Jason Chen H.M. Lee Chia-Ju Tseng Rita Chen Jason Chen	Gallant-Rapid Corporation Limited. investment US\$13,560	100
Gallant Micro Machining (Malaysia) Sdn. Bhd.	Director Director Director Director	Gallant Micro. Machining Co., LTD.(GMM) Rep. : Hung-Ming Hsu Cin Hua Jhang Huei Ling Liou Guang Rong Deng	GMM holds 500	100
Utron Technologies Co., Ltd.	Chairman Director Director Director Director Supervisor	Gallant Micro. Machining Co., LTD. (GMM) Rep. : Hung-Ming Hsu Guang Ying Li Lian Chun Li Gallant Micro. Machining Co., LTD. (GMM) Rep. : Frank, Liang Gallant Micro. Machining Co., LTD. (GMM) Rep. : Dun Jhih Shih Ya Wen Ho	2,660 280 1,000 0 0 0	53.21 5.61 20 0 0 0
Kunshan QiHong Electronic Sales Co.,Ltd	Chairman Supervisor	Gallant Micro. Machining (Suzhou) Co., Ltd. Rep. : Ming-Kai Liang Shu-Hua Chen	Gallant Micro. Machining (Suzhou) Co., Ltd investment CNY 1,000	100

1.1.5 Summarized Operation Results of Affiliated Enterprises (As of Dec.31, 2022)

Unit: NT\$ Thousands

Name of Corporation	Paid-in Capital	Total Assets	Total Liabilities	Net Worth	Net Operating Revenues	Operating Income	Net Income	Earning Per Share (NT\$)
Gallant-Rapid Corporation Limited.	459,050	240,050	0	240,050	0	(325)	(19,836)	
Gallant Precision Industries (Suzhou) CO., Ltd.	194,087	275,458	70,809	204,649	140,594	(34,314)	(21,094)	
Apex-I International Co., Ltd.	66,000	182,960	39,264	143,696	234,605	85,138	77,362	11.72
Gallant Micro Machining Co., LTD.	282,765	2,366,541	1,178,847	1,187,694	995,104	161,049	229,720	8.33
Gallant Micro Machining (Malaysia) Sdn. Bhd.	4,537	2,810	35	2,775	62	(52)	73	
KING MECHATRONICS CO.,LTD	93,144	1,212,258	224,987	987,271	176,413	(3,822)	78,340	
Gallant Micro Machining (Suzhou) Co., Ltd.	139,731	931,264	126,957	804,307	101,650	19,700	83,366	
Gallant Precision Intelligence Technology Co.,Ltd.	44,080	174,855	26,032	148,823	133,720	25,642	20,140	
Utron Technologies Co., Ltd.	50,000	142,571	136,969	5,602	52,869	(2,130)	499	0.10
Kunshan QiHong Electronic Sales Co.,Ltd	4,408	14,571	7,091	7,480	13,377	866	851	

Note: The amount of capital, asset, liabilities and net worth in this table were calculated using the exchange rate at end of 2022. The net sales, Income from operation, net income and EPS numbers were calculated using the average exchange rate in 2022.

(1) Exchange rate on 12/31, 2022: USD:NTD=1:30.71 ; RMB:NTD=1:4.408 ; MYR:NTD=1:6.699

(2) Average exchange rate for 2022: USD:NTD=1:29.8044 ; RMB:NTD=1:4.4219 ; MYR:NTD=1:6.499

1.2 Independent Auditor's Uni-President and Affiliated Enterprises Consolidated Financial Statements : Please refer to Page 193.

1.3 Affiliation Report: None.

2. Issuance of Private Placement of Securities:

None. (in the most recent fiscal year and up to the issue date of this Annual Report)

3. Holding or Disposition of GPM Stocks by Subsidiaries:

None (in the most recent fiscal year and up to the issue date of this Annual Report)

4. Other Necessary Supplement :None.

IX. Special Notes

Any Events that Had Significant Impacts on Shareholders' Rights or Security Prices as Stated in Item 2 Paragraph 3 of Article 36 of Securities and Exchange Law of Taiwan : None.

REPORT OF INDEPENDENT ACCOUNTANTS

To Gallant Precision Machining Co., Ltd.

Opinion

We have audited the accompanying parent company only financial statements of Gallant Precision Machining Co., Ltd. (the "Company"), which comprise the parent company only balance sheets as of December 31, 2022 and 2021, and the parent company only statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the parent company only financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying parent company only financial statements present fairly, in all material respects, the parent company only financial position of the Company as of December 31, 2022 and 2021, and its parent company only financial performance and its parent company only cash flows for the years ended December 31, 2022 and 2021, in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

We conducted our audits in accordance with the “Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants” and generally accepted auditing standards in the Republic of China. Our responsibilities under those standards are further described in the independent auditors’ responsibilities for the audit of Parent Company Only Financial Statements section of our report. We are independent of the Company in accordance with the Norm of Professional Ethics for Certified Public Accountant in the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the parent company only financial statements of the current period. These matters were addressed in the context of our audit of the parent company only financial statements as a whole, and in

forming our opinion thereon , and we do not provide a separate opinion on these matters. Key audit matters for the parent company only financial statements in the current period are stated as follow:

Evaluation of inventories

Description

Gallant Precision Machining Co., Ltd is primarily engaged in the manufacture and sale of flat panel display testing equipment, semiconductor assembly equipment, intelligent automated equipment, and related parts. Inventories are stated at the lower of cost and net realizable value and regarding the accounting policy on the evaluation of inventories are disclosed in Note 4(11) of the parent company only financial statements. The uncertainty of accounting estimations and assumptions for valuation of inventories are disclosed in Note 5(2) of the parent company only financial statements. The inventories and allowance for inventory valuation loss amounting to NT720,732 thousand and NT102,250 thousand as of December 31, 2022 are disclosed in Note 6(5) of the parent company only financial statements.

As the amount of inventory is significant, and the estimation of net realizable value of inventories for exceeded specific age, and individually identified out of date or damaged inventories are subject to management's judgement, the evaluation of inventories has been identified a key audit matters.

How our audit addressed the matter

Our audit procedures performed included the following:

1. Obtained an understanding and assessed the reasonableness of the policy of the allowance for inventory valuation loss and compared whether consistent application of accounting policies in relation to the provision for inventory valuation losses.
2. Tested the accuracy of inventory aging report, included tested whether the quantity and amount of inventory is consistent with inventory ledger and verify the accuracy of the inventory age classification.
3. Assessed and confirmed the reasonableness in estimation of net realizable value and checked the related supporting documents.
4. Tested the reasonableness in accrual of the allowance for inventory valuation loss.

Revenue recognition

Description

Refer to Note 4(26) and Note 6(19) of the parent company only financial statements for accounting policies on revenue recognition and the description of significant accountings – operating revenue.

Gallant Precision Machining Co., Ltd. is primarily engaged in the manufacture and sale of flat panel display testing equipment, semiconductor assembly equipment, intelligent automated equipment, and related parts. Main revenue recognition is based on customer's confirmation for acceptance. Since the transferred timing of the risks and rewards of goods ownerships are subject to judgment and the result could affect sales revenue significantly in the parent company only financial statement. Thus, revenue recognition has been identified a key audit matter.

How our audit addressed the matter

Our audit procedures performed included the following:

1. Assessed the appropriateness of the policy of sales revenue recognition.
2. Assessed and tested the design and operating effectiveness of the key controls over sales revenue recognition.
3. Sampled and tested the sales transactions included check customer purchase order, evidence of customer's confirmation for acceptance, verified whether had met criteria of the contract and considered the reliability of collection for the timing of revenue recognition.
4. Performed cut-off test on sales transactions for a specific time prior to and after the balance sheet date.

Responsibilities of Management and Those Charged with Governance for the Parent Company Only Financial Statements

Management is responsible for the preparation and fair presentation of the parent company only financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and for such internal control as management determines is necessary to enable the preparation of parent company only financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance (including members of the Audit Committee) are responsible for overseeing the Company's financial reporting process.

Independent Auditor's Responsibilities for the Audit of the Parent Company Only Financial

Statements

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

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

1. Identify and assess the risks of material misstatement of the parent company only financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the parent company only financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the parent company only financial statements, including the disclosures, and whether the parent company only financial statements represent the underlying transactions and events in a manner that achieves fair presentation .
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the parent company only financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion .

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the parent company only financial statements for the year ended December 31, 2022 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

PricewaterhouseCoopers, Taiwan
February 22, 2023

The accompanying parent financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying parent 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.
PARENT COMPANY ONLY BALANCE SHEETS
DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)

Assets		Notes	December 31, 2022		December 31, 2021	
			AMOUNT	%	AMOUNT	%
Current assets						
1100	Cash and cash equivalents	6(1)	\$ 673,793	12	\$ 579,056	12
1136	Financial assets at amortized cost - current	6(3)	88,160	2	128,600	3
1150	Notes receivable, net	6(4)	52	-	-	-
1170	Accounts receivable, net	6(4)	1,571,132	27	1,214,656	25
1180	Accounts receivable - related parties, net	6(4) and 7	21,537	-	51,900	1
1200	Other receivables		1,016	-	378	-
1210	Other receivables - related parties	7	2,605	-	2,471	-
130X	Inventories, net	6(5)	618,482	11	413,506	9
1410	Prepayments		133,450	2	31,459	1
1470	Other current assets		13,254	-	5,583	-
11XX	Current Assets		3,123,481	54	2,427,609	51
Non-current assets						
1517	Financial assets at fair value through other comprehensive income - non - current	6(2)	897,405	16	649,090	14
1535	Financial assets at amortized cost - non-current	6(3) and 8	8,466	-	11,427	-
1550	Investments accounted for using equity method	6(6)	1,049,087	18	930,721	20
1600	Property, plant and equipment, net	6(7) and 8	408,931	7	428,605	9
1755	Right-of-use assets	6(8)	196,901	4	200,029	4
1780	Intangible assets, net		3,441	-	3,730	-
1840	Deferred income tax assets	6(26)	67,992	1	89,874	2
1900	Other non-current assets		3,594	-	3,805	-
15XX	Non-current assets		2,635,817	46	2,317,281	49
1XXX	Total assets		\$ 5,759,298	100	\$ 4,744,890	100

(Continued)

GALLANT PRECISION MACHINING CO., LTD.
PARENT COMPANY ONLY BALANCE SHEETS
DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity		Notes	December 31, 2022		December 31, 2021	
			AMOUNT	%	AMOUNT	%
Current liabilities						
2100	Short-term loans	6(9)	\$ 670,000	12	\$ 480,564	10
2130	Contract liabilities-current	6(19)	301,013	5	104,523	2
2170	Accounts payable	6(10)	1,109,141	19	875,414	19
2180	Accounts payable - related parties	7	11,970	-	41,293	1
2200	Other payables	6(11)	291,847	5	222,800	5
2250	Provisions for liabilities - current		68,071	1	49,925	1
2280	Lease liabilities-current		4,788	-	4,650	-
2320	Long-term loans-current portion	6 (12)	180,000	3	19,500	-
2399	Other current liabilities - other		15,304	1	5,027	-
21XX	Current Liabilities		2,652,134	46	1,803,696	38
Non-current liabilities						
2540	Long-term loans	6(12)	240,000	4	280,500	6
2570	Deferred income tax liabilities	6(26)	19,643	-	-	-
2580	Lease liabilities-non-current		197,831	4	199,770	4
2600	Other non-current liabilities	6(13)	7,198	-	19,063	1
25XX	Non-current liabilities		464,672	8	499,333	11
2XXX	Total Liabilities		3,116,806	54	2,303,029	49
Equity						
	Share capital	6(15)				
3110	Share capital - common stock		1,651,361	29	1,651,361	35
	Capital surplus	6(16)				
3200	Capital surplus		267,824	4	226,704	4
	Retained earnings	6(17)				
3310	Legal reserve		186,625	3	163,550	4
3320	Special reserve		111,147	2	111,147	2
3350	Unappropriated retained earnings		459,677	8	310,619	7
	Other equity interest	6(18)				
3400	Other equity interest		(3,888)	-	60,035	1
3500	Treasury share	6(15)	(30,254)	-	(81,555)	(2)
3XXX	Total equity		2,642,492	46	2,441,861	51
	Significant contingent liabilities and unrecognized contract commitments	9				
	Significant events after the balance sheet date	11				
3X2X	Total liabilities and equity		\$ 5,759,298	100	\$ 4,744,890	100

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

GALLANT PRECISION MACHINING CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars, except earnings per share amount)

		Years ended December 31			
Items	Notes	2022		2021	
		AMOUNT	%	AMOUNT	%
4000 Operating revenue	6(19) and 7	\$ 2,933,423	100	\$ 3,094,707	100
5000 Operating costs	6(5) and 7	(2,288,711)	(78)	(2,580,724)	(84)
5900 Operating margin		644,712	22	513,983	16
5910 Unrealized profit from sales		(208)	-	(70)	-
5920 Realized profit from sales		70	-	26	-
5950 Net operating margin		644,574	22	513,939	16
Operating expenses	6(24)(25)				
6100 Selling expenses		(66,312)	(2)	(93,512)	(3)
6200 General and administrative expenses		(284,906)	(10)	(178,771)	(6)
6300 Research and development expenses		(142,105)	(5)	(185,908)	(6)
6450 Expected credit impairment gain (loss)	12(2)	(57,295)	(2)	20,122	1
6000 Total operating expenses		(550,618)	(19)	(438,069)	(14)
6900 Operating profit		93,956	3	75,870	2
Non-operating income and expenses					
7100 Interest income	6(20)	2,974	-	2,972	-
7010 Other income	6(21) and 7	98,358	3	54,872	2
7020 Other gains and losses	6(22)	59,259	2	(14,956)	(1)
7050 Finance costs	6(23)	(15,652)	-	(9,788)	-
7070 Share of profit of subsidiaries, associates and joint ventures accounted for under equity method	6(6)	193,260	7	109,441	4
7000 Total non-operating income and expenses		338,199	12	142,541	5
7900 Profit before tax		432,155	15	218,411	7
7950 Income tax expense	6(26)	(41,955)	(2)	27,678	1
8200 Profit for the year		\$ 390,200	13	\$ 246,089	8
Other comprehensive income for the year					
Components of other comprehensive income that will not be reclassified to profit or loss					
8311 Remeasurement of defined benefit obligation	6(13)	\$ 6,805	-	\$ 1,994	-
8316 Unrealized gains(losses) on investments in equity instruments at fair value through other comprehensive income	6(2) 6(18)	(68,361)	(2)	77,168	2
8349 Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(26)	(2,122)	-	58	-
8310 Components that will not be reclassified subsequently to profit or loss:		(63,678)	(2)	79,220	2
Components of other comprehensive income that may be reclassified subsequently to profit or loss					
8361 Cumulative translation differences of foreign operations	6(18)	6,560	-	(7,569)	-
8360 Components of other comprehensive income that may be reclassified subsequently to profit or loss		6,560	-	(7,569)	-
8300 Other comprehensive income (loss) for the year		(\$ 57,118)	(2)	\$ 71,651	2
8500 Total comprehensive income for the year		\$ 333,082	11	\$ 317,740	10
Basic earnings per share	6(27)				
9750 Basic earnings per share		\$ 2.41		\$ 1.54	
Diluted earnings per share	6(27)				
9850 Diluted earnings per share		\$ 2.38		\$ 1.53	

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

GALLANT PRECISION MACHINING CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)

	Notes	Share capital - common stock	Capital surplus	Retained Earnings			Other equity		Treasury share	Total equity
				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		
<u>For the year ended December 31, 2021</u>										
Balance at January 1, 2021		\$ 1,651,361	\$ 187,088	\$ 148,486	\$ 132,987	\$ 254,070	(\$ 80,574)	\$ 32,228	(\$ 108,425)	\$ 2,217,221
Profit for the year		-	-	-	-	246,089	-	-	-	246,089
Other comprehensive income for the year	6(18)	-	-	-	-	1,994	(7,569)	77,226	-	71,651
Total comprehensive income for the year		-	-	-	-	248,083	(7,569)	77,226	-	317,740
Distribution of 2020 earnings:	6(17)									
Legal reserve		-	-	15,064	-	(15,064)	-	-	-	-
Cash dividends		-	-	-	-	(159,136)	-	-	-	(159,136)
Reversal of special reserve		-	-	-	(21,840)	21,840	-	-	-	-
Difference between consideration and carrying amount of subsidiaries acquired or disposed		-	-	-	-	-	38,724	-	-	38,724
Recognition of changes in ownership interest in subsidiaries		-	16,969	-	-	(39,174)	-	-	-	(22,205)
Treasury stock transferred	6(14)	-	22,647	-	-	-	-	-	26,870	49,517
Balance at December 31, 2021		<u>\$ 1,651,361</u>	<u>\$ 226,704</u>	<u>\$ 163,550</u>	<u>\$ 111,147</u>	<u>\$ 310,619</u>	<u>(\$ 49,419)</u>	<u>\$ 109,454</u>	<u>(\$ 81,555)</u>	<u>\$ 2,441,861</u>
<u>For the year ended December 31, 2022</u>										
Balance at January 1, 2022		\$ 1,651,361	\$ 226,704	\$ 163,550	\$ 111,147	\$ 310,619	(\$ 49,419)	\$ 109,454	(\$ 81,555)	\$ 2,441,861
Profit for the year		-	-	-	-	390,200	-	-	-	390,200
Other comprehensive income for the year	6(18)	-	-	-	-	6,805	6,560	(70,483)	-	(57,118)
Total comprehensive income for the year		-	-	-	-	397,005	6,560	(70,483)	-	333,082
Distribution of 2021 earnings:	6(17)									
Legal reserve		-	-	23,075	-	(23,075)	-	-	-	-
Cash dividends		-	-	-	-	(224,872)	-	-	-	(224,872)
Capital surplus distribute cash		-	(16,062)	-	-	-	-	-	-	(16,062)
Recognition of changes in ownership interest in subsidiaries		-	36,514	-	-	-	-	-	-	36,514
Treasury stock transferred	6(14)	-	20,668	-	-	-	-	-	51,301	71,969
Balance at December 31, 2022		<u>\$ 1,651,361</u>	<u>\$ 267,824</u>	<u>\$ 186,625</u>	<u>\$ 111,147</u>	<u>\$ 459,677</u>	<u>(\$ 42,859)</u>	<u>\$ 38,971</u>	<u>(\$ 30,254)</u>	<u>\$ 2,642,492</u>

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

GALLANT PRECISION MACHINING CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)

	Notes	2022	2021
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Profit before tax for the year		\$ 432,155	\$ 218,411
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation	6(24)	27,844	25,142
Amortization	6(24)	3,633	7,695
Expected credit impairment loss (gain)	12(2)	57,294	(20,122)
Interest expense	6(23)	15,652	9,788
Interest income	6(20)	(2,974)	(2,972)
Dividend income	6(21)	(48,390)	(16,555)
Share of profits of associates and joint ventures accounted for using equity method		(193,260)	(109,441)
Unrealized profits from sales		208	70
Realized profits from sales		(70)	(26)
Share-based payment	6(14)	22,499	23,717
Changes in assets/liabilities relating to operating activities			
Net changes in assets relating to operating activities			
Notes receivable		(52)	10
Accounts receivable		(413,770)	(27,871)
Accounts receivable - related parties		30,363	(41,295)
Other receivables		(1,370)	4,000
Other receivables - related parties		(134)	254
Inventories		(204,976)	136,493
Prepayments		(101,991)	4,604
Other current assets		(7,671)	3,724
Net changes in liabilities relating to operating activities			
Contract liabilities		196,490	(100,734)
Accounts payable		233,727	81,671
Accounts payable - related parties		(29,323)	(13,210)
Other payables		77,210	39,952
Other payables - related parties		-	(470)
Provisions for liabilities		18,146	(41,872)
Unearned receipts		10,125	(3,597)
Other current liabilities		152	332
Accrued pension liabilities		(5,533)	(4,931)
Cash generated from operations		115,984	172,767
Interest received		3,213	2,894
Dividends received		48,390	16,555
Interest paid		(15,524)	(9,923)
Income tax paid		(2,060)	(1,280)
Net cash provided by (used in) operating activities		<u>150,003</u>	<u>181,013</u>

(Continued)

GALLANT PRECISION MACHINING CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)

	Notes	2022	2021
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Acquisition of financial assets at fair value through other comprehensive income	6(2)	(\$ 304,654)	(\$ 602,866)
Acquisition of financial assets at amortized cost		(68,829)	(488,700)
Proceeds from disposal of financial assets at amortized cost		112,230	480,735
Proceeds from disposal of investments accounted for under equity method	6(6)	-	383,838
Acquisition of property, plant and equipment	6(28)	(11,359)	(45,687)
Acquisition of intangible assets		(2,406)	(954)
Refundable deposits refunded		211	264
Dividends received from investments accounted for using equity method		103,978	55,580
Net cash provided by (used in) investing activities		(170,829)	(217,790)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Increase in short-term loans	6(29)	1,222,778	1,658,786
Repayment of short-term loans	6(29)	(1,033,342)	(1,962,632)
Increase in long-term loans	6(29)	140,000	300,000
Repayment of long-term loans	6(29)	(20,000)	-
Repayment of the principal portion of lease liabilities	6(29)	(4,713)	(4,609)
Guarantee deposits received	6(29)	473	84
Treasury stock transferred to employees	6(15)	51,301	26,870
Payment of cash dividends	6(17)	(224,872)	(159,136)
Cash distributed from capital surplus	6(16)	(16,062)	-
Net cash provided by (used in) financing activities		115,563	(140,637)
Net increase in cash and cash equivalents		94,737	(177,414)
Cash and cash equivalents at beginning of year	6(1)	579,056	756,470
Cash and cash equivalents at end of year	6(1)	\$ 673,793	\$ 579,056

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

GALLANT PRECISION MACHINING CO., LTD.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

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

1. HISTORY AND ORGANIZATION

Gallant Precision Machining Co., Ltd. (the Company) was incorporated on December 22, 1978. The Company 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.

2. THE DATE OF AUTHORIZATION FOR ISSUANCE OF THE PARENT COMPANY ONLY FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORIZATION

These parent company only financial statements were authorized for issuance by the Board of Directors on February 22, 2023.

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 2022 are as follows:

New Standards, Interpretations and Amendments	Effective Date by International Accounting Standards Board
Amendments to IFRS 3 "Reference to the Conceptual Framework"	January 1, 2022
Amendments to 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

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

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

New standards, interpretations and amendments endorsed by FSC effective from 2023 are as follows:

New Standards, Interpretations and Amendments	Effective Date by International Accounting Standards Board
Amendments to IAS 1 “Disclosure of Accounting Policies”	January 1, 2023
Amendments to IAS 8 “Definition of Accounting Estimates”	January 1, 2023
Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”	January 1, 2023

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

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

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

New Standards, Interpretations and Amendments	Effective Date by International Accounting Standards Board
Amendments to IFRS 10 and IAS 28 “Sale or contribution of assets between an investor and its associate or joint venture”	To be determined by International Accounting Standards Board
Amendments to IFRS 16 “Leases” - Lease Liability in a Sale and Leaseback	January 1, 2024
IFRS 17, 'Insurance Contracts'	January 1, 2023
Amendments to IFRS 17, “Insurance Contracts”	January 1, 2023
Amendments to IFRS 17, “Initial application of IFRS 17 and IFRS 9 - comparative information”	January 1, 2023
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2024
Amendments to IAS 1 “Non-current Liabilities with Covenants”	January 1, 2024

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these parent company only financial

statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

The parent company only financial statements of the Company have been prepared in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers”.

(2) Basis of preparation

A. Except for the following items, these parent company only financial statements have been prepared under the historical cost convention:

- (a) Financial assets at fair value through other comprehensive income.
- (b) 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 the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the “IFRSs”) requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the parent company only financial statements are disclosed in Note 5.

(3) Foreign currency translation

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates (the “functional currency”). The parent company only financial statements are presented in New Taiwan Dollars, which is the Company’s functional and presentation currency.

A. Foreign currency transactions and balances

- (a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognized in profit or loss in the period in which they arise.
- (b) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognized in profit or loss.
- (c) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through

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

- (d) All foreign exchange gains and losses are presented in the statement of comprehensive income within "other gains and losses".

B. Translation of foreign operations

The operating results and financial position of all the company entities, associates and jointly controlled entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (a) Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;
- (b) Income and expenses for each statement of comprehensive income are translated at average exchange rates of that periods; and
- (c) All resulting exchange differences are recognized in other comprehensive income.

(4) Classification of current and non-current items

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

- (a) Assets arising from operating activities that are expected to be realized, or are intended to be sold or consumed within the normal operating cycle;
- (b) Assets held mainly for trading purposes;
- (c) Assets that are expected to be realized within twelve months from the balance sheet date;
- (d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to settle liabilities more than twelve months after the balance sheet date.

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

- (a) Liabilities that are expected to be settled within the normal operating cycle;
- (b) Liabilities arising mainly from trading activities;

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

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

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

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

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

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

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

(6) Financial assets at amortised cost

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

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

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

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

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

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

(7) Accounts and notes receivable

- A. Accounts and notes receivable entitle the Group a legal right to receive consideration in exchange for transferred goods or rendered services.
- B. The short-term accounts and notes receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(8) Impairment of financial assets

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

(9) Derecognition of financial assets

The Company derecognizes a financial asset when the contractual rights to receive the cash flows from the financial asset expire.

(10) Leasing arrangements (lessor) – operating leases

Payments made under an operating lease (net of any incentives received from the lessor) are recognized in profit or loss on a straight-line basis over the lease term.

(11) Inventories

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

(12) Investments accounted for using equity method / subsidiaries

- A. Subsidiaries are all entities (including structured entities) controlled by the Company. The Company controls an entity when the Company is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

- B. Inter-company transactions, balances and unrealized gains or losses on transactions between companies within the Company are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Company.
- C. The Company's share of its subsidiaries' post-acquisition profits or losses is recognized in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income. When the Company's share of losses in a subsidiary equals or exceeds its interest in the subsidiary, the Company should continue to recognize losses in proportion to its ownership.
- D. Changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are accounted for as equity transactions, i.e. transactions with owners in their capacity as owners. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity.
- E. According to "Regulations Governing the Preparation of Financial Reports by Securities Issuers", profit and other comprehensive income in the parent company only financial statements should be the same as profit and other comprehensive income attributable to shareholders of the parent in the consolidated financial statements, and the equity in the parent company only financial statements should be the same as the equity attributable to shareholders of the parent in the consolidated financial statements.

(13) Property, plant and equipment

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

benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

Buildings and structures	42 ~ 50 years
Machinery and equipment	3 ~ 20 years
Furniture and fixtures	1 ~ 5 years
Other equipment	5 ~ 10 years

(14) Leasing arrangements (lessee)—right-of-use assets/ lease liabilities

A. Leases are recognised as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Group. For short-term leases or leases of low-value assets, lease payments are recognised as an expense on a straight-line basis over the lease term.

B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate. Lease payments are comprised of the following: Fixed payments, less any lease incentives receivable;

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

C. At the commencement date, the right-of-use asset is stated at cost comprising the following:

- a. The amount of the initial measurement of lease liability;
- b. Any initial direct costs incurred by the lessee;

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

(15) Intangible assets

A. Computer software

Computer software is stated at cost and amortized on a straight-line basis over its estimated useful life of 1 to 3 years.

B. Other intangible assets

Other intangible assets mainly technical royalties, are amortized on a straight-line basis over its estimated useful life of 3 years.

(16) Impairment of non-financial assets

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

(17) Borrowings

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

(18) Notes and accounts payable

A. Accounts payable are liabilities for purchases of raw materials, goods or services and notes payable are those resulting from operating and non-operating activities.

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

(19) Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability specified in the contract is discharged or cancelled or expires.

(20) Provisions

Provisions (including warranties, after-sales service) are recognized when the Company has a present legal or constructive obligation as a result of past events, and it is probable that an outflow

of economic resources will be required to settle the obligation and the amount of the obligation can be reliably estimated. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation on the balance sheet date, which is discounted using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the obligation. When discounting is used, the increase in the provision due to passage of time is recognized as interest expense. Provisions are not recognized for future operating losses.

(21) Employee benefits

A. Short-term employee benefits

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

B. Pensions

(a) Defined contribution plans

For defined contribution plans, the contributions are recognized as pension expense when they are due on an accrual basis. Prepaid contributions are recognized as an asset to the extent of a cash refund or a reduction in the future payments.

(b) Defined benefit plans

- i . Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Company in current period or prior periods. The liability recognized in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The net defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability; when there is no deep market in high-quality corporate bonds, the Company uses interest rates of government bonds (at the balance sheet date) instead.
- ii . Remeasurements arising on defined benefit plans are recognized in other comprehensive income in the period in which they arise and are recorded as retained earnings.
- iii. Past service costs are recognized immediately in profit or loss.

C. Termination benefits

Termination benefits are employee benefits provided in exchange for the termination of employment as a result from either the Company's decision to terminate an employee's employment before the normal retirement date, or an employee's decision to accept an offer of redundancy benefits in exchange for the termination of employment. The Company recognizes expense as it can no longer withdraw an offer of termination benefits or it recognizes relating restructuring costs, whichever is earlier. Benefits that are expected to be due more than 12 months after balance sheet date shall be discounted to their present value.

D. Employees' compensation and directors' and supervisors' remuneration

Employees' compensation and directors' and supervisors' remuneration are recognized as expense and liability, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates. If employee compensation is paid by shares, the Company calculates the number of shares based on the closing price at the previous day of the board meeting resolution.

(22) Employee share-based payment

For the equity-settled share-based payment arrangements, the employee services received are measured at the fair value of the equity instruments granted at the grant date, and are recognised as compensation cost over the vesting period, with a corresponding adjustment to equity. The fair value of the equity instruments granted shall reflect the impact of market vesting conditions and non-vesting conditions. Compensation cost is subject to adjustment based on the service conditions that are expected to be satisfied and the estimates of the number of equity instruments that are expected to vest under the non-market vesting conditions at each balance sheet date. Ultimately, the amount of compensation cost recognised is based on the number of equity instruments that eventually vest.

(23) Income tax

- A. The tax expense for the period comprises current and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or items recognized directly in equity, in which cases the tax is recognized in other comprehensive income or equity.
- B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional

5% tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.

- C. Deferred tax is recognized, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet. However, the deferred tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realized or the deferred tax liability is settled.
- D. Deferred tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. At each balance sheet date, unrecognized and recognized deferred tax assets are reassessed.
- E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. Deferred tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realize the asset and settle the liability simultaneously.
- F. A deferred tax asset shall be recognised for the carryforward of unused tax credits resulting from acquisitions of equipment or technology, research and development expenditures and equity investments to the extent that it is possible that future taxable profit will be available against which the unused tax credits can be utilised.

(24) Share capital

- A. Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or stock options are shown in equity as a deduction, net of tax, from the proceeds.
- B. Where the Company repurchases the Company's equity share capital that has been issued, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders. Where such shares are subsequently reissued, the difference between their book value and any consideration received,

net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

(25) Dividends

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

(26) Revenue recognition

A. Sales of goods

- (a) The Company provides manufacturing and sales of Flat display manufacturing inspection equipment, Semiconductor packaging equipment, Intelligent automation equipment and parts products. Sales are recognised when control of the products has transferred, being when the products are delivered to the customer, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, or the Company has objective evidence that all criteria for acceptance have been satisfied.
- (b) Sales are recognised based on the price specified in the contract.
- (c) A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due. As the time interval between the transfer of committed goods or service and the payment of customer does not exceed one year, the Company does not adjust the transaction price to reflect the time value of money.

B. Sales of services

The Company provides technical services. Revenue from providing services is recognised in the accounting period in which the services are rendered. The customer pays at the time specified in the payment schedule. If the services rendered exceed the payment, a contract asset is recognised. If the payments exceed the services rendered, a contract liability is recognised.

(27) Government grants

Government grants are recognized at their fair value only when there is reasonable assurance that the Company will comply with any conditions attached to the grants and the grants will be received. Government grants are recognized in profit or loss on a systematic basis over the periods in which the Company recognizes expenses for the related costs for which the grants are intended to

compensate.

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

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

(1) Critical judgements in applying the Company's accounting policies

None.

(2) Critical accounting estimates and assumptions

Evaluation of inventories

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

As of December 31, 2022, the carrying amount of inventories was \$618,482.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	December 31, 2022	December 31, 2021
Cash on hand and revolving funds	\$ 132	\$ 131
Checking accounts	26	27
Demand deposits	673,635	578,898
Total	<u>\$ 673,793</u>	<u>\$ 579,056</u>

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

B. As of December 31, 2022 and 2021, cash and cash equivalents pledged to Customs and others as collateral were classified as financial assets at amortised cost-non-current. Please refer to note 8.

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

<u>Items</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Non-current items:		
Listed stocks	\$ 869,520	\$ 597,366
Non-Listed and non-otc stocks	38,000	5,500
Valuation adjustment	(10,115)	46,224
Total	<u>\$ 897,405</u>	<u>\$ 649,090</u>

- A. The Company has elected to classify investments that are considered to be strategic investments as financial assets at fair value through other comprehensive income. As at December 31, 2022 and 2021, the fair value of such investments amounted to \$897,405 and \$649,090, 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:

	<u>Year ended December 31, 2022</u>	<u>Year ended December 31, 2021</u>
<u>Equity instruments at fair value through other comprehensive income:</u>		
Fair value change recognised in other comprehensive income	(\$ 56,339)	\$ 46,224
Dividend income recognized in profit or loss held at end of period	\$ 48,390	\$ 16,555

(3) Financial assets at amortized cost

<u>Items</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Current items:		
Time deposits	\$ 88,160	\$ 128,600
Non-current items:		
Time deposits	8,466	11,427
	<u>\$ 96,626</u>	<u>\$ 140,027</u>

- A. The Company transacts with financial institutions with high credit quality.
- B. Details of the Company'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).

(4) Notes and accounts receivable

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Notes receivable	\$ 52	\$ -
Accounts receivable	\$ 1,745,962	\$ 1,339,064
Accounts receivable - related parties	21,537	51,900
Less: allowance for bad debts	(174,830)	(124,408)
	<u>\$ 1,592,669</u>	<u>\$ 1,266,556</u>

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

	December 31, 2022		December 31, 2021	
	Accounts receivable	Notes receivable	Accounts receivable	Notes receivable
Not past due	\$ 1,339,340	\$ 52	\$ 1,142,975	\$ -
1 to 90 days	174,880	-	106,838	-
91 to 120 days	16,001	-	26,294	-
Over 120 days	237,278	-	114,857	-
	<u>\$ 1,767,499</u>	<u>\$ 52</u>	<u>\$ 1,390,964</u>	<u>\$ -</u>

The above ageing analysis was based on past due date.

B. For the years ended December 31, 2022 and 2021, and January 1, 2021, the balances of receivables from contracts with customers amounted to \$1,767,551, \$1,390,964 and \$1,321,808, respectively.

C. As at December 31, 2022 and 2021, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the Company's notes and accounts receivable were \$52 and \$0, \$1,592,669 and \$1,266,556, respectively.

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

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

(5) Inventories

	December 31, 2022		
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 171,107	(\$ 15,818)	\$ 155,289
Work in progress	453,594	(72,308)	381,286
Finished goods	95,963	(14,124)	81,839
Inventory in transit	68	-	68
Total	<u>\$ 720,732</u>	<u>(\$ 102,250)</u>	<u>\$ 618,482</u>

	December 31, 2021		
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 82,924	(\$ 14,256)	\$ 68,668
Work in progress	376,503	(32,719)	343,784
Finished goods	13,570	(13,570)	-
Inventory in transit	1,054	-	1,054
Total	<u>\$ 474,051</u>	<u>(\$ 60,545)</u>	<u>\$ 413,506</u>

The cost of inventories recognized as expense for the year:

	Year ended December 31, 2022	Year ended December 31, 2021
Cost of goods sold	\$ 2,247,006	\$ 2,540,887
Loss on decline in value of inventory	41,705	39,837
	<u>\$ 2,288,711</u>	<u>\$ 2,580,724</u>

(6) Investments accounted for using equity method

	December 31, 2022	December 31, 2021
Gallant Micro. Machining Co., Ltd.	658,922	589,066
Gallant-Rapid Corporation Ltd. (the “GRC”)	\$ 246,468	\$ 252,489
APEX-I International Co., Ltd.	143,697	89,166
	<u>\$ 1,049,087</u>	<u>\$ 930,721</u>

A. Information about the Company’s subsidiaries is provided in Note 4(3) of the 2022 consolidated financial statements.

B. The Company liquidated Gallant Precision Machinery (BVI) Ltd.(the GPM(BVI)) in May 2021.

(7) Property, plant and equipment

	<u>Buildings</u>	<u>Machinery and equipment</u>	<u>Office equipment</u>	<u>Transportation equipment</u>	<u>Leased assets</u>	<u>Others</u>	<u>Total</u>
At January 1, 2022							
Cost	\$ 472,804	\$ 66,741	\$ 11,409	\$ 143	\$ 65,683	\$ 8,188	\$ 624,968
Accumulated depreciation and impairment	(157,448)	(8,519)	(6,053)	(44)	(18,933)	(5,366)	(196,363)
	<u>\$ 315,356</u>	<u>\$ 58,222</u>	<u>\$ 5,356</u>	<u>\$ 99</u>	<u>\$ 46,750</u>	<u>\$ 2,822</u>	<u>\$ 428,605</u>
<u>2022</u>							
Opening net book amount as at January 1	\$ 315,356	\$ 58,222	\$ 5,356	\$ 99	\$ 46,750	\$ 2,822	\$ 428,605
Additions	-	869	1,261	-	-	-	2,130
Depreciation charge	(9,510)	(7,031)	(2,723)	(24)	(1,288)	(1,228)	(21,804)
Closing net book amount as at December 31	<u>\$ 305,846</u>	<u>\$ 52,060</u>	<u>\$ 3,894</u>	<u>\$ 75</u>	<u>\$ 45,462</u>	<u>\$ 1,594</u>	<u>\$ 408,931</u>
At December, 31, 2022							
Cost	\$ 472,804	\$ 67,610	\$ 11,019	\$ 143	\$ 65,683	\$ 8,188	\$ 625,447
Accumulated depreciation and impairment	(166,958)	(15,550)	(7,125)	(68)	(20,221)	(6,594)	(216,516)
	<u>\$ 305,846</u>	<u>\$ 52,060</u>	<u>\$ 3,894</u>	<u>\$ 75</u>	<u>\$ 45,462</u>	<u>\$ 1,594</u>	<u>\$ 408,931</u>

	Buildings	Machinery and equipment	Office equipment	Transportation equipment	Leased assets	Others	Total
At January 1, 2021							
Cost	\$ 472,804	\$ 12,732	\$ 10,032	\$ 143	\$ 65,683	\$ 8,910	\$ 570,304
Accumulated depreciation and impairment	(147,938)	(3,910)	(4,653)	(20)	(17,645)	(4,831)	(178,997)
	<u>\$ 324,866</u>	<u>\$ 8,822</u>	<u>\$ 5,379</u>	<u>\$ 123</u>	<u>\$ 48,038</u>	<u>\$ 4,079</u>	<u>\$ 391,307</u>
<u>2021</u>							
Opening net book amount as at January 1	\$ 324,866	\$ 8,822	\$ 5,379	\$ 123	\$ 48,038	\$ 4,079	\$ 391,307
Additions	-	54,009	1,903	-	-	-	55,912
Reclassifications	-	-	539	-	-	-	539
Depreciation charge	(9,510)	(4,609)	(2,465)	(24)	(1,288)	(1,257)	(19,153)
Closing net book amount as at December 31	<u>\$ 315,356</u>	<u>\$ 58,222</u>	<u>\$ 5,356</u>	<u>\$ 99</u>	<u>\$ 46,750</u>	<u>\$ 2,822</u>	<u>\$ 428,605</u>
At December, 31, 2021							
Cost	\$ 472,804	\$ 66,741	\$ 11,409	\$ 143	\$ 65,683	\$ 8,188	\$ 624,968
Accumulated depreciation and impairment	(157,448)	(8,519)	(6,053)	(44)	(18,933)	(5,366)	(196,363)
	<u>\$ 315,356</u>	<u>\$ 58,222</u>	<u>\$ 5,356</u>	<u>\$ 99</u>	<u>\$ 46,750</u>	<u>\$ 2,822</u>	<u>\$ 428,605</u>

- A. Amount of borrowing costs capitalized as part of property, plant and equipment were \$0 and \$0 for the years ended December 31, 2022 and 2021, respectively.
- B. The significant components of buildings include main plants improvement and structure, which are depreciated over 42 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.

(8) Leasing arrangements — lessee

- A. The Company leases various assets including land, buildings, multifunction printers. Rental contracts are typically made for periods of 1 to 35 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. Short-term leases with a lease term of 12 months or less comprise buildings.
- C. The carrying amount of right-of-use assets and the depreciation charge are as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
	<u>Carrying amount</u>	<u>Carrying amount</u>
Land	\$ 196,901	\$ 200,029
Office equipment (multifunction printers)	-	-
	<u>\$ 196,901</u>	<u>\$ 200,029</u>
	<u>Year ended</u>	<u>Year ended</u>
	<u>December 31, 2022</u>	<u>December 31, 2021</u>
	<u>Depreciation charge</u>	<u>Depreciation charge</u>
Land	\$ 6,040	\$ 5,958
Office equipment (multifunction printers)	-	31
	<u>\$ 6,040</u>	<u>\$ 5,989</u>

- D. For the years ended December 31, 2022 and 2021, the amount of addition for leases were \$2,912 and \$0, respectively.
- E. The information on income and expense accounts relating to lease contracts is as follows:

	<u>Year ended</u>	<u>Year ended</u>
	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 3,311	\$ 3,338
Expense on short-term lease contracts	7,807	7,099

- F. For the years ended December 31, 2022 and 2021, the Company's total cash outflow for leases were \$15,831 and \$15,046, respectively.

- G. 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.

(9) Short-term borrowings

<u>Type of borrowings</u>	<u>December 31, 2022</u>	<u>Interest rate range</u>	<u>Collateral</u>
Unsecured Banking Loan	\$ 670,000	1.4%~1.65%	None
<u>Type of borrowings</u>	<u>December 31, 2021</u>	<u>Interest rate range</u>	<u>Collateral</u>
Unsecured Banking Loan	\$ 480,564	0.71%~1.23%	None

(10) Accounts payable

	December 31, 2022	December 31, 2021
Accounts payable	\$ 994,933	\$ 769,904
Accrued accounts payable	114,208	105,510
	<u>\$ 1,109,141</u>	<u>\$ 875,414</u>

(11) Others accounts payable

	December 31, 2022	December 31, 2021
Accrued salaries	\$ 170,208	\$ 120,996
Accrued employees' bonuses and directors' remuneration	75,144	39,981
Payables on equipment - Fixed assets	1,354	10,583
Payables on equipment - Intangible assets	938	-
Others	44,203	51,240
	<u>\$ 291,847</u>	<u>\$ 222,800</u>

(12) Long-term borrowings

Type of borrowings	Borrowing period and repayment term	Interest rate range	Collateral	December 31, 2022
Mortgage borrowings	The mortgage borrowings is recyclable from November 24, 2021 to March 31, 2024, with monthly interest payment and the principal shall be paid off on the maturity date (the actual borrowings period is less than 3 years, because the factory contract period is from March 31, 2021 to March 31, 2024, the principal shall be paid off on the maturity date).	1.51%	Note	\$ 100,000
Mortgage borrowings	Borrowing period is from July 1, 2021 to July 1, 2026, non-revolving instalments, with monthly interest payment, principal is repayable every 3 months with 5% of principal from July 1, 2022, and the rest of principal shall be paid off on the maturity date.	1.58%	Note	180,000
Unsecured borrowings	Borrowing period is from January 18, 2022 to May 14, 2023, with monthly interest payment and the principal shall be paid off on the maturity date.	1.57%	None	80,000
Unsecured borrowing	The unsecured borrowings is recyclable from April 21, 2022 to May 14, 2023, with monthly interest payment and the principal shall be paid off on the maturity date.	1.57%	None	60,000
				<u>420,000</u>
Less: current portion				(180,000)
				<u>\$ 240,000</u>

<u>Type of borrowings</u>	<u>Borrowing period and repayment term</u>	<u>Interest rate range</u>	<u>Collateral</u>	<u>December 31, 2021</u>
Mortgage borrowings	The mortgage borrowings is recyclable from November 24, 2022 to March 31, 2024, with monthly interest payment and the principal shall be paid off on the maturity date (the actual borrowings period is less than 3 years, because the factory contract period is from March 31, 2022 to March 31, 2024, the principal shall be paid off on the maturity date).	0.94%	Note	\$ 100,000
Mortgage borrowings	Borrowing period is from July 1, 2021 to July 1, 2026, non-revolving instalments, with monthly interest payment, principal is repayable every 3 months with 5% of principal from July 1, 2022, and the rest of principal shall be paid off on the maturity date.	0.98%	Note	200,000
				300,000
Less: current portion				(19,500)
				<u>\$ 280,500</u>

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

(13) Pensions

A. (a) The Company 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 contributes monthly an amount equal to 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 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 will make contribution for the deficit by next March.

(b) The amounts recognized in the balance sheet are as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Present value of defined benefit obligations	(\$ 47,413)	(\$ 57,102)
Fair value of plan assets	44,303	41,653
Net defined benefit liability	<u>(\$ 3,110)</u>	<u>(\$ 15,449)</u>

(c) Movements in net defined benefit liabilities are as follows:

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
Year ended December 31, 2022			
Balance at January 1	(\$ 57,102)	\$ 41,653	(\$ 15,449)
Current service cost	(456)	-	(456)
Interest (expense) income	(395)	312	(83)
	(57,953)	41,965	(15,988)
Remeasurements:			
Return on plan asset (excluding amounts included in interest income or expense)	-	3,027	3,027
Experience adjustments	117	-	117
Change in demographic assumptions	1	-	1
Change in financial assumptions	3,660	-	3,660
	3,778	3,027	6,805
Pension fund contribution	-	6,073	6,073
Paid pension	6,762	(6,762)	-
Others	-	-	-
Balance at December 31	(\$ 47,413)	\$ 44,303	(\$ 3,110)
	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
Year ended December 31, 2021			
Balance at January 1	(\$ 59,548)	\$ 37,222	(\$ 22,326)
Current service cost	(478)	-	(478)
Interest (expense) income	(205)	138	(67)
Past service cost	-	-	-
	(60,231)	37,360	(22,871)
Remeasurements:			
Return on plan asset (excluding amounts included in interest income or expense)	-	506	506
Experience adjustments	(694)	-	(694)
Change in demographic assumptions	(138)	-	(138)
Change in financial assumptions	2,320	-	2,320
	1,488	506	1,994
Pension fund contribution	-	6,108	6,108
Paid pension	1,133	(1,133)	-
Others	508	(1,188)	(680)
Balance at December 31	(\$ 57,102)	\$ 41,653	(\$ 15,449)

(d) The Bank of Taiwan was commissioned to manage the Fund of the Company's defined benefit pension plan in accordance with the Fund's annual investment and utilization plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund" (Article 6: The scope of utilization for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regard to the utilization of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authorized by the Regulator. The Company has no right to participate in managing and operating that fund and hence the Company is unable to disclose the classification of plan assets fair value in accordance with IAS19 paragraph 142. The composition of fair value of plan assets as of December 31, 2022 and 2021 is given in the Annual Labor Retirement Fund Utilization Report announced by the government.

(e) The principal actuarial assumptions used were as follows:

	Year ended December 31, 2022	Year ended December 31, 2021
Discount rate	1.35%	0.7%
Future salary increases	2.00%	2.00%

Assumptions regarding future mortality experience are set based on the 6th and 5th Taiwan Standard Ordinary Experience Mortality Table for the years ended December 31, 2022 and 2021, respectively.

Because the main actuarial assumption changed, the present value of defined benefit obligation is affected. The analysis was as follows:

	Discount rate		Future salary increases	
	Increase 0.25%	Decrease 0.25%	Increase 0.25%	Decrease 0.25%
December 31, 2022				
Effect on present value of defined benefit obligation	(\$ 1,310)	\$ 1,363	\$ 1,351	(\$ 1,305)
December 31, 2021				
Effect on present value of defined benefit obligation	(\$ 1,601)	\$ 1,667	\$ 1,642	(\$ 1,585)

The sensitivity analysis above is based on one assumption which changed while the other conditions remain unchanged. In practice, more than one assumption may change all at once. The method of analysing sensitivity and the method of calculating net pension liability in the balance sheet are the same.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

(f) Expected contributions to the defined benefit pension plans of the Company for the year ended December 31, 2023 amount to \$7,071.

(g) As of December 31, 2022, the weighted average duration of that retirement plan is 11 year.

The analysis of timing of the future pension payment was as follows:

Within 1 year	\$	1,301
1-2 year(s)		1,860
2-5 years		4,628
Over 5 years		46,837
	\$	<u>54,626</u>

B. (a) Effective July 1, 2005, the Company 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 contribute monthly an amount based on 6% of the employees’ monthly salaries and wages to the employees’ individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.

(b) The pension costs under defined contribution pension plans of the Company for the years ended December 31, 2022 and 2021 were \$20,949 and \$19,798, respectively.

(14) Share-based payment

A. For the years ended December 31, 2022, the Company’s share-based payment arrangements were as follows:

Type of arrangement	Grant date	Quantity granted (shares in thousands)	Contract period	Vesting conditions
Treasury stock transferred to employees	2022.8.9	2,839	-	Immediately
Treasury stock transferred to employees	2021.11.5	1,479	-	Immediately

B. The fair value of the Company’s treasury stocks transferred to employees is as follows:

Type of arrangement	Grant date	Stock price	Exercise price	Compensation cost per unit
Treasury stock transferred to employees	2022.8.9	25.35	18.07	7.28
Treasury stock transferred to employees	2021.11.5	33.30	18.07	15.23

C. Share-based payment

	Year ended December 31, 2022	Year ended December 31, 2021
Equity settled	<u>\$ 20,668</u>	<u>22,525</u>

(15) Share capital

A. As of December 31, 2022, 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	
	Year ended December 31, 2022	Year ended December 31, 2021
At January 1	160,623	159,136
Treasury stock transferred to employees	2,839	1,487
At December 31	163,462	160,623

B. On March 24, 2020, the Board of directors resolved to acquire 6,000 thousand shares of the Company. All the acquired shares shall be reissued to employees. As of December 31, 2022, the Company has acquired 6,000 thousand shares.

C. Treasury shares

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

		Unit: shares in thousands	
		December 31, 2022	
Name of company holding the shares	Reason for reacquisition	Number of shares	Carrying amount
The Company	To be reissued to employees	1,674	\$ 30,254

		December 31, 2021	
Name of company holding the shares	Reason for reacquisition	Number of shares	Carrying amount
The Company	To be reissued to employees	4,513	\$ 81,555

(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 five years from the reacquisition date and shares not reissued within the five-year period are to be retired. Treasury shares to enhance the Company's credit rating and the stockholders' equity should be retired within six months of acquisition.

(e) For the years ended December 31, 2022 and 2021, the number of treasury shares transferred to employees of the Company were 2,509 thousand shares and 1,479 thousand shares, respectively. The compensation cost and transfer amount were \$18,266, \$22,525, \$45,337 and \$26,726, respectively.

For the years ended December 31, 2022 and 2021, the number of shares transferred to the employees of the subsidiary are 330 thousand shares and 8 thousand shares, respectively and the compensation cost and transfer amount are \$2,402, \$122, \$5,963 and \$144, respectively.

As the aforesaid transfer amount is higher than the carrying amount of treasury shares, the difference amount arising from transaction of treasury shares was recognized as the capital surplus.

(16) 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:

	Share premium	Treasury share transactions	Difference between consideration and carrying amount of subsidiaries acquired or disposed	Net change in equity of subsidiaries	Employee stock option	Total
At January 1, 2022	\$ 127,167	\$ 54,046	\$ 11,750	\$ 29,295	\$ 4,446	\$ 226,704
From changes in equities of subsidiaries	-	-	-	36,514	-	36,514
Capital surplus distribute cash	(16,062)	-	-	-	-	(16,062)
Treasury stock transferred	-	20,668	-	-	-	20,668
At December 31, 2022	<u>\$ 111,105</u>	<u>\$ 74,714</u>	<u>\$ 11,750</u>	<u>\$ 65,809</u>	<u>\$ 4,446</u>	<u>\$ 267,824</u>

	Share premium	Treasury share transactions	Difference between consideration and carrying amount of subsidiaries acquired or disposed	Net change in equity of subsidiaries	Employee stock option	Total
At January 1, 2021	\$ 127,167	\$ 31,399	\$ 11,750	\$ 12,326	\$ 4,446	\$ 187,088
From changes in equities of subsidiaries	-	-	-	16,969	-	16,969
Treasury stock transferred	-	22,647	-	-	-	22,647
At December 31, 2021	<u>\$ 127,167</u>	<u>\$ 54,046</u>	<u>\$ 11,750</u>	<u>\$ 29,295</u>	<u>\$ 4,446</u>	<u>\$ 226,704</u>

(17) 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 company authorized the board of directors to distribute all or part of the dividends or legal reserve and capital surplus in the form of cash with a resolution adopted by a majority vote at a meeting of the Board of Directors attended by over two-thirds of the directors, and report to the shareholders' meeting.

The ratio of cash dividend shall not be less than 10% of the shareholders' dividend.

B. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital.

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

included in the distributable earnings.

(b) The amounts previously set aside by the Company as special reserve on initial application of IFRSs in accordance with Jin-Guan-Zheng-Fa-Zi Letter No. 1010012865, dated April 6, 2012, shall be reversed proportionately when the relevant assets are used, disposed of or reclassified subsequently. Such amounts are reversed upon disposal or reclassified if the assets are investment property of land, and reversed over the use period if the assets are investment property other than land. As of the date of transition, the Company recognized \$132,987 special reserve.

(c) For year ended December 31, 2021, the aforementioned special surplus reserve were reversed amounting to \$21,840 due to liquidation of subsidiaries.

D. On June 8, 2022 and July 5, 2021, respectively, the shareholders resolved that total dividends for the distribution of earnings for the year of 2021 and 2020 were as following:

	Year ended December 31, 2021		Year ended December 31, 2020	
	Amount	Earnings per share(In dollars)	Amount	Earnings per share(In dollars)
Legal reserve	\$ 23,075	\$ -	\$ 15,064	\$ -
Cash dividends	224,872	1.400	159,136	1.000
Total	<u>\$ 247,947</u>	<u>\$ 1.400</u>	<u>\$ 174,200</u>	<u>\$ 1.000</u>

E. On June 8, 2022, the Shareholders resolved for the distribution of dividends from 2021 earnings amounting to \$16,062 (\$0.1 (in dollars) per share).

F. On February 22, 2023, the Board of Directors had proposed the distribution of cash dividends for the year of 2022 earnings amounting to \$294,232 (\$1.80 (in dollars) per share).

(18) Other equity items

	Year ended December 31, 2022		
	Unrealized gains (losses) on valuation	Currency translation	Total
At January 1	\$ 109,454	(\$ 49,419)	\$ 60,035
Revaluation - subsidiary	(68,361)	-	(68,361)
Revaluation - tax	(2,122)	-	(2,122)
Currency translation differences: - subsidiary	-	6,560	6,560
At December 31	<u>\$ 38,971</u>	<u>(\$ 42,859)</u>	<u>(\$ 3,888)</u>
	Year ended December 31, 2021		
	Unrealized gains (losses) on valuation	Currency translation	Total
At January 1	\$ 32,228	(\$ 80,574)	(\$ 48,346)
Revaluation - subsidiary	77,168	-	77,168
Revaluation - tax	58	-	58
Revaluation transferred to profit and loss – liquidation of subsidiary	-	38,724	38,724
Currency translation differences: - subsidiary	-	(7,569)	(7,569)
At December 31	<u>\$ 109,454</u>	<u>(\$ 49,419)</u>	<u>\$ 60,035</u>

(19) Operating revenue

	Year ended December 31, 2022	Year ended December 31, 2021
Revenue from Contracts with Customers	\$ 2,933,423	\$ 3,094,707

A. Disaggregation of revenue from contracts with customers

The Company 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:

Year ended December 31, 2022	Taiwan	China	Other	Total
Revenue from external customer contracts	\$ 1,845,838	\$ 1,019,927	\$ 67,658	\$ 2,933,423
Timing of revenue recognition				
At a point in time	\$ 1,830,248	\$ 1,019,927	\$ 67,658	\$ 2,917,833
Over time	15,590	-	-	15,590
	\$ 1,845,838	\$ 1,019,927	\$ 67,658	\$ 2,933,423
Year ended December 31, 2021	Taiwan	China	Other	Total
Revenue from external customer contracts	\$ 1,578,956	\$ 1,511,428	\$ 4,323	\$ 3,094,707
Timing of revenue recognition				
At a point in time	\$ 1,569,932	\$ 1,507,781	\$ 4,323	\$ 3,082,036
Over time	9,024	3,647	-	12,671
	\$ 1,578,956	\$ 1,511,428	\$ 4,323	\$ 3,094,707

B. Contract liabilities

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

	December 31, 2022	December 31, 2021	January 1, 2021
Contract liabilities:			
Contract liabilities- Deposit	\$ 301,013	\$ 104,523	\$ 205,257

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

	Year ended December 31, 2022	Year ended December 31, 2021
Revenue recognised that was included in the contract liability balance at the beginning of the period		
Deposit	\$ 78,508	\$ 194,347
Total	\$ 78,508	\$ 194,347

(20) Interest income

	Year ended December 31, 2022	Year ended December 31, 2021
Interest income from bank deposits	\$ 2,974	\$ 2,972

(21) Other income

	Year ended December 31, 2022	Year ended December 31, 2021
Rental revenue	\$ 24,025	\$ 22,859
Government subsidy income (Note)	14,414	8,514
Dividends income	48,390	16,555
Others	11,529	6,944
Total	<u>\$ 98,358</u>	<u>\$ 54,872</u>

Note: Government subsidy income mainly arose from the subsidy income of special subjects such as the implementation of special counseling program of the Ministry of Economic Affairs and the Ministry of Digital Development.

(22) Other gains and losses

	Year ended December 31, 2022	Year ended December 31, 2021
Net currency exchange gains (losses)	<u>\$ 59,259</u>	<u>(\$ 14,956)</u>

(23) Finance costs

	Year ended December 31, 2022	Year ended December 31, 2021
Interest expense	<u>\$ 15,652</u>	<u>\$ 9,788</u>

(24) Expenses by nature

	Year ended December 31, 2022	Year ended December 31, 2021
Employee benefit expense	<u>\$ 653,412</u>	<u>\$ 551,697</u>
Depreciation expense(including right-of-use assets)	<u>\$ 27,844</u>	<u>\$ 25,142</u>
Amortization charges on intangible assets	<u>\$ 3,633</u>	<u>\$ 7,695</u>

(25) Employee benefit expense

	Year ended December 31, 2022	Year ended December 31, 2021
Wages and salaries	\$ 574,953	\$ 477,572
Labour and health insurance fees	39,167	37,166
Pension costs	21,488	20,343
Other personnel expenses	17,804	16,616
	<u>\$ 653,412</u>	<u>\$ 551,697</u>

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

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

The term "profit" used in the first paragraph refers to the profit before tax before deducting the

employee compensation and director remuneration. The distribution of employee compensation and director remuneration shall be in a board meeting that registers two-thirds of directors in attendance, and the resolution must receive support from half of participating members. The resolution should be reported to the shareholders at shareholders' meeting.

- B. For the years ended December 31, 2022 and 2021, employees' compensation was accrued at \$59,917 and \$30,045, respectively; while directors' and supervisors' remuneration was accrued at \$10,155 and \$5,092, respectively.

The employees' compensation and directors' and supervisors' remuneration were estimated and accrued based on 11.93% and 2.02% of distributable profit of current year for the year ended December 31, 2022.

The employees' compensation and directors' and supervisors' remuneration resolved by the Board of Directors were \$59,917 and \$10,155, and the employees' compensation will be distributed in the form of cash.

The employees' compensation and directors' and supervisors' remuneration for 2021 amounting to \$30,045 and \$5,092, respectively, as resolved by the Board of Directors on March 16, 2022 which were in agreement with those amounts recognized in the 2021 financial statements.

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

(26) Income tax

A. Income tax expense

(a) Components of income tax expense:

	Year ended December 31, 2022	Year ended December 31, 2021
Current tax:		
Current tax on profits for the year	\$ -	\$ -
Tax on undistributed surplus earnings	-	-
Prior year income tax (over) underestimation	2,552	-
Total current tax	2,552	-
Deferred tax:		
Origination and reversal of temporary differences	39,403	(27,678)
Total deferred tax	39,403	(27,678)
Income tax expense	\$ 41,955	(\$ 27,678)

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

	Year ended December 31, 2022	Year ended December 31, 2021
Share of other comprehensive income of subsidiary	(\$ 2,122)	\$ 58

B. Reconciliation between income tax expense and accounting profit

	Year ended December 31, 2022	Year ended December 31, 2021
Tax calculated based on profit before tax and statutory tax rate	\$ 86,431	\$ 43,682
Tax exempt income by tax regulation	(52,667)	(17,109)
Temporary differences not recognized as deferred tax assets	3,967	-
Change in assessment of realisation of deferred tax assets	1,672	(54,251)
Prior year income tax (over) underestimation	2,552	-
Tax on undistributed earnings	-	-
Tax expenses	<u>\$ 41,955</u>	<u>(\$ 27,678)</u>

C. Amounts of deferred tax assets or liabilities as a result of temporary difference are as follows:

Year ended December 31, 2022				
	January 1	Recognized in profit or loss	Recognized in other comprehensive income	December 31
Temporary differences:				
Deferred tax assets:				
Allowance for bad debt	\$ 22,100	\$ 9,331	\$ -	\$ 31,431
Inventory obsolescence and market price decline	12,110	8,341	-	20,451
Warranty provision	9,985	3,629	-	13,614
Net defined benefit liabilities	1,751	(1,129)	-	622
Unrealized gain of financial assets at fair value through other comprehensive income	3,996	-	(2,122)	1,874
Others	39,932	(39,932)	-	-
Subtotal	<u>89,874</u>	<u>(19,760)</u>	<u>(2,122)</u>	<u>67,992</u>
Deferred tax liabilities:				
Others	-	(19,643)	-	(19,643)
Subtotal	<u>-</u>	<u>(19,643)</u>	<u>-</u>	<u>(19,643)</u>
Total	<u>\$ 89,874</u>	<u>(\$ 39,403)</u>	<u>(\$ 2,122)</u>	<u>\$ 48,349</u>
Year ended December 31, 2021				
	January 1	Recognized in profit or loss	Recognized in other comprehensive income	December 31
Temporary differences:				
Deferred tax assets:				
Allowance for bad debt	\$ 26,263	(\$ 4,163)	\$ -	\$ 22,100
Inventory obsolescence and market price decline	4,142	7,968	-	12,110
Warranty provision	18,359	(8,374)	-	9,985

Year ended December 31, 2021				
	January 1	Recognized in profit or loss	Recognized in other comprehensive income	December 31
Net defined benefit liabilities	2,835	(1,084)	-	1,751
Unrealized gain of financial assets at fair value through other comprehensive income	3,938	-	58	3,996
Others	6,601	33,331	-	39,932
Total	\$ 62,138	\$ 27,678	\$ 58	\$ 89,874

D. The Company's income tax returns through 2019 have been assessed and approved by the Tax Authority.

(27) Earnings per share

Year ended December 31, 2022			
	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 Company	\$ 390,200	161,751	\$ 2.41
<u>Diluted earnings per share</u>			
Assumed conversion of all dilutive potential ordinary shares			
Employees' bonus	-	2,386	
Profit attributable to ordinary shareholders of the Company plus assumed conversion of all dilutive potential ordinary shares	\$ 390,200	164,137	\$ 2.38

Year ended December 31, 2021			
	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 Company	\$ 246,089	159,369	\$ 1.54
<u>Diluted earnings per share</u>			
Assumed conversion of all dilutive potential ordinary shares			
Employees' bonus	-	981	
Profit attributable to ordinary shareholders of the Company plus assumed conversion of all dilutive potential ordinary shares	\$ 246,089	160,350	\$ 1.53

(28) Supplemental cash flow information

Investing activities with partial cash payments

	Year ended December 31, 2022	Year ended December 31, 2021
Purchase of property, plant and equipment	\$ 2,130	\$ 55,912
Add: opening balance of payable on equipment	10,583	358
Less: ending balance of payable on equipment	(1,354)	(10,583)
Cash paid during the year	<u>\$ 11,359</u>	<u>\$ 45,687</u>

(29) 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, 2022	\$ 480,564	\$ 300,000	\$ 3,614	\$ 204,420	\$ 988,598
Changes in cash flow from financing activities	189,436	120,000	473	(4,713)	305,196
Interest expense	-	-	-	3,311	3,311
Payment of interest	-	-	-	(3,311)	(3,311)
Changes in lease liabilities	-	-	-	2,912	2,912
At December 31, 2022	<u>\$ 670,000</u>	<u>\$ 420,000</u>	<u>\$ 4,087</u>	<u>\$ 202,619</u>	<u>\$ 1,296,706</u>

	Short-term borrowings	Long-term borrowings	Guarantee deposits received	Leases liabilities	Liabilities from financing activities-gross
At January 1, 2021	\$ 784,410	\$ -	\$ 3,530	\$ 209,029	\$ 996,969
Changes in cash flow from financing activities	(303,846)	300,000	84	(4,609)	(8,371)
Interest expense	-	-	-	3,338	3,338
Payment of interest	-	-	-	(3,338)	(3,338)
At December 31, 2021	<u>\$ 480,564</u>	<u>\$ 300,000</u>	<u>\$ 3,614</u>	<u>\$ 204,420</u>	<u>\$ 988,598</u>

7. RELATED-PARTY TRANSACTIONS

(1) Names and relationship of related parties

Names of related parties	Relationship with the Company
Gallant Micro. Machining Co., Ltd.	Subsidiary
Gallant-Rapid Corporation Ltd.	Subsidiary
Gallant Precision Industries (Suzhou) Co., Ltd.	Subsidiary
Gallant Precision Intelligence Technology Co., Ltd.	Subsidiary
APEX-I International Co., Ltd.	Subsidiary
C SUN Mfg. Ltd.	Associate
C SUN(Guangzhou) Mfg. Ltd.	Associate
Ohmplus Technology Inc.	Substantive related party

(2) Significant related party transactions

A. Operating revenue:

	Year ended December 31, 2022	Year ended December 31, 2021
Sales of goods:		
Subsidiary	\$ 20,991	\$ 12,629
Associate	34,215	61,278
Substantive related party	-	1,080
	<u>\$ 55,206</u>	<u>\$ 74,987</u>

The Company's sales to related parties has no other transactions of the same type that can be compared, and the sales are conducted in accordance with the agreed sales prices and conditions; the terms of payment are not significantly different from those of non-related parties.

B. Purchases

	Year ended December 31, 2022	Year ended December 31, 2021
Purchases of goods:		
Gallant Precision Intelligence Technology Co., Ltd.	\$ 118,980	\$ 286,100
Subsidiary	8,021	4,366
Associate	-	415
	<u>\$ 127,001</u>	<u>\$ 290,881</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

	December 31, 2022	December 31, 2021
Accounts receivables :		
Subsidiary	\$ 2,007	\$ 6,612
Associate	19,530	44,154
Substantive related party	-	1,134
Subtotal	<u>\$ 21,537</u>	<u>\$ 51,900</u>
Other receivables		
Subsidiary	<u>\$ 2,605</u>	<u>\$ 2,471</u>

D. Payables from related parties

	December 31, 2022	December 31, 2021
Accounts payables:		
Subsidiary	\$ 11,970	\$ 40,857
Associate	-	436
Subtotal	<u>\$ 11,970</u>	<u>\$ 41,293</u>

E. Other

	Year ended December 31, 2022		Year ended December 31, 2021	
	Item	Amount	Item	Amount
Other:	Other revenue	\$ 3,882	Other revenue	\$ 3,979
Subsidiary	Procurement service revenue	\$ 13,163	Procurement service revenue	\$ 11,814
	After sales services expense from overseas	\$ 17,702	After sales services expense from overseas	\$ 41,539

F. Endorsements and guarantees provided to related parties:

	December 31, 2022	December 31, 2021
Subsidiary	\$ 70,710	\$ 123,040

(3) Key management compensation

	Year ended December 31, 2022	Year ended December 31, 2021
Salaries and other short-term employee benefits	\$ 17,472	\$ 37,692
Post-employment benefits	479	627
Total	\$ 17,951	\$ 38,319

8. PLEDGED ASSETS

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

Pledged asset	Book value		Purpose
	December 31, 2022	December 31, 2021	
Time deposits (shown as "financial assets at amortised cost non-current")	\$ 8,466	\$ 11,427	Exercise guarantee for construction and customs deposit
Property, plant and equipment	351,308	362,106	Long-term borrowings
	\$ 359,774	\$ 373,533	

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACT COMMITMENTS

(1) Contingent liabilities

As of the years ended December 31, 2022 and 2021, respectively, the bank open a guarantee letter for the Company due to business tender and guarantee for construction amounting to \$45,648 and \$26,904, respectively.

(2) Unrecognized contract commitments

None.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

Please refer to Note 6(17)

12. OTHERS

(1) Capital management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. The Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the consolidated balance sheet) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the consolidated balance sheet plus net debt.

During year ended December 31, 2022, the Company's strategy, which was unchanged from 2021 was to maintain the gearing ratio within reasonable risk level. The gearing ratios at December 31, 2022 and 2021 were as follows:

	December 31, 2022	December 31, 2021
Total borrowings	\$ 1,090,000	\$ 780,564
Less: Cash and cash equivalents	(673,793)	(579,056)
Net debt	416,207	201,508
Total equity	2,642,492	2,441,861
Total capital	\$ 3,058,699	\$ 2,643,369
Gearing ratio	13.61%	7.62%

(2) Financial instruments

A. Financial instruments by category

	December 31, 2022	December 31, 2021
<u>Financial assets</u>		
Financial assets measured at fair value through other comprehensive income	\$ 897,405	\$ 649,090
Financial assets at amortised cost/Loans and receivables		
Cash and cash equivalents	673,793	579,056
Financial assets at amortised cost	96,626	140,027
Notes receivables	52	-
Accounts receivables (including related parties)	1,592,669	1,266,556
Other accounts receivables(including related parties)	3,621	2,849
Guarantee deposits paid	3,594	3,805
	\$ 3,267,760	\$ 2,641,383

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Financial liabilities</u>		
Financial liabilities at amortised cost		
Short-term borrowings	\$ 670,000	\$ 480,564
Accounts payable (including related parties)	1,121,111	916,707
Other accounts payable	291,847	222,800
Long-term borrowings (including current portion)	420,000	300,000
Guarantee deposits received	4,087	3,614
	<u>\$ 2,507,045</u>	<u>\$ 1,923,685</u>
Leases liabilities	<u>\$ 202,619</u>	<u>\$ 204,420</u>

B. Financial risk management policies

- (a) The Company's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial position and financial performance.
- (b) Risk management is carried out by a central treasury department (Company treasury) under policies approved by the Board of Directors. Company treasury identifies, evaluates and hedges financial risks in close co-operation with the Company's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas and matters, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

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

	<u>December 31, 2022</u>		
	<u>Foreign currency amount (In thousands)</u>	<u>Exchange rate</u>	<u>Book value (NTD)</u>
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 20,665	30.71	\$ 634,630
JPY:NTD	116,605	0.2324	27,099
RMB:NTD	56,613	4.408	249,550

December 31, 2022			
	Foreign currency amount (In thousands)	Exchange rate	Book value (NTD)
<u>Financial liability</u>			
<u>Monetary items</u>			
USD:NTD	\$ 2,747	30.71	\$ 84,360
JPY:NTD	81,697	0.2324	18,986
RMB:NTD	6,659	4.408	29,353
<u>Non-monetary items</u> : None			

December 31, 2021			
	Foreign currency amount (In thousands)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 22,911	27.68	\$ 634,185
JPY:NTD	120,779	0.2405	29,047
RMB:NTD	50,290	4.344	218,458
<u>Financial liability</u>			
<u>Monetary items</u>			
USD:NTD	\$ 13,305	27.68	\$ 368,281
JPY:NTD	118,203	0.2405	28,428
RMB:NTD	8,522	4.344	37,020
<u>Non-monetary items</u> : None			

ii. Total exchange gain (loss), including realized and unrealized arising from significant foreign exchange variation on the monetary items held by the Company for the years ended December 31, 2022 and 2021, amounted to \$59,259 and (\$14,956), respectively.

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

Year ended December 31, 2022			
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%	\$ 6,346	\$ -
JPY:NTD	1%	271	-
RMB:NTD	1%	2,496	-

Year ended December 31, 2022				
Sensitivity analysis				
	Degree of variation	Effect on profit or loss	Effect on other comprehensive income	
<u>Financial liability</u>				
<u>Monetary items</u>				
USD:NTD	1%	(\$ 844)	\$	-
JPY:NTD	1%	(190)		-
RMB:NTD	1%	(294)		-
Year ended December 31, 2021				
	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%	\$ 6,342	\$	-
JPY:NTD	1%	290		-
RMB:NTD	1%	2,185		-
<u>Financial liability</u>				
<u>Monetary items</u>				
USD:NTD	1%	(\$ 3,683)	\$	-
JPY:NTD	1%	(284)		-
RMB:NTD	1%	(370)		-

Price risk

- i . The Company'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. To manage its price risk arising from investments in equity securities, the Company diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Company.
- ii. The Company'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 year ended December 31, 2022 and 2021 would have increased/decreased by \$8,974 and \$6,491, respectively.

Cash flow and fair value interest rate risk

The Company's interest rate risk arises from short-term and long-term borrowings. Borrowings issued at variable rates expose the Company to cash flow interest rate risk which is partially offset by cash and cash equivalents held at variable rates. Borrowings issued at fixed rates expose the Company to fair value interest rate risk. During the year ended December 31, 2022 and 2021, the Company'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 year ended December 31, 2022 and 2021 would have increased/decreased by \$8,200 and \$6,996,

respectively.

(b) Credit risk

- i. Credit risk refers to the risk of financial loss to the Company arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms, and the contract cash flows of debt instruments stated at amortised cost.
- ii. The Company manages their credit risk taking into consideration the entire Company's concern. For banks and financial institutions, only independently rated parties with a minimum rating of 'A' are accepted. According to the Company's credit policy, each local entity in the Company is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilisation of credit limits is regularly monitored.
- iii. The Company adopts 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.
- iv. If the contract payments were past due 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 Company classifies customer's accounts receivable, in accordance with credit rating of customer. The Company applies the simplified approach using provision matrix, loss rate methodology to estimate expected credit loss under the provision matrix basis.
- vii. The Company wrote-off the financial assets, which cannot be reasonably expected to be recovered, after initiating recourse procedures. However, the Company will continue executing the recourse procedures to secure their rights.
- viii. The Company used the forecastability of Panel industry research report to adjust historical and timely information to assess the default possibility of accounts receivable. The provision matrix as of December 31, 2022 and 2021, is as follows:

At December 31, 2022	Without past due	Up to 0 -90 days	Up to 91 -120 days	Up to 120 days	Total
Expected loss rate	0.00%-0.67%	0.04%-21.30%	0.74%-24.33%	2.83%-100%	
Total book value	\$ 1,339,340	\$ 174,880	\$ 16,001	\$ 237,278	\$1,767,499
Loss allowance	\$ 2,981	\$ 5,051	\$ 1,816	\$ 164,982	\$ 174,830

At December 31, 2021	Without past due	Up to 0 -90 days	Up to 91 -120 days	Up to 120 days	Total
Expected loss rate	0.00%-1.15%	0.00%-31.43%	0.05%-34.45%	0.30%-100%	
Total book value	\$ 1,142,975	\$ 106,838	\$ 26,294	\$ 114,857	\$1,390,964
Loss allowance	\$ 4,643	\$ 14,961	\$ 8,826	\$ 95,978	\$ 124,408

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

	For the year ended December 31, 2022	
	Accounts receivable	
At January 1	\$	124,408
Provision for impairment		57,295
Write-offs	(	6,873)
At December 31	\$	174,830
	For the year ended December 31, 2021	
	Accounts receivable	
At January 1	\$	144,530
Provision for impairment	(	20,122)
At December 31	\$	124,408

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

	Year ended December 31, 2022			
	By Geographic	Lifetime		Total
		Significant increase in credit risk	Impairment of credit	
Financial assets at amortised cost Group 1	\$ 96,626	\$ -	\$ -	\$ 96,626
	Year ended December 31, 2021			
	By Geographic	Lifetime		Total
		Significant increase in credit risk	Impairment of credit	
Financial assets at amortised cost Group 1	\$ 140,027	\$ -	\$ -	\$ 140,027
Group 1:Taiwan Bank				

(c) Liquidity risk

- i . Cash flow forecasting is performed in the operating entities of the Company and aggregated by Company treasury. Company treasury monitors rolling forecasts of the Company's liquidity requirements to ensure it has sufficient cash to meet operational needs.
- ii . Surplus cash held by the operating entities over and above balance required for working capital management are transferred to the Company treasury. Company treasury invests

surplus cash in interest bearing current accounts, beneficiary certificates and no active market of debt securities investment (Later than three month but not later than one years of deposit account) , choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient head-room as determined by the above-mentioned forecasts. As of December 31, 2022 and 2021, the Company held money market position of \$761,795 and \$707,498, respectively, that are expected to readily generate cash inflows for managing liquidity risk.

iii. The Company has the following undrawn borrowing facilities:

	December 31, 2022	December 31, 2021
Floating rate:		
Expiring within one year	\$ 1,615,250	\$ 1,712,476

The facilities expiring within one year are annual facilities subject to review at various dates during 2022. The other facilities have been arranged to help finance the proposed equipment manufacturing and research and development business activities of the Company. Please refer to note 12.

iv. The table below analyses the Company'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:

December 31, 2022	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	\$ 440,000	\$ 230,000	\$ -	\$ -	\$ -
Accounts payable (including related parties)	522,006	94,229	504,876	-	-
Other payables	216,704	75,143	-	-	-
Leases liabilities	2,006	6,018	8,024	24,072	222,151
Long-term borrowings (including current portion)	11,574	173,980	142,817	112,080	-

Non-derivative financial liabilities:

December 31, 2021	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	\$ 261,631	\$ 218,933	\$ -	\$ -	\$ -
Accounts payable (including related parties)	501,770	137,344	277,593	-	-
Other payables	167,286	55,514	-	-	-
Leases liabilities	1,979	5,936	7,914	23,743	226,900
Long-term borrowings (including current portion)	717	21,633	36,013	250,149	-

Derivative financial liabilities:

December 31, 2022 and 2021: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 Company'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.

Level 3: Unobservable inputs for the asset or liability. The fair value of the Company'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 Company'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, financial assets at amortized cost, 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:

December 31, 2022	<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	<u>\$ 859,405</u>	<u>\$ -</u>	<u>\$ 38,000</u>	<u>\$ 897,405</u>
December 31, 2021	<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	<u>\$ 643,590</u>	<u>\$ -</u>	<u>\$ 5,500</u>	<u>\$ 649,090</u>

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

The instruments the Company 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

D. For the years ended December 31, 2022 and 2021, there was no transfer into or out from the financial instruments movement of level 3.

E. The following chart is the financial instruments movement of Level 3 for the year ended December 31, 2022 and 2021:

	Year ended December 31, 2022 equity instrument	Year ended December 31, 2021 equity instrument
At January 1	\$ 5,500	\$ -
Acquired	32,500	5,500
Gains and losses recognized in other comprehensive income	-	-
At December 31	<u>\$ 38,000</u>	<u>\$ 5,500</u>

- F. 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.
- G. 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:

	December 31, 2022	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Derivative equity instrument: Unlisted shares	\$ 38,000	Net asset value method	Not applicable	-	Not applicable
	December 31, 2021	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Derivative equity instrument: Unlisted shares	\$ 5,500	Net asset value method	Not applicable	-	Not applicable

(4) Operating effect of COVID-19

COVID-19 has no significant impact to the Company's going concern, assets impairment and risk of financing based on the Company assessment.

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

- A. Loans to others: Please refer to table 1.
- B. Provision of endorsements and guarantees to others: Please refer to table 2.
- C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to table 3.
- D. Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital: None.
- E. Acquisition of real estate reaching NT\$300 million or 20% of paid-in capital or more: None.
- F. Disposal of real estate reaching NT\$300 million or 20% of paid-in capital or more: None.

G. Purchases or sales of goods from or to related parties reaching NT\$100 million or 20% of paid in capital or more: Please refer to table 4.

H. Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more: Please refer to table 5.

I. Trading in derivative instruments undertaken during the reporting periods: None.

J. Significant inter-company transactions during the reporting periods: Please refer to table 6.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China) : Please refer to table 7.

(3) Information on investments in Mainland China

A. Basic information: Please refer to table 8.

B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: Please refer to table 6.

(4) Major shareholders information

Major shareholders information: Please refer to table 9.

14. SEGMENT INFORMATION

None.

Table 1

GALLANT PRECISION MACHINING CO., LTD. AND SUBSIDIARIES
FINANCINGS PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2022

(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	Y	\$ 50,000	\$ 50,000	\$ 20,000	2.00%	Short-term financing	-	Operating needed	-	Promised note	\$ 50,000	\$ 115,792	\$ 231,585	
2	Utron Technologies Corp	U Pin Precision Co., Ltd.	-related parties Other receivables	N	\$ 3,150	\$ 1,350	\$ 900	2.50%	Short-term financing	-	Operating needed	-	-	-	\$ 9,416	\$ 18,833	

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

- (1) Total financing amount limits: Total financing amount limits shall not exceed 40% of the net worth of the Company.
- (2) The need for short-term financing: The total loan amount is limited to 20% of the company's net worth.
The total amount for lending to a company for funding for a short-term period shall not exceed 10% of the net worth of the Company.

Note2 : Utron Technologies Corp. 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.

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 2

GALLANT PRECISION MACHINING CO., LTD. AND SUBSIDIARIES
ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2022

No.	Endorsement/ Guarantee Provider	Guaranteed Party		Limits on Endorsement/ Guarantee Amount Provided to Each Guaranteed Party	Maximum Balance for the Period	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	\$ 528,498	\$ 101,420	\$ 70,710	\$ -	\$ -	2.68%	\$ 1,321,246	Y	N	N	
0	Gallant Precision Machining Co., Ltd.	Gallant Precision Industries (Suzhou) Co., Ltd.	Subsidiary	528,498	30,710	-	-	-	0.00%	1,321,246	Y	N	Y	
1	Gallant Micro Machining Co., Ltd.	Utron Technologies Corp	Subsidiary	231,585	141,200	80,000	30,000	-	6.91%	578,962	Y	N	N	

Note1: The limits 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 3

GALLANT PRECISION MACHINING CO., LTD. AND SUBSIDIARIES
MARKETABLE SECURITIES HELD (NOT INCLUDING SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES)
DECEMBER 31, 2022

(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	December 31, 2022				Footnote
				Shares/Units	Carrying Value	Percentage of Ownership	Fair Value	
Gallant Precision Machining Co., Ltd	C SUN Mfg. Ltd.	Associates	Financial assets at fair value through other comprehensive income-non-current	14,957,082	\$ 643,155	9.54	\$ 643,155	
Gallant Precision Machining Co., Ltd	AMPOC FAR-EAST CO., LTD	None	Financial assets at fair value through other comprehensive income-non-current	5,000,000	216,250	4.37	216,250	
Gallant Precision Machining Co., Ltd	Ohmplus Technologies Inc.	None	Financial assets at fair value through other comprehensive income-non-current	495,000	5,500	8.74	5,500	
Gallant Precision Machining Co., Ltd	OpXion Tech. Incorporation	None	Financial assets at fair value through other comprehensive income-non-current	6,500,000	32,500	18.57	32,500	
Gallant-Rapid Corporation Ltd.	Phoenix & Corporation	None	Financial assets at fair value through other comprehensive income-non-current	6,694	111	0.59	111	
Gallant-Rapid Corporation Ltd.	Phoenix pioneer technology	None	Financial assets at fair value through other comprehensive income-non-current	1,079,183	20,504	0.36	20,504	
APEX-I International Co., Ltd.	Shinyu Light Co., Ltd.	None	Financial assets at fair value through other comprehensive income-non-current	286,891	-	1.98	-	
Gallant Micro. Machining Co., Ltd.	C SUN Mfg. Ltd.	Associates	Financial assets at fair value through other comprehensive income-non-current	1,237,723	53,222	0.79	53,222	
King Mechatronics Co., Ltd.	POWER EVER ENTFRPRISES LIMITED	None	Financial assets at fair value through other comprehensive income-non-current	624,726	179,909	10.15	179,909	

Table 4

GALLANT PRECISION MACHINING CO., LTD. AND SUBSIDIARIES
PURCHASES OR SALES OF GOODS FROM OR TO RELATED PARTIES
REACHING NT\$100 MILLION OR 20% OF PAID IN CAPITAL OR MORE
FOR THE YEAR ENDED DECEMBER 31, 2022

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

Purchaser/seller	Counterparty	Relationship with the counterparty	Transaction				Differences in transaction term compared to third party transactions(note1)		Notes/accounts receivable (payable)		Footnote (note2)
			Purchases(sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	
Gallant Micro Machining Co., Ltd	KING MECHATRONICS CO., Ltd.	Subsidiary	Sales	\$ 121,190	2.56%	Similar to third parties	Similar to third parties	Similar to third parties	\$ 167,854	6.94%	
Gallant Precision Machining Co., Ltd.	Gallant Precision Intelligence Technology Co., Ltd.	Subsidiary	Purchases	118,980	3.90%	Similar to third parties	Similar to third parties	Similar to third parties	6,170	0.45%	

Note1: If the transaction term are different compared to third party, please describe the differences terms on column of credit term and unit price.

Note2: If the transaction have prepayment or received in advance, please describe the reason, term, amount and differences compared to third party on column of footnote.

Note3: Paid-in capital refers to the paid-in capital of the parent company. If the issuer's stock has no par value or the par value per share is not NT\$10, the transaction amount of 20% of the paid-in capital shall be calculated based on the 10% of the equity attributable to the owner of the parent company on the balance sheet.

Table 5

GALLANT PRECISION MACHINING CO., LTD. AND SUBSIDIARIES
 RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT
 LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
 FOR THE YEAR ENDED DECEMBER 31, 2022

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

Company Name	Related Party	Nature of Relationship	Ending Balance(Note1)	Turnover	Overdue		Amounts Received in Subsequent Period	Loss allowance
					Amount	Action Taken		
Gallant Micro. Machining Co., Ltd.	KING MECHATRONICS CO., LTD	Subsidiary	\$ 167,854	0.97	\$ -	-	\$ -	\$ -

Table 6

GALLANT PRECISION MACHINING CO., LTD. AND SUBSIDIARIES
INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2022

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

No. (Note 1)	Company Name	Counter Party	Nature of Relationship (Note 2)	Intercompany Transactions			
				Financial Statements Item	Amount	Terms	Percentage of Consolidated Net Revenue or Total Assets (Note 3)
0	Gallant Precision Machining Co., Ltd.	Gallant Micro. Machining Co., Ltd.	1	Sales	\$ 20,963	subject to the terms and conditions agreed upon by both parties	0.44%
0	Gallant Precision Machining Co., Ltd.	Gallant Precision Industries (Suzhou) Co., Ltd.	1	Other income	11,676	subject to the terms and conditions agreed upon by both parties	0.25%
0	Gallant Precision Machining Co., Ltd.	Gallant Precision Industries (Suzhou) Co., Ltd.	1	Cost of sales	17,702	subject to the terms and conditions agreed upon by both parties	0.37%
0	Gallant Precision Machining Co., Ltd.	Gallant Precision Intelligence Technology Co., Ltd.	1	Purchases	118,980	subject to the terms and conditions agreed upon by both parties	2.51%
1	Gallant Micro. Machining Co., Ltd.	King Mechatronics Co., Ltd.	1	Sales	121,190	subject to the terms and conditions agreed upon by both parties	2.56%
1	Gallant Micro. Machining Co., Ltd.	King Mechatronics Co., Ltd.	1	Accounts receivable	167,854	subject to the terms and conditions agreed upon by both parties	2.13%
1	Gallant Micro. Machining Co., Ltd.	King Mechatronics Co., Ltd.	1	Purchases	28,971	subject to the terms and conditions agreed upon by both parties	0.61%
1	Gallant Micro. Machining Co., Ltd.	Gallant Micro. Machining (Suzhou) Co., Ltd.	1	Sales	37,552	subject to the terms and conditions agreed upon by both parties	0.79%
1	Gallant Micro. Machining Co., Ltd.	Gallant Micro. Machining (Suzhou) Co., Ltd.	1	Accounts receivable	24,467	subject to the terms and conditions agreed upon by both parties	0.31%
1	Gallant Micro. Machining Co., Ltd.	Utron Technologies Corp	1	Sales	14,018	subject to the terms and conditions agreed upon by both parties	0.30%
1	Gallant Micro. Machining Co., Ltd.	Utron Technologies Corp	1	Other accounts receivable	20,000	subject to the terms and conditions agreed upon by both parties	0.25%
2	King Mechatronics Co., Ltd.	Gallant Micro. Machining (Suzhou) Co., Ltd.	3	Purchases	55,223	subject to the terms and conditions agreed upon by both parties	1.17%
2	King Mechatronics Co., Ltd.	Gallant Micro. Machining (Suzhou) Co., Ltd.	3	Accounts payable	56,919	subject to the terms and conditions agreed upon by both parties	0.72%
3	Gallant Precision Industries (Suzhou) Co., Ltd.	Gallant Precision Intelligence Technology Co., Ltd.	3	Purchases	14,776	subject to the terms and conditions agreed upon by both parties	0.31%
3	Gallant Precision Industries (Suzhou) Co., Ltd.	APEX-I International Co., Ltd.	3	Sales	10,995	subject to the terms and conditions agreed upon by both parties	0.23%

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 thousand and counter parties shall not disclose.

Table 7

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 YEAR ENDED DECEMBER 31, 2022

(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 December 31, 2022			Net Income (Losses) of the Investee(note1)	Share of Profits/ Losses of Investee(note1)	Footnote
				December 31, 2022	December 31, 2021	Shares	Percentage of Ownership	Carrying Value			
Gallant Precision Machining Co., Ltd.	Gallant-Rapid Corporation Ltd.	British Virgin Islands	Investing in Gallant Precision Industries (Suzhou) Co., Ltd.	\$ 459,050	\$ 459,050	13,560,000	100.00	\$ 246,468	(\$ 19,836)	(\$ 19,836)	
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	143,697	77,362	77,362	
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	658,922	229,720	135,734	
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	955,002	78,340	78,340	
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	2,775	73	73	
Gallant Micro. Machining Co., Ltd.	Utron Technologies Corp	Taiwan	Testing of wire and tools and testing equipment of PBC and related systems	53,212	53,212	2,660,600	53.21	50,107	499	527	

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

Table 8

GALLANT PRECISION MACHINING CO., LTD. AND SUBSIDIARIES
INFORMATION ON INVESTMENT IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2022

(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 (note 1)	Accumulated Outflow of Investment from Taiwan as of January 1, 2022	Outflow	Inflow	Accumulated Outflow of Investment from Taiwan as of December 31, 2022	Net Income (Losses) of the Investee Company	Percentage of Ownership	Share of Profits/Losses (note 2(2))	Carrying Amount as of December 31, 2022	Accumulated Inward Remittance of Earnings as of December 31, 2022	Footnote
Gallant Precision Industries (Suzhou) Co., Ltd.	Manufacturing of optoelectronic products equipment, mechanical equipment and related parts	\$ 194,087	Indirectly invest in Mainland China through GRC registered in third region.	\$ 160,951	\$ -	\$ -	\$ 160,951	(\$ 21,094)	100.00	(\$ 21,094)	\$ 204,649	\$ -	Note2- 2.C
Suzhou Top Creation Machines Co.,Ltd.	PCB / FPC Wet Process Equipments	168,905	Indirectly invest in Mainland China through Power Ever registered in third region .	28,371	-	-	28,371	-	10.15	-	-	8,236	Note2- 2.C Note 5
Gallant Micro. Machining (Suzhou) Co., Ltd.	Manufacturing and selling of precision mold and related parts	139,731	Indirectly invest in Mainland China through KMC registered in third region.	247,002	-	-	247,002	83,366	100.00	83,366	795,132	-	Note2- 2.B
Gallant Precision Intelligence Technology Co., Ltd.	Manufacturing of optoelectronic products equipment, mechanical equipment and related parts	44,080	Directly invest by GPI.	-	-	-	-	20,140	60.00	12,084	89,294	-	Note2- 2.C
Kunshan Qihong Electronic Sales Co., Ltd.	Testing and manufacturing of circuit board testing equipment, wire and cable and semiconductor	4,408	Directly invest by GMM.	-	-	-	-	851	100.00	851	7,480	-	Note 4
Suzhou Top Creation Machines Co.,Ltd.	Design and production of printed circuit boards, flat panel displays, semiconductors, special equipment for the solar industry and sales of related spare parts	307,100	Indirectly invest in Mainland China through Power Ever registered in third region .	-	-	-	-	-	10.15	-	-	-	Note 6

Investee Company	Accumulated Investment in Mainland China as of December 31, 2022	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
Gallant Precision Machining Co., Ltd.	\$ 434,871	\$ 600,213	\$ 1,945,062
Gallant Micro. Machining Co., Ltd.	275,373	275,373	721,189

Note1: There are three methods of investment as follows

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

Note2: Share of Profits/Losses recognized for the year ended December 31, 2022:

- (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 investment was invested by Gallant Micro. Machining (Suzhou) Co., Ltd. There was no cash outflow for the year ended December 31, 2022.

Note5: The Company acquired 10% ownership of Suzhou Top Creation Machines Co.,Ltd. held by C SUN Mfg. Ltd. through the British Virgin Islands business King Mechatronics Co. Ltd. (BVI) for US\$1,205 thousand. Thus, the Company indirectly invested in Suzhou Top Creation Machines Co.,Ltd. in the mainland, and then executed the equity conversion according to the relevant terms of the original investment contract. After the conversion, the Company directed hold Suzhou Top Creation Machines Co.,Ltd. which was shown as "financial assets measured at fair value through other comprehensive income".

Note6: The Company invested in Samoa POWER EVER ENTERPRISES LIMITED through King Mechatronics Co. Ltd. (BVI) of the British Virgin Islands. Received dividends of US\$1,015 thousand from Suzhou Top Creation Machines Co., Ltd., was reinvested in Nantong Chuangfeng Optoelectronics Equipment Co., Ltd. The investment was shown as "financial assets measured at fair value through other comprehensive income".

Note7: The investment amount was translated based on the exchange rate USD:NTD=1:30.71 of balance sheet date December 31, 2022

Table 9

GALLANT PRECISION MACHINING CO., LTD. AND SUBSIDIARIES
 INFORMATION OF MAJOR SHAREHLDER
 FOR THE NINE MONTH PERIOD ENDED DECEMBER 31, 2022

Shareholders	Shares	
	Total Shares Owned	Ownership Percentage
C SUN Mfg. Ltd.	44,758,827	27.10%

Note1: The main shareholder information in this table is based on the last business day at the end of each quarter by the China Insurance Company, which calculates that shareholders hold more than 5% of the company's ordinary shares and special shares that have completed unregistered delivery (including treasury shares). As for the share capital recorded in the company's financial report and the company's actual number of shares delivered without physical registration, there may be differences or differences due to different calculation bases.

Note2: In the case of the above information, if the shareholder delivers the shares to the trust, it is disclosed in the individual accounts of the trustee who opened the trust account by the trustee. As for the shareholder's declaration of insider's equity holding more than 10% of the shares in accordance with the Securities and Exchange Act, his shareholding includes his own shareholding plus the shares delivered to the trust and the right to use the trust property, etc. For information on insider's equity declaration, please refer to Market Observation Post System.

REPRESENTATION LETTER

The entities that are required to be included in the combined financial statements of Gallant Precision Machining Co., Ltd. as of and for the year ended December 31, 2022, under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with the International Financial Reporting Standards No. 10, "Consolidated Financial Statements." In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, Gallant Precision Machining Co., Ltd. and Subsidiaries do not prepare a separate set of combined financial statements.

Very truly yours,

GALLANT PRECISION MACHINING CO., LTD.

By

Chairman

February 22, 2023

REPORT OF INDEPENDENT ACCOUNTANTS

To Gallant Precision Machining Co., Ltd.

Opinion

We have audited the accompanying consolidated balance sheets of Gallant Precision Machining Co., Ltd. and its subsidiaries (the “Group”) as at December 31, 2022 and 2021, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years ended December 31, 2022 and 2021, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for the years ended December 31, 2022 and 2021, in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.

Basis for opinion

We conducted our audits in accordance with the “Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants” and generally accepted auditing standards in the Republic of China. Our responsibilities under those standards are further described in the independent auditors’ responsibilities for the audit of the separate financial statements section of our report. We are independent of Gallant Precision Machining Co., Ltd. in accordance with the Norm of Professional Ethics for Certified Public Accountant in the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

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

Key audit matters for the Group's consolidated financial statements in the current period are stated as follows:

Evaluation of inventories

Description

Gallant Precision Machining Co., Ltd. and its subsidiaries are primarily engaged in the manufacture and sale of flat panel display testing equipment, semiconductor assembly equipment, intelligent automated equipment, and related parts. Inventories are stated at the lower of cost and net realizable value and regarding the accounting policy on the evaluation of inventories are disclosed in Note 4(12) of the consolidated financial statements. The uncertainty of accounting estimations and assumptions for valuation of inventories are disclosed in Note 5(2) of the consolidated financial statements. The inventories and allowance for inventory valuation loss amounting to NT1,383,420 thousand and NT297,024 thousand as of December 31, 2022 are disclosed in Note 6(5) of the consolidated financial statements.

As the amount of inventory is significant, and the estimation of net realizable value of inventories for exceeded specific age, and individually identified out of date or damaged inventories are subject to management's judgement, the evaluation of inventories has been identified a key audit matter.

How our audit addressed the matter

Our audit procedures performed included the following:

1. Obtained an understanding and assessed the reasonableness of the policy of the allowance for inventory valuation loss and compared whether consistent application of accounting policies in relation to the provision for inventory valuation losses.
2. Tested the accuracy of inventory aging report, included tested whether the quantity and amount of inventory is consistent with inventory ledger and verify the accuracy of the inventory age classification.
3. Assessed and confirmed the reasonableness in estimation of net realizable value and checked the related supporting documents.
4. Tested the reasonableness in accrual of the allowance for inventory valuation loss.

Revenue recognition

Description

Refer to Note 4(26) and Note 6(18) of the consolidated financial statements for accounting policies on revenue recognition and the description of significant accountings – operating revenue.

Gallant Precision Machining Co., Ltd. and its subsidiaries are primarily engaged in the manufacture and sale of flat panel display testing equipment, semiconductor assembly equipment, intelligent automated equipment, and related parts. Main revenue recognition is based on customer's confirmation for acceptance. Since the transferred timing of the risks and rewards of goods ownerships are subject to judgment and the result could affect sales revenue significantly in the consolidated financial statement. Thus, revenue recognition has been identified a key audit matter.

How our audit addressed the matter

Our audit procedures performed included the following:

1. Assessed the appropriateness of the policy of sales revenue recognition.
2. Assessed and tested the design and operating effectiveness of the key controls over sales revenue recognition.
3. Sampled and tested the sales transactions included check customer purchase orders, evidence of customer's confirmation for acceptance, verified whether had met criteria of the contract and considered the reliability of collection for the timing of revenue recognition.
4. Performed cut-off test on sales transactions for a specific time prior to and after the balance sheet date.

Other matter - Parent company only financial statements

We have audited and expressed an unqualified opinion on the parent company only financial statements of Gallant Precision Machining Co., Ltd. as of and for the years ended December 31, 2022 and 2021.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and the International Financial Reporting Standards, International Accounting

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

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

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

Independent Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2022 and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such

communication.

PricewaterhouseCoopers, Taiwan
February 22, 2023

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
DECEMBER 31
(Expressed in thousands of New Taiwan dollars)

			December 31, 2022		December 31, 2021			
			AMOUNT	%	AMOUNT	%		
Assets								
Notes								
Current assets								
1100	Cash and cash equivalents	6(1)	\$	1,345,746	17	\$	1,221,566	18
1136	Financial assets at amortized cost - current	6(3) and 8		586,983	7		659,218	10
1150	Notes receivable, net	6(4)		35,446	1		39,362	-
1170	Accounts receivable, net	6(4)		2,362,856	30		1,844,643	27
1180	Accounts receivable to related parties, net	6(4) and 7		19,530	-		45,288	1
1200	Other receivables			3,431	-		4,243	-
130X	Inventories, net	6(5)		1,086,396	14		799,399	12
1410	Prepayments			175,026	2		64,923	1
1470	Other current assets			15,759	-		8,028	-
11XX	Current Assets			5,631,173	71		4,686,670	69
Non-current assets								
1517	Financial assets at fair value through other comprehensive income - non - current	6(2)		1,151,151	15		935,284	14
1535	Financial assets at amortized cost - non-current	6(3) and 8		14,777	-		17,898	-
1600	Property, plant and equipment, net	6(6) and 8		726,466	9		746,793	11
1755	Right-of-use assets	6(7)		242,980	3		257,077	4
1780	Intangible assets, net			13,078	-		13,772	-
1840	Deferred income tax assets	6(25)		107,920	2		130,888	2
1900	Other non-current assets			8,816	-		8,029	-
15XX	Non-current assets			2,265,188	29		2,109,741	31
1XXX	Total assets		\$	7,896,361	100	\$	6,796,411	100

(Continued)

GALLANT PRECISION MACHINING CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

DECEMBER 31

(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity		Notes	December 31, 2022		December 31, 2021	
			AMOUNT	%	AMOUNT	%
Current liabilities						
2100	Short-term loans	6(8)	\$ 1,313,000	17	\$ 1,000,565	15
2130	Contract liabilities-current	6(18)	341,753	4	222,518	3
2150	Notes payable		1,764	-	8,683	-
2170	Accounts payable	6(9)	1,364,727	17	1,239,331	18
2180	Accounts payable - related parties	7	66	-	12,039	-
2200	Other payables	6(10)	498,505	6	401,251	6
2230	Current income tax liabilities		52,336	1	37,634	1
2250	Provisions for liabilities-current		92,134	1	101,578	1
2280	Lease liabilities-current		23,322	-	21,622	-
2320	Long-term loans-current portion	6(11) and 8	192,943	3	38,193	1
2399	Other current liabilities - other	6(12)	21,509	-	9,757	-
21XX	Current Liabilities		3,902,059	49	3,093,171	45
Non-current liabilities						
2540	Long-term loans	6(11) and 8	336,414	4	389,857	6
2570	Deferred income tax liabilities	6(25)	155,942	2	119,161	2
2580	Lease liabilities-non-current		227,239	3	241,474	3
2600	Other non-current liabilities		32,938	1	44,429	1
25XX	Non-current liabilities		752,533	10	794,921	12
2XXX	Total Liabilities		4,654,592	59	3,888,092	57
Equity attributable to owners of parent company						
Share capital		6(14)				
3110	Share capital-common stock		1,651,361	21	1,651,361	24
Capital surplus		6(15)				
3200	Capital surplus		267,824	3	226,704	3
Retained earnings		6(16)				
3310	Legal reserve		186,625	2	163,550	2
3320	Special reserve		111,147	1	111,147	2
3350	Unappropriated retained earnings		459,677	6	310,619	5
Other equity interest		6(17)				
3400	Other equity interest		(3,888)	-	60,035	1
3500	Treasury share	6(14)	(30,254)	-	(81,555)	(1)
31XX	Equity attributable to owners of the parent company		2,642,492	33	2,441,861	36
36XX	Non-controlling interest		599,277	8	466,458	7
3XXX	Total equity		3,241,769	41	2,908,319	43
Contingent liabilities and unrecognised contract commitments		9				
Significant events after the balance sheet date		11				
3X2X	Total liabilities and equity		\$ 7,896,361	100	\$ 6,796,411	100

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)

		Years ended December 31			
		2022		2021	
Items	Notes	AMOUNT	%	AMOUNT	%
4000 Operating revenue	6(18) and 7	\$ 4,733,976	100	\$ 4,811,375	100
5000 Operating costs	6(5)(23)(24) and 7	(3,327,248)	(70)	(3,662,847)	(76)
5900 Net operating margin		<u>1,406,728</u>	<u>30</u>	<u>1,148,528</u>	<u>24</u>
Operating expenses	6(23)(24)				
6100 Selling expenses		(127,225)	(3)	(162,730)	(4)
6200 General and administrative expenses		(501,655)	(11)	(346,811)	(7)
6300 Research and development expenses		(260,706)	(5)	(314,213)	(7)
6450 Expected credit impairment loss (gain)	12(2)	(94,308)	(2)	(7,799)	-
6000 Total operating expenses		<u>(983,894)</u>	<u>(21)</u>	<u>(831,553)</u>	<u>(18)</u>
6900 Operating profit		<u>422,834</u>	<u>9</u>	<u>316,975</u>	<u>6</u>
Non-operating income and expenses					
7100 Interest income	6(19)	12,249	-	12,772	-
7010 Other income	6(20)	125,289	3	101,679	2
7020 Other gains and losses	6(21)	99,827	2	(62,531)	(1)
7050 Finance costs	6(22)	(26,091)	(1)	(18,459)	-
7000 Total non-operating income and expenses		<u>211,274</u>	<u>4</u>	<u>33,461</u>	<u>1</u>
7900 Profit before tax		<u>634,108</u>	<u>13</u>	<u>350,436</u>	<u>7</u>
7950 Income tax expense	6(25)	(141,893)	(3)	(29,205)	-
8200 Profit for the year		<u>\$ 492,215</u>	<u>10</u>	<u>\$ 321,231</u>	<u>7</u>
Other comprehensive income for the year	6(17)				
Items that will not be reclassified subsequently to profit or loss:					
8311 Loss on remeasurements of defined benefit plan	6(12)	\$ 6,805	1	\$ 1,994	-
8316 Unrealized gains (losses) on investments in equity instruments at fair value through other comprehensive income	6(2)	(88,788)	(2)	108,478	2
8349 Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(25)	<u>4,613</u>	<u>-</u>	<u>(11,124)</u>	<u>-</u>
8310 Items that will not be reclassified subsequently to profit or loss:		<u>(77,370)</u>	<u>(1)</u>	<u>99,348</u>	<u>2</u>
Items that may be reclassified subsequently to profit or loss:					
8361 Cumulative translation differences of foreign operations	6(17)	<u>12,062</u>	<u>-</u>	<u>(9,420)</u>	<u>-</u>
8360 Summary of Components of other comprehensive income that will be reclassified to profit or loss		<u>12,062</u>	<u>-</u>	<u>(9,420)</u>	<u>-</u>
8300 Other comprehensive (loss) income for the year		<u>(\$ 65,308)</u>	<u>(1)</u>	<u>\$ 89,928</u>	<u>2</u>
8500 Total comprehensive income for the year		<u>\$ 426,907</u>	<u>9</u>	<u>\$ 411,159</u>	<u>9</u>
Profit attributable to:					
8610 Equity holders of the parent company		\$ 390,200	8	\$ 246,089	5
8620 Non-controlling interest		<u>102,015</u>	<u>2</u>	<u>75,142</u>	<u>2</u>
Profit for the year		<u>\$ 492,215</u>	<u>10</u>	<u>\$ 321,231</u>	<u>7</u>
Total comprehensive income attributable to:					
8710 Equity holders of the parent company		\$ 333,082	7	\$ 317,740	7
8720 Non-controlling interest		<u>93,825</u>	<u>2</u>	<u>93,419</u>	<u>2</u>
Total comprehensive income for the year		<u>\$ 426,907</u>	<u>9</u>	<u>\$ 411,159</u>	<u>9</u>
Basic earnings per share	6(26)				
9750 Profit for the year		<u>\$ 2.41</u>		<u>\$ 1.54</u>	
Diluted earnings per share	6(26)				
9850 Profit for the year		<u>\$ 2.38</u>		<u>\$ 1.53</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 YEARS ENDED DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)

Equity attributable to owners of the parent												
		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 share	Total	Non- controlling interest	Total equity
Notes												
For the year ended December 31, 2021												
Balance at January 1, 2021		\$ 1,651,361	\$ 187,088	\$ 148,486	\$ 132,987	\$ 254,070	(\$ 80,574)	\$ 32,228	(\$ 108,425)	\$ 2,217,221	\$ 454,738	\$ 2,671,959
Profit for the year		-	-	-	-	246,089	-	-	-	246,089	75,142	321,231
Other comprehensive income for the year	6(17)	-	-	-	-	1,994	(7,569)	77,226	-	71,651	18,277	89,928
Total comprehensive income for the year		-	-	-	-	248,083	(7,569)	77,226	-	317,740	93,419	411,159
Distribution of 2020 earnings:	6(16)											
Legal reserve		-	-	15,064	-	(15,064)	-	-	-	-	-	-
Cash dividends		-	-	-	-	(159,136)	-	-	-	(159,136)	-	(159,136)
Reversal of special reserve		-	-	-	(21,840)	21,840	-	-	-	-	-	-
Difference between consideration and carrying amount of subsidiaries acquired or disposed		-	-	-	-	-	38,724	-	-	38,724	-	38,724
Recognition of changes in ownership interest in subsidiaries		-	16,969	-	-	(39,174)	-	-	-	(22,205)	-	(22,205)
Changes in non-controlling interest		-	-	-	-	-	-	-	-	-	(81,699)	(81,699)
Treasury stock transferred	6(15)	-	22,647	-	-	-	-	-	26,870	49,517	-	49,517
Balance at December 31, 2021		\$ 1,651,361	\$ 226,704	\$ 163,550	\$ 111,147	\$ 310,619	(\$ 49,419)	\$ 109,454	(\$ 81,555)	\$ 2,441,861	\$ 466,458	\$ 2,908,319
For the year ended December 31, 2022												
Balance at January 1, 2022		\$ 1,651,361	\$ 226,704	\$ 163,550	\$ 111,147	\$ 310,619	(\$ 49,419)	\$ 109,454	(\$ 81,555)	\$ 2,441,861	\$ 466,458	\$ 2,908,319
Profit for the year		-	-	-	-	390,200	-	-	-	390,200	102,015	492,215
Other comprehensive income for the year	6(17)	-	-	-	-	6,805	6,560	(70,483)	-	(57,118)	(8,190)	(65,308)
Total comprehensive income for the year		-	-	-	-	397,005	6,560	(70,483)	-	333,082	93,825	426,907
Distribution of 2021 earnings:	6(16)											
Legal reserve		-	-	23,075	-	(23,075)	-	-	-	-	-	-
Cash dividends		-	-	-	-	(224,872)	-	-	-	(224,872)	-	(224,872)
Capital surplus distribute cash	6(15)	-	(16,062)	-	-	-	-	-	-	(16,062)	-	(16,062)
Recognition of changes in ownership interest in subsidiaries		-	36,514	-	-	-	-	-	-	36,514	-	36,514
Changes in non-controlling interest		-	-	-	-	-	-	-	-	-	38,994	38,994
Treasury stock transferred	6(15)	-	20,668	-	-	-	-	-	51,301	71,969	-	71,969
Balance at December 31, 2022		\$ 1,651,361	\$ 267,824	\$ 186,625	\$ 111,147	\$ 459,677	(\$ 42,859)	\$ 38,971	(\$ 30,254)	\$ 2,642,492	\$ 599,277	\$ 3,241,769

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

GALLANT PRECISION MACHINING CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)

	Notes	2022	2021
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Consolidated profit before tax for the year		\$ 634,108	\$ 350,436
Adjustments			
Income and expenses having no effect on cash flow			
Depreciation	6(23)	59,929	57,380
Amortization	6(23)	5,701	9,778
Expected credit impairment loss	12(2)	94,308	7,799
Interest expense	6(22)	26,091	18,459
Interest income	6(19)	(12,249)	(12,772)
Dividend income	6(20)	(51,995)	(21,266)
(Gain)/loss on disposal of property, plant and equipment, net	6(21)	225	101
Share-based payment	6(13)	37,043	33,039
Loss on disposal of investments accounted for using equity method	6(21)	-	33,482
Gain on lease modification	6(21)	-	(110)
Changes in assets/liabilities relating to operating activities			
Net changes in assets relating to operating activities			
Notes receivable		4,499	(25,035)
Accounts receivable		(608,174)	(299,047)
Accounts receivable - related parties		26,789	(35,445)
Other receivables		148	6,174
Inventories		(284,746)	33,571
Prepayments		(109,944)	12,235
Other current assets		(7,701)	4,254
Other non-current assets		1,275	(919)
Net changes in liabilities relating to operating activities			
Contract liabilities		118,680	(45,315)
Notes payable		(6,919)	8,683
Accounts payable		123,482	167,188
Accounts payable - related parties		(12,505)	(21,923)
Other payables		105,261	107,477
Other payables - related parties		-	(470)
Provisions for liabilities		(9,519)	(24,501)
Unearned receipts		8,830	(3,596)
Other current liabilities		2,870	(1,772)
Net defined benefit liabilities		(12,339)	(5,075)
Cash generated from operations		133,148	352,810
Interest received		12,913	12,228
Dividends received		51,995	21,084
Interest paid		(25,842)	(18,534)
Income tax paid		(66,461)	(34,589)
Net cash provided by (used in) operating activities		105,753	332,999

(Continued)

GALLANT PRECISION MACHINING CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)

	Notes	2022	2021
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of financial assets at fair value through other comprehensive income	6(2)	(\$ 304,655)	(\$ 658,840)
Acquisition of financial assets at amortized cost		(211,647)	(732,047)
Proceeds from disposal of financial assets at amortized cost		297,578	776,095
Acquisition of property, plant and equipment	6(28)	(27,663)	(51,710)
Proceeds from disposal of property, plant and equipment		4,401	29
Acquisition of intangible assets		(4,055)	(3,064)
Refundable deposits refunded		-	5,560
Refundable deposits paid		(1,453)	-
Net cash provided by (used in) investing activities		(247,494)	(663,977)
CASH FLOWS FROM FINANCING ACTIVITY			
Proceeds from short-term loan	6(29)	1,875,777	2,614,787
Repayment of short-term loan	6(29)	(1,563,342)	(2,668,632)
Proceeds from long-term loan	6(29)	140,000	300,000
Repayment of long-term loan	6(29)	(38,693)	(18,693)
Repayment of the principal portion of lease liabilities	6(29)	(22,096)	(20,206)
Guarantee deposits paid	6(29)	473	83
Cash capital increase from non-controlling equity - subsidiaries		30,000	-
Treasure stock acquired - subsidiaries	6(27)	-	(151,112)
Treasury stock transferred to employees	6(13)	135,283	94,001
Cash dividends paid	6(16)	(279,721)	(189,450)
Decrease in non-controlling interests	6(16)	(16,062)	-
Net cash provided by (used in) financing activities		261,619	(39,222)
Effect of fluctuations in exchange rate		4,302	7,697
Net increase (decrease) in cash and cash equivalents		124,180	(362,503)
Cash and cash equivalents at beginning of year	6(1)	1,221,566	1,584,069
Cash and cash equivalents at end of year	6(1)	\$ 1,345,746	\$ 1,221,566

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 YEARS ENDED DECEMBER 31, 2022 AND 2021

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

1. HISTORY AND ORGANIZATION

Gallant Precision Machining Co., Ltd. (the “Company”). The Company was incorporated on December 22, 1978. The Company and its subsidiaries (collectively referred herein as the “Group”) are engaged in the design, manufacture and sale of molds and machinery, metal parts and mold parts, stamping parts and die-cast parts, and automated manufacturing systems and their unit equipment, as well as the management and investment in the relevant business. The Company’s stock was listed on the Taipei Exchange (formerly named GreTai Securities Market), effective from February, 1998.

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

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

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 February 22, 2023.

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 2022 are as follows:

New Standards, Interpretations and Amendments	Effective Date by International Accounting Standards Board
Amendments to IFRS 3 “Reference to the Conceptual Framework”	January 1, 2022
Amendments to 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 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

New standards, interpretations and amendments endorsed by FSC effective from 2023 are as follows:

New Standards, Interpretations and Amendments	Effective Date by International Accounting Standards Board
Amendments to IAS 1 “Disclosure of Accounting Policies”	January 1, 2023
Amendments to IAS 8 “Definition of Accounting Estimates”	January 1, 2023
Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”	January 1, 2023

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

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

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

New Standards, Interpretations and Amendments	Effective Date by International Accounting Standards Board
Amendments to IFRS 10 and IAS 28 “Sale or contribution of assets between an investor and its associate or joint venture”	To be determined by International Accounting Standards Board
Amendments to IFRS 16 “Leases” - Lease Liability in a Sale and Leaseback	January 1, 2024
IFRS 17, 'Insurance Contracts'	January 1, 2023
Amendments to IFRS 17, “Insurance Contracts”	January 1, 2023
Amendments to IFRS 17, “Initial application of IFRS 17 and IFRS 9 - comparative information”	January 1, 2023
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2024
Amendments to IAS 1 “Non-current Liabilities with Covenants”	January 1, 2024

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 applied in the preparation of these consolidated financial statements

are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

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

(2) Basis of preparation

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

- (a) Financial assets at fair value through other comprehensive income.
- (b) Defined benefit liabilities recognized based on the net amount of pension fund assets less present value of defined benefit obligation.

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

(3) Basis of consolidation

A. Basis for preparation of consolidated financial statements:

- (a) All subsidiaries are included in the Group’s consolidated financial statements. Subsidiaries are all entities (including structured entities) controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries.
- (b) Inter-company transactions, balances and unrealized gains or losses on transactions between companies within the Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.
- (c) Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to

the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

- (d) Changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are accounted for as equity transactions, i.e. transactions with owners in their capacity as owners. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity.
- (e) When the Group loses control of a subsidiary, the Group remeasures any investment retained in the former subsidiary at its fair value. That fair value is regarded as the fair value on initial recognition of a financial asset or the cost on initial recognition of the associate or joint venture. Any difference between fair value and carrying amount is recognized in profit or loss. All amounts previously recognized in other comprehensive income in relation to the subsidiary are reclassified to profit or loss, on the same basis as would be required if the related assets or liabilities were disposed of. That is, when the Group loses control of a subsidiary, all gains or losses previously recognized in other comprehensive income in relation to the subsidiary should be reclassified from equity to profit or loss, if such gains or losses would be reclassified to profit or loss when the related assets or liabilities are disposed of.

B. Subsidiaries included in the consolidated financial statements:

<u>Name of Investor</u>	<u>Name of subsidiary</u>	<u>Main Business Activities</u>	<u>Percentage of Ownership</u>		<u>Note</u>
			<u>December 31, 2022</u>	<u>December 31, 2021</u>	
Gallant Precision Machining Co., Ltd.	Gallant Micro. Machining Co., Ltd.	Manufacturing and selling of semiconductor related equipment and parts	57.19	59.58	
Gallant Precision Machining Co., Ltd.	Gallant-Rapid Corporation Ltd.	Investing in Gallant Precision Industries (Suzhou) Co., Ltd.	100	100	
Gallant Precision Machining Co., Ltd.	Gallant Precision Machinery (BVI) Ltd.	Investing in Gallant Precision Machinery (Xiamen) Co., Ltd.	-	-	Note 2
Gallant Precision Machining Co., Ltd.	APEX-I International Co., Ltd.	Marketing and selling of process equipment of LCD and related parts.	100	100	
Gallant Micro. Machining Co., Ltd.	King Mechatronics Co., Ltd.	Investing in Gallant Micro. Machining (Suzhou) Co., Ltd.	100	100	
Gallant Micro. Machining Co., Ltd.	Gallant Micro Machining (Malaysia) Sdn. Bhd.	Engaged in the import and export and trading business of semiconductor substrate machines and related parts	100	100	
Gallant Micro. Machining Co., Ltd.	Utron Technologies Corp	Testing of wire and tools and testing equipment of PBC and related systems	53.21	76.02	Note 4
Gallant-Rapid Corporation Ltd.	Gallant Precision Industries (Suzhou) Co., Ltd.	Manufacturing of optoelectronic products equipment, mechanical equipment and related parts	100	100	

<u>Name of Investor</u>	<u>Name of subsidiary</u>	<u>Main Business Activities</u>	<u>Percentage of Ownership</u>		
			<u>December 31, 2022</u>	<u>December 31, 2021</u>	
King Mechatronics Co., Ltd.	Gallant Micro. Machining (Suzhou) Co., Ltd.	Manufacturing and selling of precision mold and related parts	100	100	
Gallant Precision Machinery (BVI) Ltd.	Gallant Precision Machinery (Xiamen) Co., Ltd.	Manufacturing of optoelectronic products equipment, mechanical equipment and related parts	-	-	Note 2
Gallant Precision Industries (Suzhou) Co., Ltd.	Gallant International Trading Co., Ltd.	Engaged in selling of mechanical equipment	-	-	Note 1
Gallant Precision Industries (Suzhou) Co., Ltd.	Gallant Precision Intelligence Technology Co., Ltd.	Manufacturing of optoelectronic products equipment, mechanical equipment and related parts	60	60	
Gallant Micro. Machining (Suzhou) Co., Ltd.	Kunshan Qihong Electronic Sales Co., Ltd.	Circuit board testing equipment, wire and cable and semiconductor testing and manufacturing	100	100	Note 3

Note 1: The subsidiary has been completed the dissolution and liquidation procedures in February, 2021.

Note 2: The subsidiary has been completed the dissolution and liquidation procedures in May, 2021.

Note 3: The Group acquired all of share of Kunshan Qihong Electronic Sales Co., Ltd. in May 2021.

Consolidation of subsidiaries begins from the date the Group obtains control of the subsidiaries.

Note 4: Utron Technologies Corp issued new shares in July 2022. The Group did not subscribe the new shares and therefore the percentage of ownership was decreased.

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 December 31, 2022 and 2021, the non-controlling interest amounted to \$599,277 and \$466,458, respectively. The information of non-controlling interest and respective subsidiaries is as follows:

<u>Name of subsidiary</u>	<u>Principal place of business</u>	<u>Non-controlling interest</u>			
		<u>December 31, 2022</u>		<u>December 31, 2021</u>	
		<u>Amount</u>	<u>Ownership (%)</u>	<u>Amount</u>	<u>Ownership (%)</u>
Gallant Micro. Machining Co., Ltd.	Taiwan	\$495,690	42.81	\$400,440	40.42

Summarised financial information of the subsidiaries:

Balance sheets

	Gallant Micro. Machining Co., Ltd. and its subsidiary	
	December 31, 2022	December 31, 2021
Current assets	\$ 1,973,083	\$ 1,778,250
Non-current assets	644,883	696,990
Current liabilities	(1,153,863)	(1,201,807)
Non-current liabilities	(262,121)	(267,466)
Total net assets	<u>\$ 1,201,982</u>	<u>\$ 1,005,967</u>

Statements of comprehensive income

	Gallant Micro. Machining Co., Ltd. and its subsidiary	
	Year ended December 31, 2022	Year ended December 31, 2021
Revenue	\$ 1,482,663	\$ 1,482,315
Profit before income tax	\$ 298,745	\$ 200,128
Income tax expense	(69,052)	(43,224)
Profit for the year from continuing operations	229,693	156,904
Profit for the year	229,693	156,904
Other comprehensive income, net of tax	(28,326)	46,586
Total comprehensive income for the year	<u>\$ 201,367</u>	<u>\$ 203,490</u>
Comprehensive income attributable to non-controlling interest	<u>\$ 85,074</u>	<u>\$ 80,140</u>
Dividends paid to non-controlling interest	<u>\$ 54,849</u>	<u>\$ 30,314</u>

Statements of cash flows

	Gallant Micro. Machining Co., Ltd. and its subsidiary	
	Year ended December 31, 2022	Year ended December 31, 2021
Net cash provided by (used in) operating activities	(\$ 100,233)	\$ 71,162
Net cash provided by (used in) investing activities	17,372	30,970
Net cash provided by (used in) financing activities	68,055	55,590
Effect of exchange rates on cash and cash equivalents	2,491	1,523
Increase (decrease) in cash and cash equivalents	(12,315)	159,245
Cash and cash equivalents, beginning of year	516,024	356,779
Cash and cash equivalents, end of year	<u>\$ 503,709</u>	<u>\$ 516,024</u>

(4) Foreign currency translation

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

A. Foreign currency transactions and balances

- (a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognized in profit or loss in the period in which they arise.
- (b) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognized in profit or loss.
- (c) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.
- (d) All foreign exchange gains and losses are presented in the statement of comprehensive income within "other gains and losses".

B. Translation of foreign operations

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

- (a) Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;
- (b) Income and expenses for each statement of comprehensive income are translated at average exchange rates of that periods; and
- (c) All resulting exchange differences are recognized in other comprehensive income.

(5) Classification of current and non-current items

- A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:
- (a) Assets arising from operating activities that are expected to be realized, or are intended to be sold or consumed within the normal operating cycle;
 - (b) Assets held mainly for trading purposes;
 - (c) Assets that are expected to be realized within twelve months from the balance sheet date;
 - (d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to settle liabilities more than twelve months after the balance sheet date.
- B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:
- (a) Liabilities that are expected to be settle within the normal operating cycle;
 - (b) Liabilities arising mainly from trading activities;
 - (c) Liabilities that are to be settle within twelve months from the balance sheet date;
 - (d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

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

- A. Financial assets at fair value through other comprehensive income comprise equity securities which are not held for trading, and for which the Group has made an irrevocable election at initial recognition to recognise changes in fair value in other comprehensive income.
- B. On a regular way purchase or sale basis, financial assets at fair value through other comprehensive income are recognised and derecognised using trade date accounting.
- C. At initial recognition, the Group measures the financial assets at fair value plus transaction costs. The Group subsequently measures the financial assets at fair value:

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

Group and the amount of the dividend can be measured reliably.

(7) Financial assets at amortised cost

- A. Financial assets at amortised cost are those that meet all of the following criteria:
 - (a) The objective of the Group's business model is achieved by collecting contractual cash flows.
 - (b) The assets' contractual cash flows represent solely payments of principal and interest.
- B. On a regular way purchase or sale basis, financial assets at amortised cost are recognised and derecognised using trade date accounting.
- C. At initial recognition, the Group measures the financial assets at fair value plus transaction costs. Interest income from these financial assets is included in finance income using the effective interest method. A gain or loss is recognised in profit or loss when the asset is derecognised or impaired.
- D. The Group's time deposits which do not fall under cash equivalents are those with a short maturity period and are measured at initial investment amount as the effect of discounting is immaterial.

(8) Accounts and notes receivable

- A. Accounts and notes receivable entitle the Group a legal right to receive consideration in exchange for transferred goods or rendered services.
- B. The short-term accounts and notes receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(9) Impairment of financial assets

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

(10) Derecognition of financial assets

The Group derecognises a financial asset when the contractual rights to receive the cash flows from the financial asset expire.

(11) Leasing arrangements (lessor) – operating leases

Lease income from an operating lease net of any incentives given to the lessee is recognized in profit or loss on a straight-line basis over the lease term.

(12) Inventories

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

(13) Property, plant and equipment

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

Buildings and structures	10 ~ 50 years
Machinery and equipment	3 ~ 20 years
Furniture and fixtures	1 ~ 10 years
Other equipment	2 ~ 15 years

(14) Leasing arrangements (lessee) — right-of-use assets/ lease liabilities

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

Fixed payments, less any lease incentives receivable;

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

- C. At the commencement date, the right-of-use asset is stated at cost comprising the following:
- (a) The amount of the initial measurement of lease liability;
- (b) Any initial direct costs incurred by the lessee;

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

(15) Intangible assets

- A. Computer software

Computer software is stated at cost and amortized on a straight-line basis over its estimated useful life of 1 to 3 years.

- B. Other intangible assets

Other intangible assets mainly technical royalties, are amortized on a straight-line basis over its estimated useful life of 3 years.

(16) Impairment of non-financial assets

The Group assesses at each balance sheet date the recoverable amounts of those assets where there

is an indication that they are impaired. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. Except for goodwill, when the circumstances or reasons for recognizing impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortized historical cost would have been if the impairment had not been recognized.

(17) Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in profit or loss over the period of the borrowings using the effective interest method.

(18) Notes and accounts payable

A. Accounts payable are liabilities for purchases of raw materials, goods or services and notes payable are those resulting from operating and non-operating activities.

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

(19) Derecognition of financial liabilities

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

(20) Provisions

Provisions (including warranties, after-sales service) are recognized when the Group has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be reliably estimated. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation on the balance sheet date, which is discounted using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the obligation. When discounting is used, the increase in the provision due to passage of time is recognized as interest expense. Provisions are not recognized for future operating losses.

(21) Employee benefits

A. Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected

to be paid in respect of service rendered by employees in a period and should be recognized as expense in that period when the employees render service.

B. Pensions

(a) Defined contribution plans

For defined contribution plans, the contributions are recognized as pension expenses when they are due on an accrual basis. Prepaid contributions are recognized as an asset to the extent of a cash refund or a reduction in the future payments.

(b) Defined benefit plans

- i . Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Group in current period or prior periods. The liability recognized in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The net defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability; when there is no deep market in high-quality corporate bonds, the Group uses interest rates of government bonds (at the balance sheet date) instead.
- ii . Remeasurements arising on defined benefit plans are recognized in other comprehensive income in the period in which they arise and are recorded as retained earnings.
- iii. Past service costs are recognized immediately in profit or loss.

C. Termination benefits

Termination benefits are employee benefits provided in exchange for the termination of employment as a result from either the Group's decision to terminate an employee's employment before the normal retirement date, or an employee's decision to accept an offer of redundancy benefits in exchange for the termination of employment. The Group recognizes expense as it can no longer withdraw an offer of termination benefits or it recognises relating restructuring costs, whichever is earlier. Benefits that are expected to be due more than 12 months after balance sheet date shall be discounted to their present value.

D. Employees' compensation and directors' and supervisors' remuneration

Employees' compensation and directors' and supervisors' remuneration are recognized as expense and liability, provided that such recognition is required under legal or constructive

obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates. If employee compensation is paid by shares, the Group calculates the number of shares based on the closing price at the previous day of the board meeting resolution.

(22) Employee share-based payment

For the equity-settled share-based payment arrangements, the employee services received are measured at the fair value of the equity instruments granted at the grant date, and are recognised as compensation cost over the vesting period, with a corresponding adjustment to equity. The fair value of the equity instruments granted shall reflect the impact of market vesting conditions and non-vesting conditions. Compensation cost is subject to adjustment based on the service conditions that are expected to be satisfied and the estimates of the number of equity instruments that are expected to vest under the non-market vesting conditions at each balance sheet date. Ultimately, the amount of compensation cost recognised is based on the number of equity instruments that eventually vest.

(23) Income tax

- A. The tax expense for the period comprises current and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or items recognized directly in equity, in which cases the tax is recognized in other comprehensive income or equity.
- B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional 5% tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.
- C. Deferred tax is recognized, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet. However, the deferred tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially

enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realized or the deferred tax liability is settled.

- D. Deferred tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. At each balance sheet date, unrecognized and recognized deferred tax assets are reassessed.
- E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. Deferred tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realize the asset and settle the liability simultaneously.
- F. A deferred tax asset shall be recognised for the carryforward of unused tax credits resulting from acquisitions of equipment or technology, research and development expenditures and equity investments to the extent that it is possible that future taxable profit will be available against which the unused tax credits can be utilised.

(24) Share capital

- A. Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or stock options are shown in equity as a deduction, net of tax, from the proceeds.
- B. Where the Company repurchases the Company's equity share capital that has been issued, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders. Where such shares are subsequently reissued, the difference between their book value and any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

(25) Dividends

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

(26) Revenue recognition

A. Sales of goods

- (a) The Group provides manufacturing and sales of Flat display manufacturing inspection

equipment, Semiconductor packaging equipment, Intelligent automation equipment and parts products. Sales are recognised when control of the products has transferred, being when the products are delivered to the customer, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, or the Group has objective evidence that all criteria for acceptance have been satisfied.

(b) Sales are recognised based on the price specified in the contract.

(c) A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due. As the time interval between the transfer of committed goods or service and the payment of customer does not exceed one year, the Group does not adjust the transaction price to reflect the time value of money.

B. Sales of services

The Group provides technical services. Revenue from providing services is recognised in the accounting period in which the services are rendered. The customer pays at the time specified in the payment schedule. If the services rendered exceed the payment, a contract asset is recognised. If the payments exceed the services rendered, a contract liability is recognised.

(27) Government grants

Government grants are recognized at their fair value only when there is reasonable assurance that the Group will comply with any conditions attached to the grants and the grants will be received. Government grants are recognized in profit or loss on a systematic basis over the periods in which the Group recognizes expenses for the related costs for which the grants are intended to compensate.

(28) Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The Group's chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the chairmen of Board that makes strategic decisions.

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

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

and liabilities within the next financial year; and the related information is addressed below:

(1) Critical judgements in applying the Group's accounting policies

None.

(2) Critical accounting estimates and assumptions

Evaluation of inventories

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

As of December 31, 2022, the carrying amount of inventories was \$1,086,396.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	December 31, 2022	December 31, 2021
Cash on hand and revolving funds	\$ 270	\$ 289
Checking accounts	26	27
Demand deposits	1,345,450	1,221,250
Total	<u>\$ 1,345,746</u>	<u>\$ 1,221,566</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. As of December 31, 2022 and 2021, cash and cash equivalents pledged to Customs and others as collateral were classified as financial assets at amortised cost-non-current. Please refer to note 8.

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

Items	December 31, 2022	December 31, 2021
Non-current items:		
Listed stocks	\$ 925,494	\$ 653,340
Non-Listed and non-otc stocks	111,908	79,407
Valuation adjustment	113,749	202,537
Total	<u>\$ 1,151,151</u>	<u>\$ 935,284</u>

A. The Group has elected to classify investments that are considered to be strategic investments as financial assets at fair value through other comprehensive income. As at December 31, 2022 and 2021, the fair value of such investments amounted to \$1,151,151 and \$935,284, 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:

	Year ended December 31, 2022	Year ended December 31, 2021
<u>Equity instruments at fair value through other comprehensive income:</u>		
Fair value change recognised in other comprehensive income	(\$ 88,788)	\$ 108,478
Dividend income recognized in profit or loss held at end of period	\$ 51,995	\$ 21,266

(3) Financial assets at amortized cost

Items	December 31, 2022	December 31, 2021
Current items:		
Time deposits	\$ 586,983	\$ 659,218
Non-current items:		
Time deposits	14,777	17,898
Total	\$ 601,760	\$ 677,116

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). The Group investment in time deposit with financial institutions with high credit quality, and expects that the probability of counterparty default is remote.

(4) Notes and accounts receivable

	December 31, 2022	December 31, 2021
Notes receivable	\$ 35,446	\$ 39,362
Accounts receivable	\$ 2,657,461	\$ 2,051,835
Accounts receivable - related parties	19,530	45,288
Less: allowance for bad debts	(294,605)	(207,192)
	\$ 2,382,386	\$ 1,889,931

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

	December 31, 2022		December 31, 2021	
	Accounts receivable	Notes receivable	Accounts receivable	Notes receivable
Not past due	\$ 1,906,654	\$ 35,446	\$ 1,676,605	\$ 39,362
Up to 90 days	359,366	-	164,424	-
91 to 120 days	29,146	-	41,906	-
Over 120 days	381,825	-	214,188	-
	\$ 2,676,991	\$ 35,446	\$ 2,097,123	\$ 39,362

The above ageing analysis was based on past due date.

B. For the years ended December 31, 2022 and 2021, and January 1, 2021, the balances of receivables from contracts with customers amounted to \$2,712,437, \$2,136,485 and \$1,779,166, respectively.

C. As at December 31, 2022 and 2021, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the Group's notes and accounts receivable were \$35,446 and \$39,362, \$2,382,386 and \$1,889,931, respectively.

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

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

(5) Inventories

December 31, 2022			
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 281,324	(\$ 31,414)	\$ 249,910
Work in progress	834,539	(174,632)	659,907
Finished goods	256,772	(90,978)	165,794
Inventory in transit	10,785	-	10,785
Total	<u>\$ 1,383,420</u>	<u>(\$ 297,024)</u>	<u>\$ 1,086,396</u>

December 31, 2021			
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 174,788	(\$ 28,302)	\$ 146,486
Work in progress	652,987	(107,443)	545,544
Finished goods	184,255	(87,461)	96,794
Inventory in transit	10,575	-	10,575
Total	<u>\$ 1,022,605</u>	<u>(\$ 223,206)</u>	<u>\$ 799,399</u>

The cost of inventories recognized as expense for the year:

	Year ended December 31, 2022	Year ended December 31, 2021
Cost of goods sold	\$ 3,253,720	\$ 3,615,861
Loss on decline in market value	73,528	46,986
	<u>\$ 3,327,248</u>	<u>\$ 3,662,847</u>

(6) Property, plant and equipment

	Land	Buildings	Machinery and equipment	Office equipment	Leased assets	Others	Construction in progress and equipment under installation	Total
At January 1, 2022								
Cost	\$ 134,686	\$ 604,358	\$ 164,309	\$ 35,025	\$ 70,762	\$ 65,970	\$ -	\$ 1,075,110
Accumulated depreciation and impairment	- (168,934)	(90,847)	(21,509)	(19,948)	(27,079)	-	(328,317)	
	<u>\$ 134,686</u>	<u>\$ 435,424</u>	<u>\$ 73,462</u>	<u>\$ 13,516</u>	<u>\$ 50,814</u>	<u>\$ 38,891</u>	<u>\$ -</u>	<u>\$ 746,793</u>
2022								
Opening net book amount as at January 1	\$ 134,686	\$ 435,424	\$ 73,462	\$ 13,516	\$ 50,814	\$ 38,891	\$ -	\$ 746,793
Additions	-	1,397	7,090	4,807	-	3,315	1,860	18,469
Disposals	-	- (142)	(718)	(3,048)	(718)	-	(4,626)	
Depreciation charge	- (12,267)	(8,497)	(6,774)	(2,304)	(6,454)	-	(36,296)	
Net exchange differences	-	60	154	690	-	1,228	(6)	2,126
Closing net book amount as at December 31	<u>\$ 134,686</u>	<u>\$ 424,614</u>	<u>\$ 72,067</u>	<u>\$ 11,521</u>	<u>\$ 45,462</u>	<u>\$ 36,262</u>	<u>\$ 1,854</u>	<u>\$ 726,466</u>
At December, 31, 2022								
Cost	\$ 134,686	\$ 605,842	\$ 171,042	\$ 35,373	\$ 65,682	\$ 67,387	\$ 1,854	\$ 1,081,866
Accumulated depreciation and impairment	- (181,228)	(98,975)	(23,852)	(20,220)	(31,125)	-	(355,400)	
	<u>\$ 134,686</u>	<u>\$ 424,614</u>	<u>\$ 72,067</u>	<u>\$ 11,521</u>	<u>\$ 45,462</u>	<u>\$ 36,262</u>	<u>\$ 1,854</u>	<u>\$ 726,466</u>

	Land	Buildings	Machinery and equipment	Office equipment	Leased assets	Others	Total
At January 1, 2021							
Cost	\$ 134,686	\$ 604,467	\$ 112,531	\$ 32,802	\$ 65,682	\$ 71,388	\$ 1,021,556
Accumulated depreciation and impairment	- (156,763)	(85,880)	(19,061)	(17,644)	(21,232)	(300,580)	
	<u>\$ 134,686</u>	<u>\$ 447,704</u>	<u>\$ 26,651</u>	<u>\$ 13,741</u>	<u>\$ 48,038</u>	<u>\$ 50,156</u>	<u>\$ 720,976</u>
2021							
Opening net book amount as at January 1	\$ 134,686	\$ 447,704	\$ 26,651	\$ 13,741	\$ 48,038	\$ 50,156	\$ 720,976
Additions	-	-	54,507	5,333	-	3,310	63,150
Additions - acquired through business combinations	-	-	-	28	-	43	71
Disposals	-	- (30)	(86)	-	(14)	(130)	
Reclassifications	-	-	-	539	5,080	(7,121)	(1,502)
Depreciation charge	- (12,202)	(7,565)	(6,005)	(2,304)	(7,216)	(35,292)	
Net exchange differences	- (78)	(101)	(34)	-	(267)	(480)	
Closing net book amount as at December 31	<u>\$ 134,686</u>	<u>\$ 435,424</u>	<u>\$ 73,462</u>	<u>\$ 13,516</u>	<u>\$ 50,814</u>	<u>\$ 38,891</u>	<u>\$ 746,793</u>
At December, 31, 2021							
Cost	\$ 134,686	\$ 604,358	\$ 164,309	\$ 35,025	\$ 70,762	\$ 65,970	\$ 1,075,110
Accumulated depreciation and impairment	- (168,934)	(90,847)	(21,509)	(19,948)	(27,079)	(328,317)	
	<u>\$ 134,686</u>	<u>\$ 435,424</u>	<u>\$ 73,462</u>	<u>\$ 13,516</u>	<u>\$ 50,814</u>	<u>\$ 38,891</u>	<u>\$ 746,793</u>

- A. Amount of borrowing costs capitalized as part of property, plant and equipment were \$0 and \$0 for the years ended December 31, 2022 and 2021, respectively.
- B. The significant components of buildings include main plants improvement and structure, which are depreciated over 10 to 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.

(7) Leasing arrangements — lessee

- A. The Group leases various assets including land, buildings, 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. Short-term leases with a lease term of 12 months or less comprise Buildings. Low-value assets comprise office equipment (multifunction printers).
- C. The carrying amount of right-of-use assets and the depreciation charge are as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
	<u>Carrying amount</u>	<u>Carrying amount</u>
Land	\$ 196,901	\$ 200,030
Buildings	46,079	57,047
Office equipment (multifunction printers)	-	-
	<u>\$ 242,980</u>	<u>\$ 257,077</u>

	<u>Year ended</u> <u>December 31, 2022</u>	<u>Year ended</u> <u>December 31, 2021</u>
	<u>Depreciation charge</u>	<u>Depreciation charge</u>
Land	\$ 6,040	\$ 5,956
Buildings	17,593	16,100
Office equipment (multifunction printers)	-	32
	<u>\$ 23,633</u>	<u>\$ 22,088</u>

- D. For the years ended December 31, 2022 and 2021, the additions to right-of-use assets were \$9,056 and \$21,394, respectively.
- E. The information on income and expense accounts relating to lease contracts is as follows:

	<u>Year ended</u> <u>December 31, 2022</u>	<u>Year ended</u> <u>December 31, 2021</u>
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 5,381	\$ 5,632
Expense on short-term lease contracts	14,849	14,453
Expense on leases of low-value assets	572	269

- F. For the years ended December 31, 2022 and 2021, the Group's total cash outflow for leases were \$42,898 and \$40,560, respectively.
- G. 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.

(8) Short-term borrowings

Type of borrowings	December 31, 2022	Interest rate range	Collateral
Unsecured Banking Loan	\$ 1,313,000	1.24%~1.87%	None
Type of borrowings	December 31, 2021	Interest rate range	Collateral
Unsecured Banking Loan	\$ 1,000,565	0.7%~1.23%	None

(9) Accounts payable

	December 31, 2022	December 31, 2021
Accounts payable	\$ 1,214,387	\$ 1,101,914
Accrued accounts payable	150,340	137,417
	<u>\$ 1,364,727</u>	<u>\$ 1,239,331</u>

(10) Others accounts payable

	December 31, 2022	December 31, 2021
Accrued salaries	\$ 268,598	\$ 200,874
Accrued employees' bonuses and directors' remuneration	130,863	74,158
Payables on equipment - Fixed assets	2,631	11,825
Payables on equipment - Intangible assets	938	-
Others	95,475	114,394
	<u>\$ 498,505</u>	<u>\$ 401,251</u>

(11) Long-term borrowings

Type of borrowings	Borrowing period and repayment term	Interest rate range	Collateral	December 31, 2022
Mortgage borrowings	Borrowing period is from July 1, 2021 to July 1, 2026, non-revolving instalments, with monthly interest payment, principal is repayable every 3 months with 5% of principal from July 1, 2022, and the rest of principal shall be paid off on the maturity date.	1.58%	Note	\$ 180,000
Mortgage borrowings	The mortgage borrowings is recyclable from November 24, 2021 to March 31, 2024, with monthly interest payment and the principal shall be paid off on the maturity date (the actual borrowings period is less than 3 years, because the factory contract period is from March 31, 2021 to March 31, 2024, the principal shall be paid off on the maturity date).	1.51%	Note	100,000
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.	1.73%	Note	58,357
Mortgage borrowings	Borrowing period is from June 08, 2020 to June 08, 2030; The principal is repayable every 3 months in 40 installments.	2.18%	Note	51,000
Unsecured borrowing	The unsecured borrowings is recyclable from January 18, 2022 to May 14, 2023, with monthly interest payment and the principal shall be paid off on the maturity date.	1.57%	None	80,000

Type of borrowings	Borrowing period and repayment term	Interest rate range	Collateral	December 31, 2022
Unsecured borrowing	The unsecured borrowings is recyclable from April 21, 2022 to May 14, 2023, with monthly interest payment and the principal shall be paid off on the maturity date.	1.57%	None	\$ 60,000
				529,357
Less: current portion				(192,943)
				<u>\$ 336,414</u>
Type of borrowings	Borrowing period and repayment term	Interest rate range	Collateral	December 31, 2021
Mortgage borrowings	Borrowing period is from July 1, 2021 to July 1, 2026, non-revolving instalments, with monthly interest payment, principal is repayable every 3 months with 5% of principal from July 1, 2022, and the rest of principal shall be paid off on the maturity date.	0.98%	Note	\$ 200,000
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.	1.18%	Note	64,500
Mortgage borrowings	Borrowing period is from July 13, 2017 to July 13, 2022; The principal is repayable every 6 months in 8 installments.	1.05%	Note	5,750
Mortgage borrowings	The mortgage borrowings is recyclable from November 24, 2021 to March 31, 2024, with monthly interest payment and the principal shall be paid off on the maturity date (the actual borrowings period is less than 3 years, because the factory contract period is from March 31, 2021 to March 31, 2024, the principal shall be paid off on the maturity date).	0.94%	Note	100,000
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	57,800
				428,050
Less: current portion				(38,193)
				<u>\$ 389,857</u>

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

(12) 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) The amounts recognized in the balance sheet are as follows:

	December 31, 2022	December 31, 2021
Present value of defined benefit obligations	(\$ 47,413)	(\$ 57,102)
Fair value of plan assets	44,303	41,653
Net defined benefit liability	(\$ 3,110)	(\$ 15,449)

(c) Movements in net defined benefit liabilities are as follows:

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
Year ended December 31, 2022			
Balance at January 1	(\$ 57,102)	\$ 41,653	(\$ 15,449)
Current service cost	(456)	-	(456)
Interest (expense) income	(395)	312	(83)
	(57,953)	41,965	(15,988)
Remeasurements:			
Return on plan asset (excluding amounts included in interest income or expense)	-	3,027	3,027
Change in demographic assumptions	1	-	1
Change in financial assumptions	3,660	-	3,660
Experience adjustments	117	-	117
	3,778	3,027	6,805
Pension fund contribution	-	6,073	6,073
Paid pension	6,762	(6,762)	-
Pension fund return	-	-	-
Balance at December 31	(\$ 47,413)	\$ 44,303	(\$ 3,110)
	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
Year ended December 31, 2021			
Balance at January 1	(\$ 59,040)	\$ 36,522	(\$ 22,518)
Current service cost	(478)	-	(478)
Interest (expense) income	(205)	138	(67)
	(59,723)	36,660	(23,063)

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
Remeasurements:			
Return on plan asset (excluding amounts included in interest income or expense)	-	506	506
Change in demographic assumptions	(138)	-	(138)
Change in financial assumptions	2,320	-	2,320
Experience adjustments	(694)	-	(694)
	<u>1,488</u>	<u>506</u>	<u>1,994</u>
Pension fund contribution	-	6,108	6,108
Paid pension	1,133	(1,133)	-
Pension fund return	-	(488)	(488)
Balance at December 31	<u>(\$ 57,102)</u>	<u>\$ 41,653</u>	<u>(\$ 15,449)</u>

- (d) The Bank of Taiwan was commissioned to manage the Fund of the Company's and domestic subsidiaries' defined benefit pension plan in accordance with the Fund's annual investment and utilization plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund" (Article 6: The scope of utilization for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regard to the utilization of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authorized by the Regulator. The Company has no right to participate in managing and operating that fund and hence the Company is unable to disclose the classification of plan assets fair value in accordance with IAS19 paragraph 142. The composition of fair value of plan assets as of December 31, 2022 and 2021 is given in the Annual Labor Retirement Fund Utilization Report announced by the government.

- (e) The principal actuarial assumptions used were as follows:

	Year ended December 31, 2022	Year ended December 31, 2021
Discount rate	<u>1.35%</u>	<u>0.7%</u>
Future salary increases	<u>2.00%</u>	<u>2.00%</u>

Assumptions regarding future mortality experience are set based on the 6th and 5th Taiwan Standard Ordinary Experience Mortality Table for the years ended December 31, 2022 and 2021, respectively.

Because the main actuarial assumption changed, the present value of defined benefit obligation is affected. The analysis was as follows:

	Discount rate		Future salary increases	
	Increase	Decrease	Increase	Decrease
	0.25%	0.25%	0.25%	0.25%
December 31,2022				
Effect on present value of defined benefit obligation	(\$ 1,310)	\$ 1,363	\$ 1,351	(\$ 1,305)
December 31,2021				
Effect on present value of defined benefit obligation	(\$ 1,601)	\$ 1,667	\$ 1,642	(\$ 1,585)

The sensitivity analysis above is based on one assumption which changed while the other conditions remain unchanged. In practice, more than one assumption may change all at once. The method of analysing sensitivity and the method of calculating net pension liability in the balance sheet are the same.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

- (f) Expected contributions to the defined benefit pension plans of the Group in the year ended December 31, 2023 amount to \$7,071.
- (g) As of December 31, 2022, the weighted average duration of that retirement plan is 11 year. The analysis of timing of the future pension payment was as follows:

Within 1 year	\$	1,301
1-2 year(s)		1,860
2-5 years		4,628
Over 5 years		46,837
	\$	54,626

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) The Group’s 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) The pension costs under defined contribution pension plans of the Group for the years ended December 31, 2022 and 2021 were \$41,295 and \$39,341, respectively.

(13) Share-based payment

A. For the years ended December 31,2022, the Group’s share-based payment arrangements were as follows:

Type of arrangement	Grant date	Quantity granted (shares in thousands)	Contract period	Vesting conditions
Treasury stock transferred to employees	2022.8.9	2,839	-	Immediately
Treasury stock transferred to employees	2021.11.5	1,487	-	Immediately
Treasury stock transferred to employees	2022.8.19	1,135	-	Immediately
Treasury stock transferred to employees	2021.11.3	865	-	Immediately

B. The fair value of the Company's treasury stocks transferred to employees is as follows:

Type of arrangement	Grant date	Stock price	Exercise price	Compensation cost per unit
Treasury stock transferred to employees	2022.8.9	25.35	18.07	7.28
Treasury stock transferred to employees	2021.11.5	33.30	18.07	15.23
Treasury stock transferred to employees	2022.8.19	90.80	71.13	19.67
Treasury stock transferred to employees	2022.8.19	90.80	74.91	15.89
Treasury stock transferred to employees	2022.8.19	90.80	78.09	12.71
Treasury stock transferred to employees	2021.11.3	91.00	78.09	12.91

C. Share-based payment

	Year ended December 31, 2022	Year ended December 31, 2021
Equity settled	\$ 37,043	32,917

(14) Share capital

A. As of December 31, 2022, 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:

	Year ended December 31, 2022	Year ended December 31, 2021
At January 1	160,623	159,136
Treasury stock transferred to employees	2,839	1,487
At December 31	163,462	160,623

B. On March 24, 2020, the Board of directors resolved to acquire 6,000 thousand shares of the Company. All the acquired shares shall be reissued to employees. As of December 31, 2022, the Company has acquired 6,000 thousand shares.

C. Treasury shares

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

		December 31, 2022	
Name of company holding the shares	Reason for reacquisition	Number of shares	Carrying amount
The Company	To be reissued to employees	1,674	\$ 30,254

		December 31, 2021	
Name of company holding the shares	Reason for reacquisition	Number of shares	Carrying amount
The Company	To be reissued to employees	4,513	\$ 81,555

- (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 five years from the reacquisition date and shares not reissued within the five-year period are to be retired. Treasury shares to enhance the Company's credit rating and the stockholders' equity should be retired within six months of acquisition.
- (e) For the years ended December 31, 2022 and 2021, the number of treasury shares transferred to employees of the Company were 2,509 thousand shares and 1,479 thousand shares, respectively. The compensation cost and transfer amount were \$18,266, \$22,525, \$45,337 and \$26,726, respectively.

For the years ended December 31, 2022 and 2021, the number of shares transferred to the employees of the subsidiary are 330 thousand shares and 8 thousand shares, respectively and the compensation cost and transfer amount are \$2,402, \$122, \$5,963 and \$144, respectively.

As the aforesaid transfer amount is higher than the carrying amount of treasury shares, the difference amount arising from transaction of treasury shares was recognized as the capital surplus.

(15) 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:

	Share premium	Treasury share transactions	Difference between consideration and carrying amount of subsidiaries acquired or disposed	Net change in equity of subsidiaries	Employee stock option	Total
At January 1, 2022	\$ 127,167	\$ 54,046	\$ 11,750	\$ 29,295	\$ 4,446	\$ 226,704
From changes in equities of subsidiaries	-	-	-	36,514	-	36,514
Capital surplus distribute cash	(16,062)	-	-	-	-	(16,062)
Treasury stock transferred	-	20,668	-	-	-	20,668
At December 31, 2022	<u>\$ 111,105</u>	<u>\$ 74,714</u>	<u>\$ 11,750</u>	<u>\$ 65,809</u>	<u>\$ 4,446</u>	<u>\$ 267,824</u>

	Share premium	Treasury share transactions	Difference between consideration and carrying amount of subsidiaries acquired or disposed	Net change in equity of subsidiaries	Employee stock option	Total
At January 1, 2021	\$ 127,167	\$ 31,399	\$ 11,750	\$ 12,326	\$ 4,446	\$ 187,088
From changes in equities of subsidiaries	-	-	-	16,969	-	16,969
Treasury stock transferred	-	22,647	-	-	-	22,647
At December 31, 2021	<u>\$ 127,167</u>	<u>\$ 54,046</u>	<u>\$ 11,750</u>	<u>\$ 29,295</u>	<u>\$ 4,446</u>	<u>\$ 226,704</u>

(16) 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 company authorized the board of directors to distribute all or part of the dividends or legal reserve and capital surplus in the form of cash with a resolution adopted by a majority vote at a meeting of the Board of Directors attended by over two-thirds of the directors, and report to the shareholders' meeting.

The ratio of cash dividend shall not be less than 10% of the shareholders' dividend.

- B. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital.
- C. (a) In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.
- (b) The amounts previously set aside by the Company as special reserve on initial application of IFRSs in accordance with Jin-Guan-Zheng-Fa-Zi Letter No. 1010012865, dated April 6, 2012, shall be reversed proportionately when the relevant assets are used, disposed of or reclassified subsequently. Such amounts are reversed upon disposal or reclassified if the assets are investment property of land, and reversed over the use period if the assets are investment property other than land. As of the date of transition, the Company recognized \$132,987 special reserve.

(c) For year ended December 31, 2021, the aforementioned special surplus reserve were reversed amounting to \$21,840 due to liquidation of subsidiaries.

D. On June 8, 2022 and July 5, 2021, respectively, the shareholders resolved that total dividends for the distribution of earnings for the year of 2021 and 2020 were as following:

	2021		2020	
	Amount	Earnings per share(In dollars)	Amount	Earnings per share(In dollars)
Legal reserve	\$ 23,075	\$ -	\$ 15,064	\$ -
Cash dividends	224,872	1.400	159,136	1.000
Total	<u>\$ 247,947</u>	<u>\$ 1.400</u>	<u>\$ 174,200</u>	<u>\$ 1.000</u>

E. On June 8, 2022, the Shareholders resolved for the distribution of dividends from 2021 earnings amounting to \$16,062 (\$0.1 (in dollars) per share).

F. On February 22, 2023, the Board of Directors had proposed the distribution of cash dividends for the year of 2022 earnings amounting to \$294,232 (\$1.80 (in dollars) per share).

(17) Other equity items

	Year ended December 31, 2022		
	Unrealized gains (losses) on valuation	Currency translation	Total
At January 1	\$ 109,454	(\$ 49,419)	\$ 60,035
Revaluation - group	(68,361)	-	(68,361)
Revaluation - tax	(2,122)	-	(2,122)
Currency translation differences:-group	-	6,560	6,560
At December 31	<u>\$ 38,971</u>	<u>(\$ 42,859)</u>	<u>(\$ 3,888)</u>

	Year ended December 31, 2021		
	Unrealized gains (losses) on valuation	Currency translation	Total
At January 1	\$ 32,228	(\$ 80,574)	(\$ 48,346)
Revaluation - group	77,168	-	77,168
Revaluation - tax	58	-	58
Disposal transferred	-	38,724	38,724
Currency translation differences:-group	-	(7,569)	(7,569)
At December 31	<u>\$ 109,454</u>	<u>(\$ 49,419)</u>	<u>\$ 60,035</u>

(18) Operating revenue

	Year ended December 31, 2022	Year ended December 31, 2021
Revenue from Contracts with Customers	<u>\$ 4,733,976</u>	<u>\$ 4,811,375</u>

A. Disaggregation of revenue from contracts with customers

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

Year ended December 31, 2022	Taiwan	China	Other	Total
Total segment revenue	\$ 2,814,742	\$ 2,244,895	\$ 129,167	\$ 5,188,804

Inter-segment revenue	(274,381)	(180,385)	(62)	(454,828)
Revenue from external customer contracts	<u>\$ 2,540,361</u>	<u>\$ 2,064,510</u>	<u>\$ 129,105</u>	<u>\$ 4,733,976</u>
Timing of revenue recognition				
At a point in time	\$ 2,511,718	\$ 2,064,441	\$ 128,832	\$ 4,704,991
Over time	<u>28,643</u>	<u>69</u>	<u>273</u>	<u>28,985</u>
	<u>\$ 2,540,361</u>	<u>\$ 2,064,510</u>	<u>\$ 129,105</u>	<u>\$ 4,733,976</u>
Year ended December 31, 2021				
	<u>Taiwan</u>	<u>China</u>	<u>Other</u>	<u>Total</u>
Total segment revenue	\$ 2,680,672	\$ 2,604,242	\$ 97,736	\$ 5,382,650
Inter-segment revenue	(410,857)	(160,352)	(66)	(571,275)
Revenue from external customer contracts	<u>\$ 2,269,815</u>	<u>\$ 2,443,890</u>	<u>\$ 97,670</u>	<u>\$ 4,811,375</u>
Timing of revenue recognition				
At a point in time	\$ 2,248,186	\$ 2,439,108	\$ 96,395	\$ 4,783,689
Over time	<u>21,629</u>	<u>4,782</u>	<u>1,275</u>	<u>27,686</u>
	<u>\$ 2,269,815</u>	<u>\$ 2,443,890</u>	<u>\$ 97,670</u>	<u>\$ 4,811,375</u>

B. Contract liabilities

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

	<u>December 31, 2022</u>	<u>December 31, 2021</u>	<u>January 1, 2021</u>
Contract liabilities	<u>\$ 341,753</u>	<u>\$ 222,518</u>	<u>\$ 267,883</u>

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

	<u>Year ended December 31, 2022</u>	<u>Year ended December 31, 2021</u>
Revenue recognised that was included in the contract liability balance at the beginning of the period	<u>\$ 192,346</u>	<u>\$ 254,589</u>

(19) Interest income

	<u>Year ended December 31, 2022</u>	<u>Year ended December 31, 2021</u>
Interest income from bank deposits	<u>\$ 12,249</u>	<u>\$ 12,772</u>

(20) Other income

	<u>Year ended December 31, 2022</u>	<u>Year ended December 31, 2021</u>
Rental revenue	\$ 26,892	\$ 26,621
Government subsidy income	33,057	42,646
Dividends income	51,995	21,266
Others income - other	<u>13,345</u>	<u>11,146</u>
	<u>\$ 125,289</u>	<u>\$ 101,679</u>

Note: Government subsidy income mainly arose from the subsidy income of special subjects such as the implementation of special counseling program of the Ministry of Economic Affairs and the Ministry of Digital Development.

(21) Other gains and losses

	Year ended December 31, 2022	Year ended December 31, 2021
Losses on disposal of property, plant and equipment	(\$ 225)	(\$ 101)
Loss on disposal of investments	-	(33,482)
Gains arising from lease modifications	-	110
Net currency exchange gains (loss)	105,774	(24,381)
Other gains and losses	(5,722)	(4,677)
Total	<u>\$ 99,827</u>	<u>(\$ 62,531)</u>

(22) Finance costs

	Year ended December 31, 2022	Year ended December 31, 2021
Interest expense	<u>\$ 26,091</u>	<u>\$ 18,459</u>

(23) Expenses by nature

	Year ended December 31, 2022	Year ended December 31, 2021
Employee benefit expense	<u>\$ 1,116,000</u>	<u>\$ 958,572</u>
Depreciation expense (including right-of-use assets)	<u>\$ 59,929</u>	<u>\$ 57,380</u>
Amortization charges on intangible assets	<u>\$ 5,701</u>	<u>\$ 9,778</u>

(24) Employee benefit expense

	Year ended December 31, 2022	Year ended December 31, 2021
Wages and salaries	\$ 978,209	\$ 827,177
Labour and health insurance fees	67,055	64,388
Pension costs	41,834	39,886
Other personnel expenses	28,902	27,121
	<u>\$ 1,116,000</u>	<u>\$ 958,572</u>

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

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

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

- B. For the years ended December 31, 2022 and 2021, employees' compensation was accrued at

\$59,917 and \$30,045, respectively; while directors' and supervisors' remuneration was accrued at \$10,155 and \$5,092, respectively. The aforementioned amounts were recognized in salary expenses.

The employees' compensation and directors' and supervisors' remuneration were estimated and accrued based on 11.93% and 2.02% of distributable profit of current year for the year ended December 31, 2022. The employees' compensation and directors' and supervisors' remuneration resolved by the Board of Directors were \$59,917 and \$10,155, and the employees' compensation will be distributed in the form of cash.

The employees' compensation and directors' and supervisors' remuneration for 2021 amounting to \$30,045 and \$5,092, respectively, as resolved by the Board of Directors on March 16, 2022 which were in agreement with those amounts recognized in the 2021 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.

(25) Income tax

A. Income tax expense

(a) Components of income tax expense:

	Year ended December 31, 2022	Year ended December 31, 2021
Current tax:		
Current tax on profits for the period	\$ 81,804	\$ 56,975
Tax on undistributed surplus earnings	-	64
Prior year income tax (over) underestimation	(4,274)	(2,049)
Total current tax	<u>77,530</u>	<u>54,990</u>
Deferred tax:		
Origination and reversal of temporary differences	64,363	(25,785)
Total deferred tax	<u>64,363</u>	<u>(25,785)</u>
Income tax expense	<u>\$ 141,893</u>	<u>\$ 29,205</u>

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

	Year ended December 31, 2022	Year ended December 31, 2021
Changes in fair value of financial assets at fair value through other comprehensive income	<u>\$ 4,613</u>	<u>(\$ 11,124)</u>

B. Reconciliation between income tax expense and accounting profit

Year ended	Year ended
------------	------------

	December 31, 2022	December 31, 2021
Tax calculated based on profit before tax and statutory tax rate	\$ 193,300	\$ 103,829
Tax exempt income by tax regulation	(52,771)	(18,388)
Prior year income tax (over) underestimation	(4,274)	(2,049)
Income tax paid derived of mainland China source income	-	(173)
Change in assessment of realisation of deferred tax assets	5,638	(54,078)
Tax on undistributed earnings	-	64
Tax expenses	<u>\$ 141,893</u>	<u>\$ 29,205</u>

C. Amounts of deferred tax assets or liabilities as a result of temporary difference are as follows:

	Year ended December 31, 2022			
	January 1	Recognized in profit or loss	Recognized in other comprehensive income	December 31
Temporary differences:				
Deferred tax assets:				
Allowance for bad debt	\$ 28,064	\$ 9,558	\$ -	\$ 37,622
Inventory obsolescence and market price decline	36,895	12,816	-	49,711
Warranty provision	19,245	(2,171)	-	17,074
Net defined benefit liabilities	1,752	(1,129)	-	623
Unrealized gain of financial assets at fair value through other comprehensive income	3,996	-	(2,122)	1,874
Others	40,936	(39,920)	-	1,016
Subtotal	<u>130,888</u>	<u>(20,846)</u>	<u>(2,122)</u>	<u>107,920</u>
Deferred tax liabilities:				
Foreign investment income using equity method	(71,758)	(21,637)	-	(93,395)
Gain recognized in bargain purchase transaction	(6,179)	-	-	(6,179)
Unrealized gain of financial assets at fair value through other comprehensive income	(35,431)	-	6,735	(28,696)
Land value increment tax	(5,793)	-	-	(5,793)
Others	-	(21,879)	-	(21,879)
Subtotal	<u>(119,161)</u>	<u>(43,516)</u>	<u>6,735</u>	<u>(155,942)</u>
Total	<u>(\$ 11,727)</u>	<u>(\$ 64,362)</u>	<u>\$ 4,613</u>	<u>\$ 48,022</u>

Year ended December 31, 2021			
January 1	Recognized	Recognized in	December

		in profit or loss	other comprehensive income	31
Temporary differences:				
Deferred tax assets:				
Allowance for bad debt	\$ 29,046	(\$ 982)	\$ -	\$ 28,064
Inventory obsolescence and market price decline	28,307	8,588	-	36,895
Warranty provision	23,756	(4,511)	-	19,245
Net defined benefit liabilities	2,836	(1,084)	-	1,752
Unrealized gain of financial assets at fair value through other comprehensive income	3,938	-	58	3,996
Others	8,039	32,897	-	40,936
Subtotal	95,922	34,908	58	130,888
Deferred tax liabilities:				
Foreign investment income using equity method	(62,635)	(9,123)	-	(71,758)
Gain recognized in bargain purchase transaction	(6,179)	-	-	(6,179)
Unrealized gain of financial assets at fair value through other comprehensive income	(24,249)	-	(11,182)	(35,431)
Land value increment tax	(5,793)	-	-	(5,793)
Subtotal	(98,856)	(9,123)	(11,182)	(119,161)
Total	(\$ 2,934)	\$ 25,785	(\$ 11,124)	\$ 11,727

D. The Company's income tax returns through 2019 have been assessed and approved by the Tax Authority.

(26) Earnings per share

	Year ended December 31, 2022		
	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	\$ 390,200	161,751	\$ 2.41
<u>Diluted earnings per share</u>			
Assumed conversion of all dilutive potential ordinary shares Employees' bonus	-	2,386	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 390,200	\$ 164,137	\$ 2.38

Year ended December 31, 2021

	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	\$ 246,089	159,369	\$ 1.54
<u>Diluted earnings per share</u>			
Assumed conversion of all dilutive potential ordinary shares Employees' bonus	-	981	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 246,089	160,350	\$ 1.53

(27) Transactions with non-controlling interest

Subsidiary purchases treasury shares

For the year ended December 31, 2021, the Group' of Gallant Micro. Machining Co., Ltd. acquired an additional 7.07% of shares of issued shares for a total cash consideration of \$151,112. This transaction resulted in a decrease in the non-controlling interest by \$99,612 and a decrease in the equity attributable to owners of the parent by \$51,500. The effect of changes in interests in Gallant Micro. Machining Co., Ltd. on the equity attributable to owners of the parent for the years ended December 31, 2021, is shown below:

	Year ended December 31, 2021
Cash	\$ 151,112
Decrease in the carrying amount of non- controlling interest	(99,612)
Capital surplus (unappropriated retained earnings) -difference between proceeds on actual acquisition of or disposal of equity interest in a subsidiary and its carrying amount	\$ 51,500

(28) Supplemental cash flow information

Investing activities with partial cash payments

	December 31, 2022	December 31, 2021
Purchase of property, plant and equipment	\$ 18,469	\$ 63,150
Add: opening balance of payable on equipment	11,825	385
Less: ending balance of payable on equipment	(2,631)	(11,825)
Cash paid during the year	\$ 27,663	\$ 51,710

(29) 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, 2022	\$ 1,000,565	\$ 428,050	\$ 3,614	\$ 263,096	\$ 1,695,325
Changes in cash flow from financing activities	312,435	101,307	473 (	22,096)	392,119
Interest expense	-	-	-	5,381	5,381
Payment of interest	-	-	- (	5,381)	(5,381)
Changes in other non-cash items	-	-	-	505	505
Changes in leases liabilities	-	-	-	9,056	9,056
At December 31, 2022	<u>\$ 1,313,000</u>	<u>\$ 529,357</u>	<u>\$ 4,087</u>	<u>\$ 250,561</u>	<u>\$ 2,097,005</u>

	Short-term borrowings	Long-term borrowings	Guarantee deposits received	Leases liabilities	Liabilities from financing activities-gross
At January 1, 2021	\$ 1,054,410	\$ 146,743	\$ 3,531	\$ 262,310	\$ 1,466,994
Changes in cash flow from financing activities	(53,845)	281,307	83 (	20,206)	207,339
Interest expense	-	-	-	5,632	5,632
Payment of interest	-	-	- (	5,632)	(5,632)
Changes in other non-cash items	-	-	- (	292)	(292)
Gain on lease modification	-	-	- (	110)	(110)
Changes in leases liabilities	-	-	-	21,394	21,394
At December 31, 2021	<u>\$ 1,000,565</u>	<u>\$ 428,050</u>	<u>\$ 3,614</u>	<u>\$ 263,096</u>	<u>\$ 1,695,325</u>

7. RELATED-PARTY TRANSACTIONS

(1) Names and relationship of related parties

Names of related parties	Relationship with the Company
C SUN Mfg. Ltd.	Associate
C SUN(Guangzhou) Mfg. Ltd.	Associate
Fujian Chengzhe Automation Technology Co., Ltd	Substantive related party
Ohmplus Technology Inc.	Substantive related party

(2) Significant related party transactions

A. Operating revenue:

	Year ended December 31, 2022	Year ended December 31, 2021
Sales of goods:		
Associate	\$ 34,215	\$ 61,278
Substantive related party	-	1,080
	<u>\$ 34,215</u>	<u>\$ 62,358</u>

The Group's sales to related parties has no other transactions of the same type that can be compared, and the sales are conducted in accordance with the agreed sales prices and conditions; the terms of payment are not significantly different from those of non-related parties.

B. Purchases:

	Year ended December 31, 2022	Year ended December 31, 2021
Purchases of goods:		
Substantive related party	\$ 8,882	\$ 111,017
Associate	-	415
	<u>\$ 8,882</u>	<u>\$ 111,432</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:

	December 31, 2022	December 31, 2021
Accounts receivables :		
Associate	\$ 19,530	\$ 44,154
Substantive related party	-	1,134
Subtotal	<u>\$ 19,530</u>	<u>\$ 45,288</u>

D. Payables to related parties:

	December 31, 2022	December 31, 2021
Accounts payable:		
Associate	\$ -	\$ 436
Substantive related party	66	11,603
Subtotal	<u>\$ 66</u>	<u>\$ 12,039</u>

(3) Key management compensation

	Year ended December 31, 2022	Year ended December 31, 2021
Salaries and other short-term employee benefits	\$ 45,783	\$ 78,752
Post-employment benefits	1,063	1,394
Total	<u>\$ 46,846</u>	<u>\$ 80,146</u>

8. PLEDGED ASSETS

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

	Book value		
<u>Pledged asset</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>	<u>Purpose</u>
Time deposits (shown as "financial assets at amortised cost non-current")	14,777	17,898	Exercise guarantee for construction and customs deposit
Property, plant and equipment	473,044	512,556	Long-term borrowings
	<u>\$ 487,821</u>	<u>\$ 530,454</u>	

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACT COMMITMENTS

Contingent liabilities

As of December 31, 2022 and December 31, 2021, the bank open a guarantee letter for the Company due to business tender and guarantee for construction amounting to \$45,648 and \$27,115, respectively.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

Please refer to Note 6(16)

12. OTHERS

(1) Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the consolidated balance sheet) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the consolidated balance sheet plus net debt.

During year ended December 31, 2022, the Group's strategy, which was unchanged from 2021, was to maintain the gearing ratio within reasonable risk level. The gearing ratios at December 31, 2022 and 2021 were as follows:

	December 31, 2022	December 31, 2021
Total borrowings	\$ 1,842,357	\$ 1,428,615
Less: Cash and cash equivalents	(1,345,746)	(1,221,566)
Net debt	496,611	207,049
Total equity	3,241,769	2,908,319
Total capital	3,738,380	3,115,368
Gearing ratio	13.28%	6.65%

(2) Financial instruments

A. Financial instruments by category

	December 31, 2022	December 31, 2021
<u>Financial assets</u>		
Financial assets at fair value through other comprehensive income	\$ 1,151,151	\$ 935,284
Financial assets at amortised cost/Loans and receivables		
Cash and cash equivalents	1,345,746	1,221,566
Financial assets at amortised cost	601,760	677,116
Notes receivables	35,446	39,362

Accounts receivables (including related parties)	2,382,386	1,889,931
Other accounts receivables	3,431	4,243
Guarantee deposits paid	8,551	7,076
	<u>\$ 5,528,471</u>	<u>\$ 4,774,578</u>
	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Financial liabilities</u>		
Financial liabilities at amortised cost		
Short-term borrowings	\$ 1,313,000	\$ 1,000,565
Notes payable	1,764	8,683
Accounts payable (including related parties)	1,364,793	1,251,370
Other accounts payable	498,505	401,251
Long-term borrowings (including current portion)	529,357	428,050
Guarantee deposits received	4,087	3,614
	<u>\$ 3,711,506</u>	<u>\$ 3,093,533</u>
Leases liabilities	<u>\$ 250,561</u>	<u>\$ 263,096</u>

B. Financial risk management policies

- (a) The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial position and financial performance.
- (b) Risk management is carried out by a central treasury department (Group treasury) under policies approved by the Board of Directors. Group treasury identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas and matters, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

C. Significant financial risks and degrees of financial risks

(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:

December 31, 2022			
	Foreign currency amount (In thousands)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 45,611	30.71	\$ 1,400,723
JPY:NTD	173,374	0.2324	40,292
RMB:NTD	61,051	4.408	269,115
USD: RMB	1,576	6.9669	48,396
<u>Non-monetary items:</u>			
USD:NTD	\$ 5,858	30.71	\$ 179,909
<u>Financial liability</u>			
<u>Monetary items</u>			
USD:NTD	\$ 3,665	30.71	\$ 112,547
JPY:NTD	112,370	0.2324	26,115
RMB:NTD	6,671	4.408	29,405
<u>Non-monetary items</u> :None			

December 31, 2021			
	Foreign currency amount (In thousands)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 43,175	27.68	\$ 1,195,076
JPY:NTD	258,578	0.2405	62,188
RMB:NTD	54,227	4.344	235,564
USD: RMB	1,238	6.372	34,281
<u>Non-monetary items :</u>			
USD:NTD	\$ 7,716	27.68	\$ 213,582
<u>Financial liability</u>			
<u>Monetary items</u>			
USD:NTD	\$ 14,994	27.68	\$ 415,029
JPY:NTD	123,915	0.2405	29,081
RMB:NTD	8,622	4.344	37,454
<u>Non-monetary items</u> :None			

- ii. Total exchange gain (loss), including realized and unrealized arising from significant foreign exchange variation on the monetary items held by the Group for the years ended December 31, 2022 and 2021, amounted \$105,774 and (\$24,381), respectively.
- iii. Analysis of foreign currency market risk arising from significant foreign exchange variation:

Year ended December 31, 2022				
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%	\$	14,007	\$ -
JPY:NTD	1%		403	-
RMB:NTD	1%		2,691	-
USD: RMB	1%		484	-
<u>Non-monetary items:</u>				
USD:NTD	1%		-	1,799
<u>Financial liability</u>				
<u>Monetary items</u>				
USD:NTD	1%	\$	1,125	\$ -
JPY:NTD	1%		261	-
RMB:NTD	1%		294	-

Year ended December 31, 2021				
	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%	\$	11,951	\$ -
JPY:NTD	1%		622	-
RMB:NTD	1%		2,356	-
USD: RMB	1%		343	-
<u>Non-monetary items:</u>				
USD:NTD	1%		-	2,136
<u>Financial liability</u>				
<u>Monetary items</u>				
USD:NTD	1%	(\$	4,150)	\$ -
JPY:NTD	1%	(	298)	-
RMB:NTD	1%	(	375)	-

Price risk

- i. The Group's equity securities, which are exposed to price risk, are the held financial assets at fair value through other comprehensive income. 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.
- ii. The Group's investments in equity securities comprise domestic listed and unlisted 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

by 1% with all other variables held constant, post-tax profit for the years ended December 31, 2022 and 2021 would have increased/decreased by \$11,512 and \$9,353, respectively, as a result of gains/losses on equity securities classified as at fair value through profit or loss.

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 year ended December 31, 2022 and 2021, 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 year ended December 31, 2022 and 2021 would have increased/decreased by \$9,294 and \$8,277, 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.
- 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. If the contract payments were past due based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition.
- 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 December 31, 2022 and 2021 is as follows:

At December 31, 2022	Without past due	Up to 0 -90 days	Up to 91 -120 days	Up to 120 days	Total
Expected loss rate	0.00%-0.67%	0.00%-21.3%	0.01%-24.33%	0.02%-100%	
Total book value	\$ 1,906,654	\$ 359,366	\$ 29,146	\$ 381,825	\$2,676,991
Loss allowance	\$ 16,746	\$ 15,411	\$ 2,956	\$ 259,492	\$ 294,605

At December 31, 2021	Without past due	Up to 0 -90 days	Up to 91 -120 days	Up to 120 days	Total
Expected loss rate	0.00%-1.15%	0.00%-31.43%	0.01%-34.45%	0.04%-100%	
Total book value	\$ 1,676,605	\$ 164,424	\$ 41,906	\$ 214,188	\$2,097,123
Loss allowance	\$ 11,619	\$ 17,338	\$ 10,913	\$ 167,322	\$ 207,192

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

	Year ended December 31, 2022
	Accounts receivable
At January 1	\$ 207,192
Provision for impairment	94,308
Write-offs	(7,013)
Effect of foreign exchange	118
At December 31	\$ 294,605

	Year ended December 31, 2021
	Accounts receivable
At January 1	\$ 199,508
Provision for impairment	14,785
Reversal of impairment loss	(6,986)
Effect of foreign exchange	(115)
At December 31	\$ 207,192

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

	December 31, 2022			
	Lifetime			
	By Geographic	Significant increase in credit risk	Impairment of credit	Total
Financial assets at amortised cost				
Group 1	\$ 129,904	\$ -	\$ -	\$ 129,904
Group 2	456,299	-	-	456,299
Group 3	15,557	-	-	15,557
	<u>\$ 601,760</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 601,760</u>

	December 31, 2021			
	By Geographic	Lifetime		Total
		Significant increase in credit risk	Impairment of credit	
Financial assets at amortised cost				
Group 1	\$ 169,498	\$ -	\$ -	\$ 169,498
Group 2	493,555	-	-	493,555
Group 3	14,063	-	-	14,063
	<u>\$ 677,116</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 677,116</u>
Group 1:Taiwan Bank				
Group 2: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 no active market of debt securities investment (Later than three month but not later than one years of deposit account) , choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient head-room as determined by the above-mentioned forecasts. As at December 31, 2022 and 2021, the Group held money market position of \$1,932,433 and \$1,880,468, respectively, that are expected to readily generate cash inflows for managing liquidity risk.
- iii. The Company has the following undrawn borrowing facilities:

	December 31, 2022	December 31, 2021
Floating rate:		
Expiring within one year	\$ 1,972,960	\$ 2,029,944
Expiring beyond one year	3,400	33,400
	<u>\$ 1,976,360</u>	<u>\$ 2,063,344</u>

The facilities expiring within one year are annual facilities subject to review at various dates during 2023. 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:

December 31, 2022	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	\$ 1,053,000	\$ 260,000	\$ -	\$ -	\$ -
Notes payable	1,764	-	-	-	-
Accounts payable(including related parties)	700,829	157,823	506,141	-	-
Other payables	343,209	155,296	-	-	-
Leases liabilities	7,062	20,927	25,138	37,504	222,151
Long-term borrowings (including current portion)	15,334	185,180	157,525	154,669	46,249

Non-derivative financial liabilities:

December 31, 2021	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	\$ 751,632	\$ 248,933	\$ -	\$ -	\$ -
Notes payable	3,780	4,903	-	-	-
Accounts payable(including related parties)	735,697	238,080	277,593	-	-
Other payables(including related parties)	296,573	104,678	-	-	-
Leases liabilities	6,704	20,118	26,633	48,978	226,900
Long-term borrowings (including current portion)	7,207	35,285	50,227	291,837	59,266

Derivative financial liabilities:

(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.

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, financial asset at amortized cost (over 3 months), short-term borrowings, contract liabilities, accounts payable, other payables, 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:

December 31, 2022	<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	\$ 912,627	\$ -	\$ 238,524	\$1,151,151
December 31, 2021	<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	\$ 706,197	\$ -	\$ 229,087	\$ 935,284

(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>
Market quoted price	Closing price

- i i. 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 December 31, 2022 and December 31, 2021, there was no transfer into or out from Level 3.

E. The following chart is the financial instruments movement of Level 3 for the year ended December 31, 2022 and 2021:

	Year ended December 31, 2022 equity instrument	Year ended December 31, 2021 equity instrument
At January 1	\$ 229,087	\$ 167,966
Acquired	32,500	5,500
Gains and losses recognized in other comprehensive income	(23,063)	55,621
At December 31	<u>\$ 238,524</u>	<u>\$ 229,087</u>

F. For the year ended December 31, 2022 and 2021, 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:

	December 31, 2022	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Derivative equity instrument:					
Unlisted shares	\$ 179,909	Market comparable companies	Price to book ratio multiple	1.53~1.51	The higher the multiple , the higher the fair value
Unlisted shares	\$ 58,615	Net asset value method	Not applicable	-	Not applicable
	December 31, 2021	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Derivative equity instrument:					
Unlisted shares	\$ 213,582	Market comparable companies	Price to book ratio multiple	1.45~1.43	The higher the multiple , the higher the fair value
Unlisted shares	\$ 15,505	Net asset value method	Not applicable	-	Not applicable

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:

			December 31, 2022			
			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%	\$ -	\$ -	\$ 1,799	(\$ 1,799)
			December 31, 2021			
			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%	\$ -	\$ -	\$ 2,136	(\$ 2,136)

(4) Operating effect of COVID-19

COVID-19 has no significant impact to the Group's going concern, assets impairment and risk of financing based on the Group assessment.

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

- A. Loans to others: Please refer to table 1.
- B. Provision of endorsements and guarantees to others: Please refer to table 2.
- C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to table 3.
- D. Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital: None.
- E. Acquisition of real estate reaching NT\$300 million or 20% of paid-in capital or more: None.
- F. Disposal of real estate reaching NT\$300 million or 20% of paid-in capital or more: None.
- G. Purchases or sales of goods from or to related parties reaching NT\$100 million or 20% of paid in capital or more: Please refer to table 4.
- H. Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more: Please refer to table 5.
- I. Trading in derivative instruments undertaken during the reporting periods: None.
- J. Significant inter-company transactions during the reporting periods: Please refer to table 6.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China) : Please refer to table 7.

(3) Information on investments in Mainland China

- A. Basic information: Please refer to table 8.

B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: Please refer to table 6.

(4) Major shareholders information

Major shareholders information: Please refer to table 9.

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) Measurement of segment information

Management assess the segment performance based on the income (loss) before tax in the consolidated financial statements. The accounting policies of segment are the same with the summary of significant accounting policy in notes 4.

(3) Information about segment

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

Year ended December 31, 2022

	Gallant Precision Machining Co., Ltd.	Gallant-Rapid Corporation Ltd.	Gallant Micro. Machining Co., Ltd.	APEX-I International Co., Ltd.	elimination	Amount
Revenue from external customers	\$ 2,912,433	\$ 104,275	\$ 1,482,663	\$ 234,605	\$ -	\$ 4,733,976
Inter-segment revenue	\$ 38,035	\$ 151,964	\$ 263,389	\$ -	(\$ 453,388)	\$ -
Segment income	\$ 432,155	(\$ 2,819)	\$ 298,745	\$ 99,287	(\$ 193,260)	\$ 634,108
Total segment assets	\$ 5,766,691	\$ 395,387	\$ 2,617,966	\$ 182,960	(\$ 1,066,643)	\$ 7,896,361

Year ended December 31, 2021

	Gallant Precision Machining Co., Ltd.	Gallant-Rapid Corporation Ltd.	Gallant Micro. Machining Co., Ltd.	Gallant Precision Machinery (BVI)Ltd.	APEX-I International Co., Ltd.	elimination	Amount
Revenue from external customers	\$ 3,082,078	\$ 138,593	\$ 1,482,315	\$ -	\$ 108,389	\$ -	\$ 4,811,375
Inter-segment revenue	\$ 28,421	\$ 336,336	\$ 220,505	\$ -	\$ 1,805	(\$ 587,067)	\$ -
Segment income	\$ 218,411	\$ 41,746	\$ 200,129	(\$ 32,943)	\$ 32,536	(\$ 109,443)	\$ 350,436
Total segment assets	\$ 4,744,890	\$ 414,930	\$ 2,475,240	\$ -	\$ 135,156	(\$ 973,805)	\$ 6,796,411

(4) 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 years ended December 31, 2022 and 2021 is provided as follows:

	Year ended December 31, 2022	Year ended December 31, 2021
Reportable segments income/(loss)	\$ 827,368	\$ 459,879
Other	(193,260)	(109,443)
Income/(loss) before tax from continuing operations	<u>\$ 634,108</u>	<u>\$ 350,436</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:

	December 31, 2022	December 31, 2021
Assets of reportable segments	\$ 8,963,004	\$ 7,770,216
Elimination of intersegment assets	(1,066,643)	(973,805)
Total assets	<u>\$ 7,896,361</u>	<u>\$ 6,796,411</u>

(5) Information on product and service

Revenue from external customers is mainly from manufacturing and selling of Display process equipment, semiconductor process equipment and intelligent automated equipment. Detail of revenue balance is as follows:

	Year ended December 31, 2022	Year ended December 31, 2021
Display process equipment	\$ 2,128,510	\$ 1,997,949
Semiconductor process equipment	1,991,280	1,729,125
Intelligent automated transportation equipment	66,960	455,973
Other	547,226	628,328
Total	<u>\$ 4,733,976</u>	<u>\$ 4,811,375</u>

(6) Geographical information

The Company and its subsidiaries geographical information for the years ended December 31, 2022 and 2021 is as follows:

	Year ended December 31, 2022		Year ended December 31, 2021	
	Revenue	Non-current assets (note)	Revenue	Non-current assets (note)
Taiwan	\$ 2,540,361	\$ 924,466	\$ 2,269,815	\$ 953,032
China	2,064,510	80,509	2,443,890	89,423
Others	129,105	1,142	97,670	1,115
Total	<u>\$ 4,733,976</u>	<u>\$ 1,006,117</u>	<u>\$ 4,811,375</u>	<u>\$ 1,043,570</u>

Note: Not included financial assets at fair value through other comprehensive income non-current, and deferred income tax assets.

(7) Major customer information

Revenue from specific customers that represent over 10% of total revenues of the Group for the years ended December 31, 2022 and 2021 is as follows:

	Year ended December 31, 2022		Segment
	Revenue	Percentage(%)	
Customer B	\$ 1,114,563	24%	The whole Group

	Year ended December 31, 2021		Segment
	Revenue	Percentage(%)	
Customer B	\$ 1,053,122	22%	The whole Group

Table 1

GALLANT PRECISION MACHINING CO., LTD. AND SUBSIDIARIES
FINANCINGS PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2022

(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	Y	\$ 50,000	\$ 50,000	\$ 20,000	2.00%	Short-term financing	-	Operating needed	-	Promised note	\$ 50,000	\$ 115,792	\$ 231,585	
2	Utron Technologies Corp	U Pin Precision Co., Ltd.	-related parties Other receivables	N	\$ 3,150	\$ 1,350	\$ 900	2.50%	Short-term financing	-	Operating needed	-	-	-	\$ 9,416	\$ 18,833	

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

- (1) Total financing amount limits: Total financing amount limits shall not exceed 40% of the net worth of the Company.
- (2) The need for short-term financing: The total loan amount is limited to 20% of the company's net worth.
The total amount for lending to a company for funding for a short-term period shall not exceed 10% of the net worth of the Company.

Note2 : Utron Technologies Corp. 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.

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 2

GALLANT PRECISION MACHINING CO., LTD. AND SUBSIDIARIES
ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2022

(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	Maximum Balance for the Period	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	\$ 528,498	\$ 101,420	\$ 70,710	\$ -	\$ -	2.68%	\$ 1,321,246	Y	N	N	
0	Gallant Precision Machining Co., Ltd.	Gallant Precision Industries (Suzhou) Co., Ltd.	Subsidiary	528,498	30,710	-	-	-	0.00%	1,321,246	Y	N	Y	
1	Gallant Micro Machining Co., Ltd.	Utron Technologies Corp	Subsidiary	231,585	141,200	80,000	30,000	-	6.91%	578,962	Y	N	N	

Note1: The limits 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 3

GALLANT PRECISION MACHINING CO., LTD. AND SUBSIDIARIES
MARKETABLE SECURITIES HELD (NOT INCLUDING SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES)
DECEMBER 31, 2022

(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	December 31, 2022				Footnote
				Shares/Units	Carrying Value	Percentage of Ownership	Fair Value	
Gallant Precision Machining Co., Ltd	C SUN Mfg. Ltd.	Associates	Financial assets at fair value through other comprehensive income-non-current	14,957,082	\$ 643,155	9.54	\$ 643,155	
Gallant Precision Machining Co., Ltd	AMPOC FAR-EAST CO., LTD	None	Financial assets at fair value through other comprehensive income-non-current	5,000,000	216,250	4.37	216,250	
Gallant Precision Machining Co., Ltd	Ohmplus Technologies Inc.	None	Financial assets at fair value through other comprehensive income-non-current	495,000	5,500	8.74	5,500	
Gallant Precision Machining Co., Ltd	OpXion Tech. Incorporation	None	Financial assets at fair value through other comprehensive income-non-current	6,500,000	32,500	18.57	32,500	
Gallant-Rapid Corporation Ltd.	Phoenix & Corporation	None	Financial assets at fair value through other comprehensive income-non-current	6,694	111	0.59	111	
Gallant-Rapid Corporation Ltd.	Phoenix pioneer technology	None	Financial assets at fair value through other comprehensive income-non-current	1,079,183	20,504	0.36	20,504	
APEX-I International Co., Ltd.	Shinyu Light Co., Ltd.	None	Financial assets at fair value through other comprehensive income-non-current	286,891	-	1.98	-	
Gallant Micro. Machining Co., Ltd.	C SUN Mfg. Ltd.	Associates	Financial assets at fair value through other comprehensive income-non-current	1,237,723	53,222	0.79	53,222	
King Mechatronics Co., Ltd.	POWER EVER ENTFRPRISES LIMITED	None	Financial assets at fair value through other comprehensive income-non-current	624,726	179,909	10.15	179,909	

Table 4

GALLANT PRECISION MACHINING CO., LTD. AND SUBSIDIARIES
PURCHASES OR SALES OF GOODS FROM OR TO RELATED PARTIES
REACHING NT\$100 MILLION OR 20% OF PAID IN CAPITAL OR MORE
FOR THE YEAR ENDED DECEMBER 31, 2022

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

Purchaser/seller	Counterparty	Relationship with the counterparty	Transaction				Differences in transaction term compared to third party transactions(note1)		Notes/accounts receivable (payable)		Footnote (note2)
			Purchases(sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	
Gallant Micro Machining Co., Ltd	KING MECHATRONICS CO., Ltd.	Subsidiary	Sales	\$ 121,190	2.56%	Similar to third parties	Similar to third parties	Similar to third parties	\$ 167,854	6.94%	
Gallant Precision Machining Co., Ltd.	Gallant Precision Intelligence Technology Co., Ltd.	Subsidiary	Purchases	118,980	3.90%	Similar to third parties	Similar to third parties	Similar to third parties	6,170	0.45%	

Note1: If the transaction term are different compared to third party, please describe the differences terms on column of credit term and unit price.

Note2: If the transaction have prepayment or received in advance, please describe the reason, term, amount and differences compared to third party on column of footnote.

Note3: Paid-in capital refers to the paid-in capital of the parent company. If the issuer's stock has no par value or the par value per share is not NT\$10, the transaction amount of 20% of the paid-in capital shall be calculated based on the 10% of the equity attributable to the owner of the parent company on the balance sheet.

Table 5

GALLANT PRECISION MACHINING CO., LTD. AND SUBSIDIARIES
 RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT
 LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
 FOR THE YEAR ENDED DECEMBER 31, 2022

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

Company Name	Related Party	Nature of Relationship	Ending Balance(Note1)	Turnover	Overdue		Amounts Received in Subsequent Period	Loss allowance
					Amount	Action Taken		
Gallant Micro. Machining Co., Ltd.	KING MECHATRONICS CO., LTD	Subsidiary	\$ 167,854	0.97	\$ -	-	\$ -	\$ -

Table 6

GALLANT PRECISION MACHINING CO., LTD. AND SUBSIDIARIES
INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2022

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

No. (Note 1)	Company Name	Counter Party	Nature of Relationship (Note 2)	Intercompany Transactions			
				Financial Statements Item	Amount	Terms	Percentage of Consolidated Net Revenue or Total Assets (Note 3)
0	Gallant Precision Machining Co., Ltd.	Gallant Micro. Machining Co., Ltd.	1	Sales	\$ 20,963	subject to the terms and conditions agreed upon by both parties	0.44%
0	Gallant Precision Machining Co., Ltd.	Gallant Precision Industries (Suzhou) Co., Ltd.	1	Other income	11,676	subject to the terms and conditions agreed upon by both parties	0.25%
0	Gallant Precision Machining Co., Ltd.	Gallant Precision Industries (Suzhou) Co., Ltd.	1	Cost of sales	17,702	subject to the terms and conditions agreed upon by both parties	0.37%
0	Gallant Precision Machining Co., Ltd.	Gallant Precision Intelligence Technology Co., Ltd.	1	Purchases	118,980	subject to the terms and conditions agreed upon by both parties	2.51%
1	Gallant Micro. Machining Co., Ltd.	King Mechatronics Co., Ltd.	1	Sales	121,190	subject to the terms and conditions agreed upon by both parties	2.56%
1	Gallant Micro. Machining Co., Ltd.	King Mechatronics Co., Ltd.	1	Accounts receivable	167,854	subject to the terms and conditions agreed upon by both parties	2.13%
1	Gallant Micro. Machining Co., Ltd.	King Mechatronics Co., Ltd.	1	Purchases	28,971	subject to the terms and conditions agreed upon by both parties	0.61%
1	Gallant Micro. Machining Co., Ltd.	Gallant Micro. Machining (Suzhou) Co., Ltd.	1	Sales	37,552	subject to the terms and conditions agreed upon by both parties	0.79%
1	Gallant Micro. Machining Co., Ltd.	Gallant Micro. Machining (Suzhou) Co., Ltd.	1	Accounts receivable	24,467	subject to the terms and conditions agreed upon by both parties	0.31%
1	Gallant Micro. Machining Co., Ltd.	Utron Technologies Corp	1	Sales	14,018	subject to the terms and conditions agreed upon by both parties	0.30%
1	Gallant Micro. Machining Co., Ltd.	Utron Technologies Corp	1	Other accounts receivable	20,000	subject to the terms and conditions agreed upon by both parties	0.25%
2	King Mechatronics Co., Ltd.	Gallant Micro. Machining (Suzhou) Co., Ltd.	3	Purchases	55,223	subject to the terms and conditions agreed upon by both parties	1.17%
2	King Mechatronics Co., Ltd.	Gallant Micro. Machining (Suzhou) Co., Ltd.	3	Accounts payable	56,919	subject to the terms and conditions agreed upon by both parties	0.72%
3	Gallant Precision Industries (Suzhou) Co., Ltd.	Gallant Precision Intelligence Technology Co., Ltd.	3	Purchases	14,776	subject to the terms and conditions agreed upon by both parties	0.31%
3	Gallant Precision Industries (Suzhou) Co., Ltd.	APEX-I International Co., Ltd.	3	Sales	10,995	subject to the terms and conditions agreed upon by both parties	0.23%

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 thousand and counter parties shall not disclose.

Table 7

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 YEAR ENDED DECEMBER 31, 2022

(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 December 31, 2022			Net Income (Losses) of the Investee(note1)	Share of Profits/ Losses of Investee(note1)	Footnote
				December 31, 2022	December 31, 2021	Shares	Percentage of Ownership	Carrying Value			
Gallant Precision Machining Co., Ltd.	Gallant-Rapid Corporation Ltd.	British Virgin Islands	Investing in Gallant Precision Industries (Suzhou) Co., Ltd.	\$ 459,050	\$ 459,050	13,560,000	100.00	\$ 246,468	(\$ 19,836)	(\$ 19,836)	
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	143,697	77,362	77,362	
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	658,922	229,720	135,734	
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	955,002	78,340	78,340	
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	2,775	73	73	
Gallant Micro. Machining Co., Ltd.	Utron Technologies Corp	Taiwan	Testing of wire and tools and testing equipment of PBC and related systems	53,212	53,212	2,660,600	53.21	50,107	499	527	

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

Table 8

GALLANT PRECISION MACHINING CO., LTD. AND SUBSIDIARIES
INFORMATION ON INVESTMENT IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2022

(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 (note 1)	Accumulated Outflow of Investment from Taiwan as of January 1, 2022	Outflow	Inflow	Accumulated Outflow of Investment from Taiwan as of December 31, 2022	Net Income (Losses) of the Investee Company	Percentage of Ownership	Share of Profits/Losses (note 2(2))	Carrying Amount as of December 31, 2022	Accumulated Inward Remittance of Earnings as of December 31, 2022	Footnote
Gallant Precision Industries (Suzhou) Co., Ltd.	Manufacturing of optoelectronic products equipment, mechanical equipment and related parts	\$ 194,087	Indirectly invest in Mainland China through GRC registered in third region.	\$ 160,951	\$ -	\$ -	\$ 160,951	(\$ 21,094)	100.00	(\$ 21,094)	\$ 204,649	\$ -	Note2- 2.C
Suzhou Top Creation Machines Co.,Ltd.	PCB / FPC Wet Process Equipments	168,905	Indirectly invest in Mainland China through Power Ever registered in third region .	28,371	-	-	28,371	-	10.15	-	-	8,236	Note2- 2.C Note 5
Gallant Micro. Machining (Suzhou) Co., Ltd.	Manufacturing and selling of precision mold and related parts	139,731	Indirectly invest in Mainland China through KMC registered in third region.	247,002	-	-	247,002	83,366	100.00	83,366	795,132	-	Note2- 2.B
Gallant Precision Intelligence Technology Co., Ltd.	Manufacturing of optoelectronic products equipment, mechanical equipment and related parts	44,080	Directly invest by GPI.	-	-	-	-	20,140	60.00	12,084	89,294	-	Note2- 2.C
Kunshan Qihong Electronic Sales Co., Ltd.	Testing and manufacturing of circuit board testing equipment, wire and cable and semiconductor	4,408	Directly invest by GMM.	-	-	-	-	851	100.00	851	7,480	-	Note 4
Suzhou Top Creation Machines Co.,Ltd.	Design and production of printed circuit boards, flat panel displays, semiconductors, special equipment for the solar industry and sales of related spare parts	307,100	Indirectly invest in Mainland China through Power Ever registered in third region .	-	-	-	-	-	10.15	-	-	-	Note 6

Investee Company	Accumulated Investment in Mainland China as of December 31, 2022	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
Gallant Precision Machining Co., Ltd.	\$ 434,871	\$ 600,213	\$ 1,945,062
Gallant Micro. Machining Co., Ltd.	275,373	275,373	721,189

Note1: There are three methods of investment as follows

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

Note2: Share of Profits/Losses recognized for the year ended December 31, 2022:

- (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 investment was invested by Gallant Micro. Machining (Suzhou) Co., Ltd. There was no cash outflow for the year ended December 31, 2022.

Note5: The Company acquired 10% ownership of Suzhou Top Creation Machines Co.,Ltd. held by C SUN Mfg. Ltd. through the British Virgin Islands business King Mechatronics Co. Ltd. (BVI) for US\$1,205 thousand. Thus, the Company indirectly invested in Suzhou Top Creation Machines Co.,Ltd. in the mainland, and then executed the equity conversion according to the relevant terms of the original investment contract. After the conversion, the Company directed hold Suzhou Top Creation Machines Co.,Ltd. which was shown as "financial assets measured at fair value through other comprehensive income".

Note6: The Company invested in Samoa POWER EVER ENTERPRISES LIMITED through King Mechatronics Co. Ltd. (BVI) of the British Virgin Islands. Received dividends of US\$1,015 thousand from Suzhou Top Creation Machines Co., Ltd., was reinvested in Nantong Chuangfeng Optoelectronics Equipment Co., Ltd. The investment was shown as "financial assets measured at fair value through other comprehensive income".

Note7: The investment amount was translated based on the exchange rate USD:NTD=1:30.71 of balance sheet date December 31, 2022

Table 9

GALLANT PRECISION MACHINING CO., LTD. AND SUBSIDIARIES
 INFORMATION OF MAJOR SHAREHLDER
 FOR THE NINE MONTH PERIOD ENDED DECEMBER 31, 2022

Shareholders	Shares	
	Total Shares Owned	Ownership Percentage
C SUN Mfg. Ltd.	44,758,827	27.10%

Note1: The main shareholder information in this table is based on the last business day at the end of each quarter by the China Insurance Company, which calculates that shareholders hold more than 5% of the company's ordinary shares and special shares that have completed unregistered delivery (including treasury shares). As for the share capital recorded in the company's financial report and the company's actual number of shares delivered without physical registration, there may be differences or differences due to different calculation bases.

Note2: In the case of the above information, if the shareholder delivers the shares to the trust, it is disclosed in the individual accounts of the trustee who opened the trust account by the trustee. As for the shareholder's declaration of insider's equity holding more than 10% of the shares in accordance with the Securities and Exchange Act, his shareholding includes his own shareholding plus the shares delivered to the trust and the right to use the trust property, etc. For information on insider's equity declaration, please refer to Market Observation Post System.



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Gallant Precision Machining Co., Ltd.



Jason Chen, Chairman