

**GALLANT PRECISION MACHINING CO., LTD. AND
SUBSIDIARIES**

**CONSOLIDATED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REVIEW REPORT**

MARCH 31, 2023 AND 2022

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

INDEPENDENT AUDITORS' REVIEW REPORT

To the Board of Directors of Gallant Precision Machining Co., Ltd.

Introduction

We have reviewed the accompanying consolidated balance sheets of Gallant Precision Machining Co., Ltd. and its subsidiaries (the "Group") as of March 31, 2023 and 2022, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the three-month periods then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and International Accounting Standard (IAS) No.34, "Interim Financial Reporting" as endorsed by the Financial Supervisory Commission (FSC) of the Republic of China. Our responsibility is to express a conclusion on these interim the financial statements based on our reviews.

Scope of Review

Except as explained in the Basis for Qualified Conclusion, we conducted our reviews in accordance with the Standard on Review Engagements 2410, "Review of Financial Information Performed by the Independent Auditor of the Entity". A review of consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with the Standards on Auditing of the Republic of China and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis for Qualified Conclusion

As explained in Note 4(3), the financial statements of certain nonsignificant subsidiaries were not reviewed by independent auditors. These statements reflect total assets amounting to \$803,790 thousand and \$854,335 thousand, constituting 11% and 12% of the consolidated total assets, and total liabilities amounting to \$255,200 thousand and \$317,873 thousand, constituting 6% and 8% of the consolidated total liabilities as at March 31, 2023 and 2022, respectively, and total comprehensive (loss) income amounting to (\$12,153) thousand and \$59,474 thousand, constituting (6%) and 37% of the consolidated total comprehensive income (loss) for the three-month periods ended March 31, 2023 and 2022, respectively.

Qualified Conclusion

Based on our reviews, except for the adjustments to the consolidated financial statements, if any, as might have been determined to be necessary had the financial statements of certain non-significant consolidated subsidiaries and investments accounted for under equity method been reviewed by independent auditors, that we might have become aware of had it not been for the situation described above, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Group as of at March 31, 2023 and 2022, and of its consolidated financial performance and its consolidated cash flows for the three-month periods ended in accordance with the "Regulations Governing the Preparations of Financial Reports by Securities Issuers" and IAS No.34, "Interim Financial Reporting" as endorsed by the FSC.

PricewaterhouseCoopers, Taiwan
May 3, 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

(Expressed in thousands of New Taiwan dollars)

(The consolidated balance sheets as of March 31, 2023 and 2022 are reviewed, not audited)

	Assets	Notes	March 31, 2023		December 31, 2022		March 31, 2022	
			AMOUNT	%	AMOUNT	%	AMOUNT	%
Current assets								
1100	Cash and cash equivalents	6(1)	\$ 1,210,096	17	\$ 1,345,746	17	\$ 946,617	14
1136	Financial assets at amortized cost - current	6(3)	608,716	8	586,983	7	616,003	9
1150	Notes receivable, net	6(4)	13,996	-	35,446	1	21,633	1
1170	Accounts receivable, net	6(4)	1,796,104	25	2,362,856	30	2,010,670	29
1180	Accounts receivable to related parties, net	6(4) and 7	19,583	-	19,530	-	6,033	-
1200	Other receivables		8,306	-	3,431	-	16,984	-
1210	Other receivables - related parties	7	-	-	-	-	21	-
130X	Inventories, net	6(5)	955,524	13	1,086,396	14	1,019,127	15
1410	Prepayments		173,485	2	175,026	2	63,444	1
1470	Other current assets		11,308	-	15,759	-	13,198	-
11XX	Current Assets		<u>4,797,118</u>	<u>65</u>	<u>5,631,173</u>	<u>71</u>	<u>4,713,730</u>	<u>69</u>
Non-current assets								
1517	Financial assets at fair value through other comprehensive income - non-current	6(2)	1,484,299	20	1,151,151	15	1,000,421	14
1535	Financial assets at amortized cost - non-current	6(3) and 8	14,813	-	14,777	-	17,687	-
1600	Property, plant and equipment, net	6(6) and 8	726,755	10	726,466	9	741,753	11
1755	Right-of-use assets	6(7)	236,994	4	242,980	3	255,152	4
1780	Intangible assets, net		12,358	-	13,078	-	13,062	-
1840	Deferred income tax assets		83,205	1	107,920	2	128,068	2
1900	Other non-current assets		8,341	-	8,816	-	10,273	-
15XX	Non-current assets		<u>2,566,765</u>	<u>35</u>	<u>2,265,188</u>	<u>29</u>	<u>2,166,416</u>	<u>31</u>
1XXX	Total assets		<u>\$ 7,363,883</u>	<u>100</u>	<u>\$ 7,896,361</u>	<u>100</u>	<u>\$ 6,880,146</u>	<u>100</u>

(Continued)

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

(Expressed in thousands of New Taiwan dollars)

(The consolidated balance sheets as of March 31, 2023 and 2022 are reviewed, not audited)

	Liabilities and Equity	Notes	March 31, 2023		December 31, 2022		March 31, 2022	
			AMOUNT	%	AMOUNT	%	AMOUNT	%
	Current liabilities							
2100	Short-term loans	6(8)	\$ 1,413,000	19	\$ 1,313,000	17	\$ 848,181	13
2130	Contract liabilities-current	6(18)	297,141	4	341,753	4	217,546	3
2150	Notes payable		-	-	1,764	-	4,903	-
2170	Accounts payable	6(9)	790,778	11	1,364,727	17	1,257,739	18
2180	Payables to related parties	7	11	-	66	-	6,780	-
2200	Other payables	6(10)	719,222	10	498,505	6	365,169	5
2230	Current income tax liabilities		63,373	1	52,336	1	69,353	1
2250	Provisions for liabilities-current		72,576	1	92,134	1	103,676	2
2280	Lease liabilities-current		22,785	-	23,322	-	22,305	-
2320	Long-term loans-current portion	6(11) and8	292,943	4	192,943	3	44,343	1
2399	Other current liabilities - other		14,160	-	21,509	-	8,795	-
21XX	Current Liabilities		<u>3,685,989</u>	<u>50</u>	<u>3,902,059</u>	<u>49</u>	<u>2,948,790</u>	<u>43</u>
	Non-current liabilities							
2540	Long-term loans	6(11) and8	223,179	3	336,414	4	457,597	7
2570	Deferred income tax liabilities		131,826	2	155,942	2	119,794	2
2580	Lease liabilities-non-current		221,998	3	227,239	3	239,310	3
2600	Other non-current liabilities		31,102	-	32,938	1	43,981	-
25XX	Non-current liabilities		<u>608,105</u>	<u>8</u>	<u>752,533</u>	<u>10</u>	<u>860,682</u>	<u>12</u>
2XXX	Total Liabilities		<u>4,294,094</u>	<u>58</u>	<u>4,654,592</u>	<u>59</u>	<u>3,809,472</u>	<u>55</u>
	Equity attributable to owners of parent company							
	Share capital	6(14)						
3110	Share capital-common stock		1,651,361	22	1,651,361	21	1,651,361	24
	Capital surplus	6(15)						
3200	Capital surplus		267,824	3	267,824	3	226,704	3
	Retained earnings	6(16)						
3310	Legal reserve		186,625	3	186,625	2	163,550	2
3320	Special reserve		111,147	2	111,147	1	111,147	2
3350	Unappropriated retained earnings		203,997	3	459,677	6	419,308	6
	Other equity interest	6(17)						
3400	Other equity interest		152,185	2	(3,888)	-	69,661	1
3500	Treasury shares	6(14)	(30,254)	-	(30,254)	-	(81,555)	(1)
31XX	Equity attributable to owners of the parent company		<u>2,542,885</u>	<u>35</u>	<u>2,642,492</u>	<u>33</u>	<u>2,560,176</u>	<u>37</u>
36XX	Non-controlling interest	4(3)	<u>526,904</u>	<u>7</u>	<u>599,277</u>	<u>8</u>	<u>510,498</u>	<u>8</u>
3XXX	Total equity		<u>3,069,789</u>	<u>42</u>	<u>3,241,769</u>	<u>41</u>	<u>3,070,674</u>	<u>45</u>
	Contingent liabilities and unrecognized contract commitments	9						
3X2X	Total liabilities and equity		<u>\$ 7,363,883</u>	<u>100</u>	<u>\$ 7,896,361</u>	<u>100</u>	<u>\$ 6,880,146</u>	<u>100</u>

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

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

Items	Notes	Three-month periods ended March 31				
		2023		2022		
		AMOUNT	%	AMOUNT	%	
4000	Operating revenue	6(18) and 7	\$ 737,986	100	\$ 1,094,735	100
5000	Operating costs	6(5)(23)(24) and 7	(515,329)	(70)	(756,551)	(69)
5900	Net operating margin		<u>222,657</u>	<u>30</u>	<u>338,184</u>	<u>31</u>
	Operating expenses	6(23)(24)				
6100	Selling expenses		(20,329)	(3)	(35,787)	(3)
6200	General and administrative expenses		(78,365)	(11)	(111,501)	(10)
6300	Research and development expenses		(63,159)	(8)	(73,603)	(7)
6450	Expected credit impairment gain (loss)	12(2)	(1,383)	-	17,428	1
6000	Total operating expenses		<u>(163,236)</u>	<u>(22)</u>	<u>(203,463)</u>	<u>(19)</u>
6900	Operating profit		<u>59,421</u>	<u>8</u>	<u>134,721</u>	<u>12</u>
	Non-operating income and expenses					
7100	Interest income	6(19)	2,874	-	2,900	-
7010	Other income	6(20)	15,546	2	17,826	2
7020	Other gains and losses	6(21)	(10,844)	(1)	38,864	3
7050	Finance costs	6(22)	(9,785)	(1)	(4,826)	-
7000	Total non-operating income and expenses		<u>(2,209)</u>	<u>-</u>	<u>54,764</u>	<u>5</u>
7900	Profit before tax		<u>57,212</u>	<u>8</u>	<u>189,485</u>	<u>17</u>
7950	Income tax expense	6(25)	(15,423)	(2)	(43,950)	(4)
8200	Profit for the period		<u>\$ 41,789</u>	<u>6</u>	<u>\$ 145,535</u>	<u>13</u>
	Other comprehensive income for the period	6(17)				
	Items that will not be reclassified subsequently to profit or loss:					
8316	Unrealized loss on investments in equity instruments at fair value through other comprehensive income	6(2)	\$ 163,764	22	(\$ 22,944)	(2)
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(25)	(3,430)	(1)	2,613	-
8310	Items that will not be reclassified subsequently to profit or loss:		<u>160,334</u>	<u>21</u>	<u>(20,331)</u>	<u>(2)</u>
	Components of other comprehensive income that will be reclassified to profit or loss					
8361	Cumulative translation differences of foreign operations	6(17)	5,666	1	37,151	4
8360	Summary of Components of other comprehensive income that will be reclassified to profit or loss		<u>5,666</u>	<u>1</u>	<u>37,151</u>	<u>4</u>
8300	Other comprehensive income (loss) for the period		<u>\$ 166,000</u>	<u>22</u>	<u>\$ 16,820</u>	<u>2</u>
8500	Total comprehensive income for the period		<u>\$ 207,789</u>	<u>28</u>	<u>\$ 162,355</u>	<u>15</u>
	Profit attributable to:					
8610	Equity holders of the parent company		\$ 38,552	5	\$ 108,689	10
8620	Non-controlling interest		3,237	1	36,846	3
	Profit for the period		<u>\$ 41,789</u>	<u>6</u>	<u>\$ 145,535</u>	<u>13</u>
	Total comprehensive income attributable to:					
8710	Equity holders of the parent company		\$ 194,625	26	\$ 118,315	11
8720	Non-controlling interest		13,164	2	44,040	4
	Total comprehensive income for the period		<u>\$ 207,789</u>	<u>28</u>	<u>\$ 162,355</u>	<u>15</u>
	Earnings per share (In dollars)					
9750	Basic earnings per share	6(26)	\$ 0.24		\$ 0.68	
9850	Diluted earnings per share	6(26)	\$ 0.23		\$ 0.67	

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

GALLANT PRECISION MACHINING CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE THREE-MONTH PERIODS ENDED MARCH 31, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars)
(UNAUDITED)

Equity attributable to owners of the parent												
		Retained Earnings					Other Equity Interest					
Notes	Share capital- common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Cumulative translation differences of foreign operations	Unrealized gain(Loss) on financial assets at fair value through other comprehensive income	Treasury shares	Total	Non-controlling interest	Total equity	
<u>For the three-month period ended</u>												
<u>March 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	\$ 466,458	\$ 2,908,319
	Profit for the period	-	-	-	-	108,689	-	-	-	108,689	36,846	145,535
	Other comprehensive income for the period	-	-	-	-	-	22,650	(13,024)	-	9,626	7,194	16,820
6(17)	Total comprehensive income for the period	-	-	-	-	108,689	22,650	(13,024)	-	118,315	44,040	162,355
	Balance at March 31, 2022	\$ 1,651,361	\$ 226,704	\$ 163,550	\$ 111,147	\$ 419,308	(\$ 26,769)	\$ 96,430	(\$ 81,555)	\$ 2,560,176	\$ 510,498	\$ 3,070,674
<u>For the three-month period ended</u>												
<u>March 31, 2023</u>												
	Balance at January 1, 2023	\$ 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
	Profit for the period	-	-	-	-	38,552	-	-	-	38,552	3,237	41,789
	Other comprehensive income for the period	-	-	-	-	-	3,443	152,630	-	156,073	9,927	166,000
6(17)	Total comprehensive income for the period	-	-	-	-	38,552	3,443	152,630	-	194,625	13,164	207,789
	Distribution of 2022 earnings:											
6(16)	Cash dividends	-	-	-	-	(294,232)	-	-	-	(294,232)	(85,537)	(379,769)
	Balance at March 31, 2023	\$ 1,651,361	\$ 267,824	\$ 186,625	\$ 111,147	\$ 203,997	(\$ 39,416)	\$ 191,601	(\$ 30,254)	\$ 2,542,885	\$ 526,904	\$ 3,069,789

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

GALLANT PRECISION MACHINING CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Expressed in thousands of New Taiwan dollars)

For the three-month periods ended March 31

	Notes	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before income tax		\$ 57,212	\$ 189,485
Adjustments			
Income and expenses having no effect on cash flow			
Depreciation	6(23)	14,880	14,732
Amortization	6(23)	1,097	1,226
Expected credit loss (Gain)	12(2)	1,383	(17,428)
Interest expense	6(22)	9,785	4,826
Interest income	6(19)	(2,874)	(2,900)
Changes in assets/liabilities relating to operating activities			
Net changes in assets relating to operating activities			
Notes receivable		21,683	18,761
Accounts receivable		567,190	(133,213)
Accounts receivable - related parties		392	41,715
Other receivables		(4,537)	(12,821)
Other receivables - related parties		-	(21)
Inventories		131,677	(213,823)
Prepayments		1,600	1,756
Other current assets		4,464	(5,058)
Other non-current assets		20	448
Net changes in liabilities relating to operating activities			
Contract liabilities		(44,691)	(5,762)
Notes payable		(1,764)	(3,780)
Accounts payable		(574,396)	14,076
Accounts payable - related parties		(251)	(6,350)
Other payables		(157,771)	(26,350)
Provisions for liabilities		(19,591)	1,883
Unearned receipts		(5,747)	(1,300)
Other current liabilities		(1,610)	250
Net defined benefit liabilities		(1,970)	(1,394)
Cash (used in) generated from operations		(3,819)	(141,042)
Interest received		2,536	2,980
Interest paid		(9,365)	(4,783)
Income tax paid		(7,175)	(6,246)
Net cash (used in) provided by operating activities		(17,823)	(149,091)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of financial assets at fair value through other comprehensive income	6(2)	(\$ 169,384)	(\$ 88,081)
Acquisition of financial assets at amortized cost		(142,881)	(23,974)
Proceeds from disposal of financial assets at amortized cost		119,586	86,282
Acquisition of property, plant and equipment	6(27)	(10,113)	(12,902)
Proceeds from disposal of property, plant and equipment		11	-
Acquisition of intangible assets		(1,511)	(320)
Refundable deposits paid		-	(2,130)
Refundable deposits refunded		472	-
Net cash (used in) provided by investing activities		(203,820)	(41,125)
CASH FLOWS FROM FINANCING ACTIVITY			
Proceeds from short-term loans		520,000	336,832
Repayment of short-term loans		(420,000)	(489,216)
Proceeds from long-term loans		-	80,000
Repayment of long-term loans		(13,235)	(6,111)
Repayment of the principal portion of lease liabilities	6(28)	(5,899)	(5,504)
Net cash (used in) provided by financing activities		80,866	(83,999)
Effect of fluctuations in exchange rate		5,127	(734)
Net decrease in cash and cash equivalents		(135,650)	(274,949)
Cash and cash equivalents at beginning of period	6(1)	1,345,746	1,221,566
Cash and cash equivalents at end of period	6(1)	\$ 1,210,096	\$ 946,617

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

GALLANT PRECISION MACHINING CO., LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIODS ENDED MARCH 31, 2023 AND 2022
(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 May 3, 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 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’s financial condition and operating result based on the Group’s assessment.

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

None.

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

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

New Standards, Interpretations and Amendments	Effective Date by International Accounting Standards Board
Amendments to IFRS 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 “Requirements for Sale and Leaseback Transactions”	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 adopted are consistent with Note 4 in the consolidated financial statements for the year ended December 31, 2022, except for the compliance statement, basis of preparations, basis of consolidation and additional policies as set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

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

B. Please refer to the Group’s consolidated financial statements for the year ended December 31, 2022.

(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:

The basis for preparation of consolidated financial statements are consistent with those of the year ended December 31, 2022.

B. Subsidiaries included in the consolidated financial statements:

Name of Investor	Name of subsidiary	Main Business Activities	Percentage of Ownership			Note
			March 31, 2023	December 31, 2022	March 31, 2022	
Gallant Precision Machining Co., Ltd.	Gallant Micro. Machining Co., Ltd.	Manufacturing and selling of semiconductor related equipment and parts	57.19	57.19	59.58	
Gallant Precision Machining Co., Ltd.	Gallant-Rapid Corporation Ltd.	Investing in Gallant Precision Industries (Suzhou) Co., Ltd.	100	100	100	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	100	Note 2
Gallant Micro. Machining Co., Ltd.	King Mechatronics Co., Ltd. (the “KMC”)	Investing in Gallant Micro. Machining (Suzhou) Co., Ltd.	100	100	100	
Gallant Micro. Machining Co., Ltd.	Gallant Micro Machining (Malaysia) Sdn. Bhd.	Engaged in the import and export and trading business of semiconductor machines and related parts	100	100	100	

Name of Investor	Name of subsidiary	Main Business Activities	Percentage of Ownership			Note
			March 31, 2023	December 31, 2022	March 31, 2022	
Gallant Micro. Machining Co., Ltd.	Utron Technologies Corp	Testing of wire and tools and testing equipment of PBC and related systems	53.21	53.21	76.02	Note 1 Note 2
GRC	Gallant Precision Industries (Suzhou) Co., Ltd.	Manufacturing of optoelectronic products equipment, mechanical equipment and related parts	100	100	100	Note 2
KMC	Investing in Gallant Micro. Machining (Suzhou) Co., Ltd.	Manufacturing and selling of precision mold and related parts	100	100	100	
Gallant Precision Industries (Suzhou) Co., Ltd.	Gallant Precision Intelligence Technology Co., Ltd.	Manufacturing of optoelectronic products equipment, mechanical equipment and related parts	60	60	60	Note 2
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	100	Note 2

Note 1: 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.

Note 2: The financial statements of the entity as of March 31, 2023 and 2022 were not reviewed by the independent auditors as the entity did not meet the definition of significant subsidiary.

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

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

E. Significant restrictions: None.

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

As of March 31, 2023, December 31, 2022 and March 31, 2022, the non-controlling interest amounted to \$526,904, \$599,277 and \$510,498, respectively. The information of non-controlling interest and respective subsidiaries is as follows:

Name of subsidiary	Principal place of business	Non-controlling interest					
		March 31, 2023		December 31, 2022		March 31, 2022	
		Amount	Ownership(%)	Amount	Ownership(%)	Amount	Ownership(%)
Gallant Micro. Machining Co., Ltd.	Taiwan	\$ 438,394	42.81	\$ 495,690	42.81	\$ 437,633	40.42

Summarized financial information of the subsidiaries:

Balance sheets

	Gallant Micro. Machining Co., Ltd. and its subsidiaries		
	March 31, 2023	December 31, 2022	March 31, 2022
Current assets	\$ 1,849,568	\$ 1,973,083	\$ 1,788,568
Non-current assets	659,544	644,883	675,429
Current liabilities	(1,189,784)	(1,153,863)	(1,103,970)
Non-current liabilities	(250,389)	(262,121)	(261,859)
Total net assets	<u>\$ 1,068,939</u>	<u>\$ 1,201,982</u>	<u>\$ 1,098,168</u>

Statements of comprehensive income

	Gallant Micro. Machining Co., Ltd. and its subsidiaries	
	For the three-month period ended March 31, 2023	For the three-month period ended March 31, 2022
Revenue	\$ 256,470	\$ 394,270
Profit before income tax	\$ 19,178	\$ 103,354
Income tax expense	(4,665)	(24,005)
Profit for the period from continuing operations	14,513	79,349
Profit for the period	14,513	79,349
Other comprehensive income, net of tax	22,103	12,852
Total comprehensive income for the period	<u>\$ 36,616</u>	<u>\$ 92,201</u>
Comprehensive income attributable to non-controlling interest	<u>\$ 15,332</u>	<u>\$ 37,268</u>
Dividends paid to non-controlling interest	<u>\$ -</u>	<u>\$ -</u>

Statements of cash flows

	Gallant Micro. Machining Co., Ltd. and its subsidiaries	
	For the three-month period ended March 31, 2023	For the three-month period ended March 31, 2022
Net cash provided by (used in) operating activities	\$ 45,066	\$ 50,756
Net cash provided by (used in) investing activities	(6,992)	(4,855)
Net cash provided by (used in) financing activities	12,818	(119,739)
Effect of exchange rates on cash and cash equivalents	948	6,325
Increase (decrease) in cash and cash equivalents	51,840	(67,513)
Cash and cash equivalents, beginning of period	503,709	516,024
Cash and cash equivalents, end of period	<u>\$ 555,549</u>	<u>\$ 448,511</u>

(4) Employee benefits

Pensions

Defined benefit plans

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

(5) Income tax

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

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

There have been no significant change as of March 31, 2023. Please refer to Note 5 in the consolidated financial statements for the year ended December 31, 2022.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	<u>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
Cash on hand and revolving funds	\$ 257	\$ 270	\$ 269
Checking accounts	26	26	26
Demand deposits	1,209,813	1,345,450	946,322
Total	<u>\$ 1,210,096</u>	<u>\$ 1,345,746</u>	<u>\$ 946,617</u>

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

B. Cash and cash equivalents pledged to Customs and others as collateral, and were classified as financial assets at amortised cost-non-current. Please refer to note 8.

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

<u>Items</u>	<u>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
Non-current items:			
Equity instruments			
Listed stocks	\$ 1,094,878	\$ 925,494	\$ 726,421
Non-Listed stocks	111,908	111,908	94,407
Valuation adjustment	277,513	113,749	179,593
Total	<u>\$ 1,484,299</u>	<u>\$ 1,151,151</u>	<u>\$ 1,000,421</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 March 31, 2023, December 31, 2022, and March 31, 2022, the fair value of such investments amounted to \$1,484,299, \$1,151,151 and \$1,000,421, 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>For the three-month period ended March 31, 2023.</u>	<u>For the three-month period ended March 31, 2022.</u>
<u>Equity instruments at fair value through other comprehensive income:</u>		
Fair value change recognised in other comprehensive income	\$ <u>163,764</u>	(\$ <u>22,944</u>)
Dividend income recognized in profit or loss held at end of period	\$ <u>-</u>	\$ <u>-</u>

(3) Financial assets measured at amortized cost

<u>Items</u>	<u>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
Current items:			
Time deposits	\$ 608,716	\$ 586,983	\$ 616,003
Non-current items:			
Time deposits	14,813	14,777	17,687
Total	<u>\$ 623,529</u>	<u>\$ 601,760</u>	<u>\$ 633,690</u>

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

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

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

	<u>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
Notes receivable	\$ 13,996	\$ 35,446	\$ 21,633
Accounts receivable	\$ 2,092,485	\$ 2,657,461	\$ 2,201,261
Accounts receivable - related parties	19,583	19,530	6,033
Less: allowance for bad debts	(296,381)	(294,605)	(190,591)
	<u>\$ 1,815,687</u>	<u>\$ 2,382,386</u>	<u>\$ 2,016,703</u>

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

	March 31, 2023		December 31, 2022	
	Accounts receivable	Notes receivable	Accounts receivable	Notes receivable
Not past due	\$ 1,455,091	\$ 13,996	\$ 1,906,654	\$ 35,446
0 to 90 days	194,441	-	359,366	-
91 to 120 days	51,030	-	29,146	-
Over 120 days	411,506	-	381,825	-
	<u>\$ 2,112,068</u>	<u>\$ 13,996</u>	<u>\$ 2,676,991</u>	<u>\$ 35,446</u>

	March 31, 2022	
	Accounts receivable	Notes receivable
Not past due	\$ 1,777,123	\$ 21,633
0 to 90 days	194,183	-
91 to 120 days	32,627	-
Over 120 days	203,361	-
	<u>\$ 2,207,294</u>	<u>\$ 21,633</u>

The above ageing analysis was based on past due date.

B. As at March 31, 2023, December 31, 2022, March 31, 2022, and January 1, 2022, the balances of receivables from contracts with customers amounted to \$2,126,064, \$2,712,437, \$2,228,927 and \$2,136,485, respectively.

C. As at March 31, 2023, December 31, 2022, and March 31, 2022, 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 \$13,996, \$35,446 and \$21,633, \$1,815,687, \$2,382,386 and \$2,016,703, 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

	March 31, 2023		
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 296,882	(\$ 32,276)	\$ 264,606
Work in process	756,592	(192,628)	563,964
Finished goods	211,920	(91,525)	120,395
Inventory in transit	6,559	-	6,559
Total	<u>\$ 1,271,953</u>	<u>(\$ 316,429)</u>	<u>\$ 955,524</u>

December 31, 2022			
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 281,324	(\$ 31,414)	\$ 249,910
Work in process	834,539	(174,632)	659,907
Finished goods	256,772	(90,978)	165,794
Inventory in transit	10,785	-	10,785
Total	\$ 1,383,420	(\$ 297,024)	\$ 1,086,396

March 31, 2022			
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 232,424	(\$ 27,800)	\$ 204,624
Work in process	798,557	(96,638)	701,919
Finished goods	188,738	(91,833)	96,905
Inventory in transit	15,679	-	15,679
Total	\$ 1,235,398	(\$ 216,271)	\$ 1,019,127

The cost of inventories recognized as expense for the period:

	For the three-month period ended March 31, 2023	For the three-month period ended March 31, 2022
Cost of goods sold	\$ 495,990	\$ 764,174
Loss on decline in market value (gain on reversal of market value)	19,339 (7,623)
	\$ 515,329	\$ 756,551

For the three-month period ended March 31, 2022, the Group reversed from a previous inventory write-down and accounted for as reduction of cost of goods sold because of disposal and sold inventory.

(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, 2023								
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>
2023								
Opening net book amount as at January 1	\$ 134,686	\$ 424,614	\$ 72,067	\$ 11,521	\$ 45,462	\$ 36,262	\$ 1,854	\$ 726,466
Additions	-	-	3,649	2,436	-	-	2,762	8,847
Disposals	-	-	- (11)	-	-	-	- (11)	
Reclassifications	-	-	-	4,359	-	- (4,359)	-	
Depreciation charge	- (3,086)	(2,251)	(1,491)	(322)	(1,625)	-	(8,775)	
Net exchange differences	- (14)	65	3	-	161	13	228	
Closing net book amount as at March 31	<u>\$ 134,686</u>	<u>\$ 421,514</u>	<u>\$ 73,530</u>	<u>\$ 16,817</u>	<u>\$ 45,140</u>	<u>\$ 34,798</u>	<u>\$ 270</u>	<u>\$ 726,755</u>
At March, 31, 2023								
Cost	\$ 134,686	\$ 605,821	\$ 175,175	\$ 37,438	\$ 65,682	\$ 66,037	\$ 270	\$ 1,085,109
Accumulated depreciation and impairment	- (184,307)	(101,645)	(20,621)	(20,542)	(31,239)	-	(358,354)	
	<u>\$ 134,686</u>	<u>\$ 421,514</u>	<u>\$ 73,530</u>	<u>\$ 16,817</u>	<u>\$ 45,140</u>	<u>\$ 34,798</u>	<u>\$ 270</u>	<u>\$ 726,755</u>

	<u>Land</u>	<u>Buildings</u>	<u>Machinery and equipment</u>	<u>Office equipment</u>	<u>Leased assets</u>	<u>Others</u>	<u>Total</u>
At January 1, 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>\$ 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	-	-	219	1,822	-	-	2,041
Depreciation charge	-	(3,050)	(2,034)	(1,718)	(576)	(1,518)	(8,896)
Net exchange differences	-	32	408	138	-	1,237	1,815
Closing net book amount as at March 31	<u>\$ 134,686</u>	<u>\$ 432,406</u>	<u>\$ 72,055</u>	<u>\$ 13,758</u>	<u>\$ 50,238</u>	<u>\$ 38,610</u>	<u>\$ 741,753</u>
At March, 31, 2022							
Cost	\$ 134,686	\$ 604,404	\$ 167,929	\$ 35,573	\$ 70,762	\$ 65,824	\$ 1,079,178
Accumulated depreciation and impairment	-	(171,998)	(95,874)	(21,815)	(20,524)	(27,214)	(337,425)
	<u>\$ 134,686</u>	<u>\$ 432,406</u>	<u>\$ 72,055</u>	<u>\$ 13,758</u>	<u>\$ 50,238</u>	<u>\$ 38,610</u>	<u>\$ 741,753</u>

A. Amount of borrowing costs capitalized as part of property, plant and equipment were \$0 and \$0 for the three month periods ended March 31, 2023 and 2022, respectively.

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

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

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

(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>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
	<u>Carrying amount</u>	<u>Carrying amount</u>	<u>Carrying amount</u>
Land	\$ 195,391	\$ 196,901	\$ 201,280
Buildings	41,603	46,079	53,872
	<u>\$ 236,994</u>	<u>\$ 242,980</u>	<u>\$ 255,152</u>

	<u>For the three-month period</u>	<u>For the three-month period</u>
	<u>ended March 31, 2023</u>	<u>ended March 31, 2022</u>
	<u>Depreciation charge</u>	<u>Depreciation charge</u>
Land	\$ 1,510	\$ 1,508
Buildings	4,595	4,328
	<u>\$ 6,105</u>	<u>\$ 5,836</u>

- D. The additions to right-of-use assets were \$0 and \$2,759 for the three-month periods ended March 31, 2023 and 2022, respectively.
- E. The information on income and expense accounts relating to lease contracts is as follows:

	<u>For the three-month</u>	<u>For the three-month</u>
	<u>period ended March 31,</u>	<u>period ended March 31,</u>
	<u>2023</u>	<u>2022</u>
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 1,174	\$ 1,331
Expense on short-term lease contracts	3,430	3,668
Expense on leases of low-value assets	163	115

- F. The Group's total cash outflow for leases were \$10,666 and \$10,618 for the three-month periods ended March 31, 2023 and 2022, 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	March 31, 2023	Interest rate range	Collateral
Unsecured Banking Loan	\$ 1,413,000	1.48%~2.08%	None
Type of borrowings	December 31, 2022	Interest rate range	Collateral
Unsecured Banking Loan	\$ 1,313,000	1.24%~1.87%	None
Type of borrowings	March 31, 2022	Interest rate range	Collateral
Unsecured Banking Loan	\$ 848,181	0.82%~1.88%	None

(9) Accounts payable

	March 31, 2023	December 31, 2022	March 31, 2022
Accounts payable	\$ 674,668	\$ 1,214,387	\$ 1,058,896
Estimated accounts payable	116,110	150,340	198,843
	<u>\$ 790,778</u>	<u>\$ 1,364,727</u>	<u>\$ 1,257,739</u>

(10) Others accounts payable

	March 31, 2023	December 31, 2022	March 31, 2022
Accrued salaries	\$ 145,790	\$ 268,598	\$ 154,334
Accrued employees' bonuses and directors' remuneration	131,119	130,863	99,517
Payables on equipment - Fixed assets	1,365	2,631	964
Payables on equipment - Intangible assets	-	938	164
Dividends payable	366,860	-	-
Others	74,088	95,475	110,190
	<u>\$ 719,222</u>	<u>\$ 498,505</u>	<u>\$ 365,169</u>

(11) Long-term borrowings

Type of borrowings	Borrowing period and repayment term	Interest rate range	Collateral	March 31,2023
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.	1.91%	Note	\$ 170,000
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).	1.64%	Note	100,000

<u>Type of borrowings</u>	<u>Borrowing period and repayment term</u>	<u>Interest rate range</u>	<u>Collateral</u>	<u>March 31,2023</u>
Mortgage borrowings	Borrowing period is from June 14, 2017 to June 14, 2032; interest is repayable monthly and principal is repayable monthly through June, 2018 to June, 2032.	1.85%	Note	56,822
Mortgage borrowings	Borrowing period is from December 8, 2022 to June 8, 2030; The principal is repayable every 3 months in 30 installments.	2.22%	Note	49,300
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.	1.84%	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.	1.84%	None	\$ 60,000
				516,122
Less: current portion				(292,943)
				<u>\$ 223,179</u>

<u>Type of borrowings</u>	<u>Borrowing period and repayment term</u>	<u>Interest rate range</u>	<u>Collateral</u>	<u>December 31, 2022</u>
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

<u>Type of borrowings</u>	<u>Borrowing period and repayment term</u>	<u>Interest rate range</u>	<u>Collateral</u>	<u>December 31, 2022</u>
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
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	<u>\$ 60,000</u>
				529,357
Less: current portion				<u>(192,943)</u>
				<u>\$ 336,414</u>

<u>Type of borrowings</u>	<u>Borrowing period and repayment term</u>	<u>Interest rate range</u>	<u>Collateral</u>	<u>March 31,2022</u>
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	62,965
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	2,875
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	56,100
Unsecured borrowings	The mortgage 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.	0.91%	Note	<u>80,000</u>
				501,940
Less: current portion				<u>(44,343)</u>
				<u>\$ 457,597</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%, respectively 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.

The analysis of the present value of the defined benefit obligations affected by changes in the main actuarial assumptions adopted is as follows:

- (b) For the aforementioned pension plan, the Group recognized pension costs of \$66 and \$135 for the three month periods ended March 31, 2023 and 2022, respectively.
- (c) Expected contributions to the defined benefit pension plans of the Group for the year ended December 31, 2023 are \$7,071.
- B. (a) Effective July 1, 2005, the Company and its domestic subsidiaries 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 three month periods ended March 31, 2023 and 2022 were \$11,336 and \$10,224, respectively.

(13) Share-based payment

- A. For the three-month periods ended March 31, 2023, the Group's share-based payment arrangements were as follows:

<u>Type of arrangement</u>	<u>Grant date</u>	<u>Quantity granted (shares in thousands)</u>	<u>Contract period</u>	<u>Vesting contiditions</u>
Treasury stock transferred to employees	2022.8.9	2,839	-	Immediately
Treasury stock transferred to employees	2022.8.19	1,135	-	Immediately

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

<u>Type of arrangement</u>	<u>Grant date</u>	<u>Stock price</u>	<u>Exercise price</u>	<u>Compensation cost per unit</u>
Treasury stock transferred to employees	2022.8.9	25.35	18.07	7.28
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

C. Expenses arising from share-based payment transactions :

	<u>For the three-month period ended March 31, 2023</u>	<u>For the three-month period ended March 31, 2022</u>
Equity settled	\$ -	-

(14) Share capital

A. As of March 31, 2023, 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	
	<u>2023</u>	<u>2022</u>
At January 1 (At March 31)	<u>163,462</u>	<u>160,623</u>

B. On March 24, 2020, the Board of directors resolved to acquire 6,000 thousand shares of the Company. All the acquired shares will be reissued to employees. As of March 31, 2023, the Company has acquired 6000 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 March 31, 2023	
<u>Name of company holding the shares</u>	<u>Reason for reacquisition</u>	<u>Number of shares</u>	<u>Carrying amount</u>
The Company	To be reissued to employees	1,674	\$ 30,254

		<u>December 31, 2022</u>	
<u>Name of company holding the shares</u>	<u>Reason for reacquisition</u>	<u>Number of shares</u>	<u>Carrying amount</u>
The Company	To be reissued to employees	1,674	\$ 30,254

		<u>March 31, 2022</u>	
<u>Name of company holding the shares</u>	<u>Reason for reacquisition</u>	<u>Number of shares</u>	<u>Carrying amount</u>
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.

(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:

	<u>Share premium</u>	<u>Treasury share transactions</u>	<u>Difference between consideration and carrying amount of subsidiaries acquired or disposed</u>	<u>Net change in equity of subsidiaries</u>	<u>Employee stock option</u>	<u>Total</u>
At January 1, 2023 and At March 31, 2023	<u>\$ 111,105</u>	<u>\$ 74,714</u>	<u>\$ 11,750</u>	<u>\$ 65,809</u>	<u>\$ 4,446</u>	<u>\$ 267,824</u>
	<u>Share premium</u>	<u>Treasury share transactions</u>	<u>Difference between consideration and carrying amount of subsidiaries acquired or disposed</u>	<u>Net change in equity of associates</u>	<u>Employee stock option</u>	<u>Total</u>
At January 1, 2022 and At March 31, 2022	<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) The aforementioned special surplus reserve were reversed amounting to \$21,840 due to liquidation of subsidiaries for year ended December 31, 2021.
- D. On February 22, 2023 and on June 8, 2022, the Board of directors proposed to distribute earnings for 2022 and the shareholders resolved that total dividends for the distribution of earnings for the year of 2021 was as following:

	2022		2021	
	Amount	Earnings per share(In dollars)	Amount	Earnings per share(In dollars)
Legal reserve	\$ 39,700	\$ -	\$ 23,075	\$ -
Cash dividends	294,232	1.800	224,872	1.400
Total	<u>\$ 333,932</u>	<u>\$ 1.800</u>	<u>\$ 247,947</u>	<u>\$ 1.400</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).

(17) Other equity items

	2023		
	Unrealised gains (losses) on financial assets at fair value through other comprehensive income	Currency translation	Total
At January 1	\$ 38,971	(\$ 42,859)	(\$ 3,888)
Revaluation - group	153,331	-	153,331
Revaluation - tax	(701)	-	(701)
Currency translation differences:			
- group	-	3,443	3,443
At March 31	<u>\$ 191,601</u>	<u>(\$ 39,416)</u>	<u>\$ 152,185</u>

	2022		
	Unrealised gains (losses) on financial assets at fair value through other comprehensive income	Currency translation	Total
At January 1	\$ 109,454	(\$ 49,419)	\$ 60,035
Revaluation - group	(12,956)	-	(12,956)
Revaluation - tax	(68)	-	(68)
Currency translation differences:- group	-	22,650	22,650
At March 31	<u>\$ 96,430</u>	<u>(\$ 26,769)</u>	<u>\$ 69,661</u>

(18) Operating revenue

	For the three-month period ended March 31, 2023	For the three-month period ended March 31, 2022
Revenue from Contracts with Customers	<u>\$ 737,986</u>	<u>\$ 1,094,735</u>

A. Disaggregation of revenue from contracts with customers

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

For the three-month period ended March 31, 2023	Taiwan	China	Other	Total
Total segment revenue	\$ 544,063	\$ 149,448	\$ 71,955	\$ 765,466
Inter-segment revenue	(14,830)	(12,643)	(7)	(27,480)
Revenue from external customer contracts	<u>\$ 529,233</u>	<u>\$ 136,805</u>	<u>\$ 71,948</u>	<u>\$ 737,986</u>
Timing of revenue recognition				
At a point in time	\$ 522,156	\$ 135,966	\$ 71,743	\$ 729,865
Over time	7,077	839	205	8,121
	<u>\$ 529,233</u>	<u>\$ 136,805</u>	<u>\$ 71,948</u>	<u>\$ 737,986</u>

For the three-month period ended March 31, 2022	Taiwan	China	Other	Total
Total segment revenue	\$ 462,948	\$ 731,488	\$ 6,175	\$ 1,200,611
Inter-segment revenue	(31,655)	(74,206)	(15)	(105,876)
Revenue from external customer contracts	<u>\$ 431,293</u>	<u>\$ 657,282</u>	<u>\$ 6,160</u>	<u>\$ 1,094,735</u>
Timing of revenue recognition				
At a point in time	\$ 426,857	\$ 657,245	\$ 6,091	\$ 1,090,193
Over time	4,436	37	69	4,542
	<u>\$ 431,293</u>	<u>\$ 657,282</u>	<u>\$ 6,160</u>	<u>\$ 1,094,735</u>

B. Contract liabilities

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

	<u>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>	<u>January 1, 2022</u>
Contract liabilities	\$ 297,141	\$ 341,753	\$ 217,546	\$ 222,518

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

	<u>For the three-month period ended March 31, 2023</u>	<u>For the three-month period ended March 31, 2022</u>
Revenue recognized that was included in the contract liability balance at the beginning of the period	\$ 86,228	\$ 113,755

(19) Interest income

	<u>For the three-month period ended March 31, 2023</u>	<u>For the three-month period ended March 31, 2022</u>
Interest income from bank deposits	\$ 2,874	\$ 2,900

(20) Other income

	<u>For the three-month period ended March 31, 2023</u>	<u>For the three-month period ended March 31, 2022</u>
Rental revenue	\$ 6,172	\$ 6,725
Government subsidy income (Note)	6,673	6,332
Others income - others	2,701	4,769
	<u>\$ 15,546</u>	<u>\$ 17,826</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

	<u>For the three-month period ended March 31, 2023</u>	<u>For the three-month period ended March 31, 2022</u>
Net currency exchange (losses) gains	(\$ 9,821)	\$ 40,128
Other gains and losses	(1,023)	(1,264)
	<u>(\$ 10,844)</u>	<u>\$ 38,864</u>

(22) Finance costs

	<u>For the three-month period ended March 31, 2023</u>	<u>For the three-month period ended March 31, 2022</u>
Interest expense	\$ 9,785	\$ 4,826

(23) Expenses by nature

	<u>For the three-month period ended March 31, 2023</u>	<u>For the three-month period ended March 31, 2022</u>
Employee benefit expense	\$ 218,528	\$ 257,776
Depreciation charges	\$ 14,880	\$ 14,732
Amortization charges on intangible assets	\$ 1,097	\$ 1,226

(24) Employee benefit expense

	<u>For the three-month period ended March 31, 2023</u>	<u>For the three-month period ended March 31, 2022</u>
Wages and salaries	\$ 181,104	\$ 222,873
Labour and health insurance fees	18,629	16,749
Pension costs	11,402	10,359
Other personnel expenses	7,393	7,795
	<u>\$ 218,528</u>	<u>\$ 257,776</u>

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

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

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

- B. For the periods ended March 31, 2023 and 2022, employees' compensation was accrued at \$5,225 and \$12,729, respectively; directors' and supervisors' remuneration was accrued at \$0 and \$76, respectively.

For the period ended March 31, 2023, employees' compensation and directors' and supervisors' remuneration were accrued based on the profit at 9.65% and 0%, respectively.

The employees' compensation of \$59,917 and directors' and supervisors' remuneration of \$10,155 for 2022 as resolved by the meeting of Board of Directors on February 22, 2023 were in agreement with those amounts recognized in the 2022 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:

	<u>For the three-month period ended March 31, 2023</u>	<u>For the three-month period ended March 31, 2022</u>
Current tax:		
Current tax on profits for the period	\$ 18,276	\$ 32,761
Prior year income tax (over) underestimate	-	5,122
Total current tax	<u>18,276</u>	<u>37,883</u>

(27) Supplemental cash flow information

Investing activities with partial cash payments

	For the three-month period ended March 31, 2023	For the three-month period ended March 31, 2022
Purchase of property, plant and equipment	\$ 8,847	\$ 2,041
Add: opening balance of payable on equipment	2,631	11,825
Less: ending balance of payable on equipment	(1,365)	(964)
Cash paid during the year	<u>\$ 10,113</u>	<u>\$ 12,902</u>

(28) Changes in liabilities from financing activities

	Short-term borrowings	Long-term borrowings (including current portion)	Guarantee deposits received	Leases liabilities	Liabilities from financing activities-gross
At January 1, 2023	\$ 1,313,000	\$ 529,357	\$ 4,087	\$ 250,561	\$ 2,097,005
Changes in cash flow from financing activities	100,000	(13,235)	-	(5,899)	80,866
Interest expense	-	-	-	1,174	1,174
Payment of interest	-	-	-	(1,174)	(1,174)
Changes in other non-cash items	-	-	-	121	121
New lease	-	-	-	-	-
At March 31, 2023	<u>\$ 1,413,000</u>	<u>\$ 516,122</u>	<u>\$ 4,087</u>	<u>\$ 244,783</u>	<u>\$ 2,177,992</u>

	Short-term borrowings	Long-term borrowings (including current portion)	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	(152,384)	73,890	-	(5,504)	(83,998)
Interest expense	-	-	-	1,331	1,331
Payment of interest	-	-	-	(1,331)	(1,331)
Changes in other non-cash items	-	-	-	1,264	1,264
Charges in lease liabilities	-	-	-	2,759	2,759
At March 31, 2022	<u>\$ 848,181</u>	<u>\$ 501,940</u>	<u>\$ 3,614</u>	<u>\$ 261,615</u>	<u>\$ 1,615,350</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:

	<u>For the three-month period ended March 31, 2023</u>	<u>For the three-month period ended March 31, 2022</u>
Sales of goods:		
Associate	\$ <u>10,628</u>	\$ <u>36</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:

	<u>For the three-month period ended March 31, 2023</u>	<u>For the three-month period ended March 31, 2022</u>
Purchases of goods:		
Substantive related party	\$ <u>4</u>	\$ <u>7,652</u>

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

C. Receivables from related parties:

	<u>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
Accounts receivable:			
Associates	\$ 19,583	\$ 19,530	\$ 4,899
Substantive related party	<u>-</u>	<u>-</u>	<u>1,134</u>
Subtotal	<u>\$ 19,583</u>	<u>\$ 19,530</u>	<u>\$ 6,033</u>
Other accounts receivable:			
Associates	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 21</u>

D. Payables to related parties:

	<u>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
Accounts payable:			
Substantive related party	<u>\$ 11</u>	<u>\$ 66</u>	<u>\$ 6,780</u>

(3) Key management compensation

	<u>For the three-month period ended March 31, 2023</u>	<u>For the three-month period ended March 31, 2022</u>
Payroll and Salaries and other short-term employee benefits	\$ 11,869	\$ 12,031
Post-employment benefits	<u>229</u>	<u>377</u>
Total	<u>\$ 12,098</u>	<u>\$ 12,408</u>

8. PLEGDED ASSETS

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

<u>Pledged asset</u>	<u>Book value</u>			<u>Purpose</u>
	<u>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>	
Time deposits (shown as "financial assets at amortised cost non-current")	\$ 14,813	\$ 14,777	\$ 17,687	Exercise guarantee for construction and customs deposit
Property, plant and equipment	470,345	473,044	509,286	Long-term borrowings
	<u>\$ 485,158</u>	<u>\$ 487,821</u>	<u>\$ 526,973</u>	

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

Contingent liabilities

As of March 31, 2023 and December 31, 2022 and March 31, 2022, the bank open a guarantee letter for the Company due to business tender and guarantee for construction amounting to \$49,612, \$45,648 and \$15,303, respectively.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

None.

12. OTHERS

(1) Capital management

No significant change was made during the three-month period ended March 31, 2023. For more information, please refer to note 12 in the Group's consolidated financial statements for the year ended December 31, 2022.

(2) Financial instruments

A. Financial instruments by category

	<u>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
<u>Financial assets</u>			
Financial assets measured at fair value through profit or loss			
Financial assets at fair value through other comprehensive income	\$ 1,484,299	\$ 1,151,151	\$ 1,000,421
Financial assets at amortised cost/Loans and receivables			
Cash and cash equivalents	1,210,096	1,345,746	946,617
Financial assets at amortised cost	623,529	601,760	633,690
Notes receivables	13,996	35,446	21,633
Accounts receivables (related party)	1,815,687	2,382,386	2,016,703
Other accounts receivables	8,306	3,431	17,005
Guarantee deposits paid	8,096	8,551	9,291
	<u>\$ 5,164,009</u>	<u>\$ 5,528,471</u>	<u>\$ 4,645,360</u>

	<u>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
<u>Financial liabilities</u>			
Financial liabilities at amortised cost			
Short-term borrowings	\$ 1,413,000	\$ 1,313,000	\$ 848,181
Notes payable	-	1,764	4,903
Accounts payable (related party)	790,789	1,364,793	1,264,519
Other accounts payable (related party)	719,222	498,505	365,169
Long-term borrowings (including current portion)	516,122	529,357	501,940
Guarantee deposits received	4,087	4,087	3,614
	<u>\$ 3,443,220</u>	<u>\$ 3,711,506</u>	<u>\$ 2,988,326</u>
Leases liabilities	<u>\$ 244,783</u>	<u>\$ 250,561</u>	<u>\$ 261,615</u>

B. Financial risk management policies

No significant change was made during the three-month period ended March 31, 2023. For more information, please refer to note 12 in the Group's consolidated financial statements for the year ended December 31, 2022.

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:

	<u>March 31, 2023</u>		
	<u>Foreign currency amount</u> <u>(In thousands)</u>	<u>Exchange rate</u>	<u>Book value</u> <u>(NTD)</u>
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 36,189	30.45	\$ 1,101,944
JPY:NTD	198,639	0.2288	45,449
RMB:NTD	48,574	4.431	215,231
USD: RMB	1,341	6.872	40,821
<u>Non-monetary items</u>			
USD:NTD	\$ 6,356	30.45	\$ 193,553
<u>Financial liability</u>			
<u>Monetary items</u>			
USD:NTD	\$ 2,460	30.45	\$ 74,898
JPY:NTD	45,675	0.2288	10,450
RMB:NTD	4,948	4.431	21,924
<u>Non-monetary items</u> : None			

		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 :None</u>				

		March 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	\$	55,999	28.63	\$ 1,602,960
JPY:NTD		112,448	0.2353	26,468
RMB:NTD		43,549	4.506	196,233
USD: RMB		1,318	6.3526	37,729
<u>Non-monetary items</u>				
USD:NTD	\$	6,993	28.63	\$ 200,178
<u>Financial liability</u>				
<u>Monetary items</u>				
USD:NTD	\$	11,239	28.63	\$ 321,719
JPY:NTD		187,187	0.2353	44,045
RMB:NTD		10,946	4.506	49,325
<u>Non-monetary items :None</u>				

- ii . Total exchange loss, including realized and unrealized arising from significant foreign exchange variation on the monetary items held by the Group for the three-month periods ended March 31, 2023 and 2022, amounted to (\$9,821) and \$40,128, respectively.
- iii. Analysis of foreign currency market risk arising from significant foreign exchange variation:

		For the three-month period ended March 31, 2023		
		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%	\$	11,019	\$ -
JPY:NTD	1%		454	-
RMB:NTD	1%		2,152	-
USD: RMB	1%		408	-
<u>Non-monetary items</u>				
USD:NTD	1%		-	1,936
<u>Financial liability</u>				
<u>Monetary items</u>				
USD:NTD	1%	(\$	749)	\$ -
JPY:NTD	1%	(105)	-
RMB:NTD	1%	(219)	-

		For the three-month period ended March 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%	\$	16,030	\$ -
JPY:NTD	1%		265	-
RMB:NTD	1%		1,962	-
USD: RMB	1%		377	-
<u>Non-monetary items</u>				
USD:NTD	1%		-	2,002
<u>Financial liability</u>				
<u>Monetary items</u>				
USD:NTD	1%	(\$	3,217)	\$ -
JPY:NTD	1%	(440)	-
RMB:NTD	1%	(493)	-

Price risk

- i. The Group's equity securities, which are exposed to price risk, are the held financial assets at fair value through profit or loss, and financial assets at fair value through other comprehensive income and available-for-sale financial assets. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.
- ii. The Group's investments in equity securities comprise shares issued by the domestic and foreign 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 three-month periods ended March 31, 2023 and 2022 would have increased/decreased by \$14,843 and \$10,004, 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 periods ended March 31, 2023 and 2022, the Group's borrowings at variable rate were denominated in the NTD, JPY ,USD. If the interest rate had increased/decreased by 1%, the amount of cash flow out for the three-month periods ended March 31, 2023 and 2022 would have increased/decreased by \$9,761 and \$8,166, respectively.

(b) Credit risk

- i. Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms, and the contract cash flows of debt instruments stated at amortised cost, at fair value through profit or loss and at fair value through other comprehensive income.
- ii. The Group manages their credit risk taking into consideration the entire group's concern. For banks and financial institutions, only independently rated parties with a minimum rating of 'A' are accepted. According to the Group's credit policy, each local entity in the Group is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilisation of credit limits is regularly monitored.
- iii. The Group adopts the assumptions under IFRS 9, the default occurs when the contract payments are past due.
- iv. The Group adopts following assumptions under IFRS 9 to assess whether there has been a significant increase in credit risk on that instrument since initial recognition:
If the contract payments were past due over 30 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition.
- v. The following indicators are used to determine whether the credit impairment of debt instruments has occurred:
 - (i) It becomes probable that the issuer will enter bankruptcy or other financial reorganization due to their financial difficulties;
 - (ii) The disappearance of an active market for that financial asset because of financial difficulties;
 - (iii) Default or delinquency in interest or principal repayments;
 - (iv) Adverse changes in national or regional economic conditions that are expected to cause a default.
- vi. The Group classifies customer's accounts receivable, in accordance with credit rating of

customer. The Group applies the simplified approach using provision matrix, loss rate methodology to estimate expected credit loss under the provision matrix basis.

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

viii. The Group used the forecastability of Panel industry research report to adjust historical and timely information to assess the default possibility of accounts receivable. The provision matrix as of March 31, 2023, December 31, 2022 and March 31, 2022 is as follows:

March 31, 2023	Not past due	Between 0 -90 days past due	Between 91 -120 days past due	Between 120 days past due	Total
Expected loss rate	0.00%-0.74%	0.00%-26.7%	0.01%-30.92%	0.02%-100%	
Total book value	\$ 1,455,091	\$ 194,441	\$ 51,030	\$ 411,506	\$2,112,068
Loss allowance	\$ 8,475	\$ 18,101	\$ 2,458	\$ 267,347	\$ 296,381

December 31, 2022	Not past due	Between 0 -90 days past due	Between 91 -120 days past due	Between 120 days past due	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

March 31, 2022	Not past due	Between 0 -90 days past due	Between 91 -120 days past due	Between 120 days past due	Total
Expected loss rate	0.00%-0.67%	0.00%-21.30%	0.01%-24.33%	0.02%-100%	
Total book value	\$ 1,777,123	\$ 194,183	\$ 32,627	\$ 203,361	\$2,207,294
Loss allowance	\$ 10,728	\$ 15,781	\$ 7,154	\$ 156,928	\$ 190,591

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

	For the three-month period ended March 31, 2023
	<u>Accounts receivable</u>
At January 1	\$ 294,605
Provision for impairment	1,383
Effect of foreign exchange	393
At March 31	<u>\$ 296,381</u>
	<u>For the three-month period ended March 31, 2022</u>
	<u>Accounts receivable</u>
At January 1	\$ 207,192
Reversal of impairment loss	(17,428)
Effect of foreign exchange	827
At March 31	<u>\$ 190,591</u>

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

March 31, 2023				
	By Geographic	Lifetime		Total
		Significant increase in credit risk	Impairment of credit	
Financial assets at amortised cost				
Group 1	\$ 156,883	\$ -	\$ -	\$ 156,883
Group 2	451,225	-	-	451,225
Group 3	15,421	-	-	15,421
	<u>\$ 623,529</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 623,529</u>
December 31, 2022				
	By Geographic	Lifetime		Total
		Significant increase in credit risk	Impairment of credit	
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>
March 31, 2022				
	By Geographic	Lifetime		Total
		Significant increase in credit risk	Impairment of credit	
Financial assets at amortised cost				
Group 1	\$ 128,277	\$ -	\$ -	\$ 128,277
Group 2	490,875	-	-	490,875
Group 3	14,538	-	-	14,538
	<u>\$ 633,690</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 633,690</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 financial assets at amortised cost (the period of time deposits are between 3 and 12 months), choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient head-room as determined by the above-mentioned forecasts. As at March 31, 2023, December 31, 2022 and March 31, 2022, the Group held money market position of \$1,818,529, \$1,932,433 and \$1,562,325, respectively, that are expected to readily

generate cash inflows for managing liquidity risk.

iii. The Company has the following undrawn borrowing facilities:

	<u>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
Floating rate:			
Expiring within one year	\$ 2,208,800	\$ 1,972,960	\$ 2,346,319
Expiring beyond one year	5,100	3,400	5,100
	<u>\$ 2,213,900</u>	<u>\$ 1,976,360</u>	<u>\$ 2,351,419</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:

March 31, 2023	<u>Less than 3 months</u>	<u>3 months and 1 year</u>	<u>Between 1 and 2 years</u>	<u>Between 2 and 5 years</u>	<u>Over 5 years</u>
Short-term borrowings	\$ 1,103,000	\$ 310,000	\$ -	\$ -	\$ -
Accounts payable (related party)	372,637	103,163	314,989	-	-
Other payables	208,387	510,781	54	-	-
Leases liabilities	7,071	20,172	24,312	34,071	220,145
Long-term borrowings (including current portion)	75,410	224,596	56,732	134,013	42,811

Non-derivative financial liabilities:

December 31, 2022	<u>Less than 3 months</u>	<u>3 months and 1 year</u>	<u>Between 1 and 2 years</u>	<u>Between 2 and 5 years</u>	<u>Over 5 years</u>
Short-term borrowings	\$ 1,053,000	\$ 260,000	\$ -	\$ -	\$ -
Notes payable	1,764	-	-	-	-
Accounts payable (related party)	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:

March 31, 2022	<u>Less than 3 months</u>	<u>3 months and 1 year</u>	<u>Between 1 and 2 years</u>	<u>Between 2 and 5 years</u>	<u>Over 5 years</u>
Short-term borrowings	\$ 568,181	\$ 280,000	\$ -	\$ -	\$ -
Notes payable	4,253	650	-	-	-
Accounts payable (related party)	749,781	191,893	322,845	-	-
Other payables	227,934	137,235	-	-	-
Leases liabilities	6,852	20,581	26,424	45,655	228,017
Long-term borrowings (including current portion)	4,525	44,270	228,481	183,832	57,632

(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, 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, deposit account (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:

March 31, 2023	<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>\$1,228,624</u>	<u>\$ -</u>	<u>\$ 255,675</u>	<u>\$ 1,484,299</u>
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>\$ 912,627</u>	<u>\$ -</u>	<u>\$ 238,524</u>	<u>\$ 1,151,151</u>
March 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>\$ 769,396</u>	<u>\$ -</u>	<u>\$ 231,025</u>	<u>\$ 1,000,421</u>

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

i . The instruments the Group used market quoted prices as their fair values (that is, Level 1)

are listed below by characteristics:

- | | Listed shares |
|--|---------------|
| Market quoted price | Closing price |
| <p>ii. Except for financial instruments with active markets, the fair value of other financial instruments is measured by using valuation techniques or by reference to counterparty quotes. The fair value of financial instruments measured by using valuation techniques can be referred to current fair value of instruments with similar terms and characteristics in substance, discounted cash flow method or other valuation methods, including calculated by applying model using market information available at the consolidated balance sheet date (i.e. yield curves on the Taipei Exchange, average commercial paper interest rates quoted from Reuters).</p> | |
| <p>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.</p> | |
| <p>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.</p> | |
| <p>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.</p> | |
| <p>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.</p> | |
| <p>D. For the March 31, 2023, December 31, 2022 and March 31, 2022, there was no transfer into or out from Level 3.</p> | |
| <p>E. The following chart is the financial instruments movement of Level 3 for the three-month periods ended March 31, 2023 and 2022:</p> | |

	For the three-month period ended March 31, 2023	For the three-month period ended March 31, 2022
	equity instrument	equity instrument
At January 1	\$ 238,524	\$ 229,087
Acquired	-	15,000
Gains and losses recognized in other comprehensive income	17,151	(13,062)
At March 31	\$ 255,675	\$ 231,025

- F. For the three-month periods ended March 31, 2023 and 2022, there was no transfer into or out

from Level 3.

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

	<u>March 31, 2023</u>	<u>Valuation technique</u>	<u>Significant unobservable input</u>	<u>Range (weighted average)</u>	<u>Relationship of inputs to fair value</u>
Derivative equity instrument:					
Unlisted shares	\$ 193,553	Market comparable companies	Price to book ratio multiple	6.97~6.95	The higher the multiple, the higher the fair value
			Price earnings ratios multiple	0.22~0.20	
Unlisted shares	62,122	Net asset value	Not applicable	-	Not applicable
	<u>December 31, 2022</u>	<u>Valuation technique</u>	<u>Significant unobservable input</u>	<u>Range (weighted average)</u>	<u>Relationship of inputs to fair value</u>
Derivative equity instrument:					
Unlisted shares	\$ 179,909	Market comparable companies	Price to book ratio multiple	6.53~6.51	The higher the multiple, the higher the fair value
			Price earnings ratios multiple	1.53~1.51	
Unlisted shares	58,615	Net asset value	Not applicable	-	Not applicable
	<u>March 31, 2022</u>	<u>Valuation technique</u>	<u>Significant unobservable input</u>	<u>Range(weighted average)</u>	<u>Relationship of inputs to fair value</u>
Derivative equity instrument:					
Unlisted shares	\$ 200,178	Market comparable companies	Price to book ratio multiple	6.12~6.10	The higher the multiple, the higher the fair value
			Price earnings ratios multiple	1.39~1.37	
Unlisted shares	30,847	Net asset value	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:

		<u>Change</u>	<u>March 31, 2023</u>			
			<u>Recognized in profit or loss</u>		<u>Recognized in other comprehensive income</u>	
			<u>Favourable change</u>	<u>Unfavourable change</u>	<u>Favourable change</u>	<u>Unfavourable change</u>
Financial assets	<u>Input</u>					
Equity instrument	Price to book ratio multiple	±1%	\$ -	\$ -	\$ 1,936	(\$ 1,936)

		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)
		March 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%	\$ -	\$ -	\$ 2,002	(\$ 2,002)

(4) The impact of COVID-19 on the company's operations

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: None.
- H. Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more: None.
- I. Trading in derivative instruments undertaken during the reporting periods: None.
- J. Significant inter-company transactions during the reporting periods: Please refer to table 4.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China) : Please refer to table 5.

(3) Information on investments in Mainland China

- A. Basic information: Please refer to table 6.

B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: Please refer to table 4.

(4) Information of major shareholder

Information of major shareholder: Please refer to table 7.

14. SEGMENT INFORMATION

(1) General information

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

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

(2) Information about segment

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

For the three-month period ended March 31, 2023

	<u>Gallant Precision Machining Co., Ltd</u>	<u>Gallant-Rapid Corporation Ltd.</u>	<u>Gallant Micro. Machining Co., Ltd.</u>	<u>APEX-I International Co., Ltd.</u>	<u>elimination</u>	<u>Amount</u>
Revenue from external customers	\$ 461,873	\$ 15,681	\$ 256,470	\$ 3,962	\$ -	\$ 737,986
Inter-segment revenue	\$ 5,088	\$ 10,499	\$ 15,223	\$ -	(\$ 30,810)	\$ -
Segment income	\$ 48,903	(\$ 14,851)	\$ 19,178	\$ 1,244	\$ 2,738	\$ 57,212
Total segment assets	\$ 5,395,723	\$ 353,530	\$ 2,509,112	\$ 177,870	(\$ 1,072,352)	\$ 7,363,883

For the three-month period ended March 31, 2022

	<u>Gallant Precision Machining Co., Ltd</u>	<u>Gallant-Rapid Corporation Ltd.</u>	<u>Gallant Micro. Machining Co., Ltd.</u>	<u>APEX-I International Co., Ltd.</u>	<u>elimination</u>	<u>Amount</u>
Revenue from external customers	\$ 544,362	\$ 25,735	\$ 394,270	\$ 130,368	\$ -	\$ 1,094,735
Inter-segment revenue	\$ 4,656	\$ 28,745	\$ 63,349	\$ -	(\$ 96,750)	\$ -
Segment income	\$ 113,811	\$ 12,709	\$ 103,354	\$ 60,472	(\$ 100,861)	\$ 189,485
Total segment assets	\$ 4,865,065	\$ 430,711	\$ 2,463,997	\$ 201,364	(\$ 1,080,991)	\$ 6,880,146

(3) Reconciliation for segment income (loss)

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

A reconciliation of reportable segment income or loss to the income/(loss) before tax from continuing operations for the three-month periods ended March 31, 2023 and 2022 is provided as follows:

	<u>For the three-month period ended March 31, 2023</u>	<u>For the three-month period ended March 31, 2022</u>
Reportable segments income/(loss)	\$ 54,474	\$ 290,346
Other	<u>2,738</u>	<u>(100,861)</u>
Income/(loss) before tax from continuing operations	<u>\$ 57,212</u>	<u>\$ 189,485</u>

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

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

	<u>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
Assets of reportable segments	\$ 8,436,235	\$ 8,963,004	\$ 7,961,137
Elimination of intersegment assets	<u>(1,072,352)</u>	<u>(1,066,643)</u>	<u>(1,080,991)</u>
Total assets	<u>\$ 7,363,883</u>	<u>\$ 7,896,361</u>	<u>\$ 6,880,146</u>

Table 1

GALLANT PRECISION MACHINING CO., LTD. AND SUBSIDIARIES
FINANCINGS PROVIDED
FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2023

(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	\$ -	2.00%	Short-term financing	-	Operating needed	-	Promised note	\$ 50,000	\$ 102,408	\$ 204,816	
2	Utron Technologies Corp	U Pin Precision Co., Ltd.	Other receivables	N	1,350	1,350	450	2.50%	Short-term financing	-	Operating needed	-	-	-	9,420	18,841	

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 1

Table 2

GALLANT PRECISION MACHINING CO., LTD. AND SUBSIDIARIES
ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2023

(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 Party	Ending Balance	Amount Actually Drawn	Amount of Endorsement/ Guarantee Collateralized by Properties	Ratio of Accumulated Endorsement/ Guarantee to Net Equity per Latest Financial Statements	Maximum Endorsement/ Guarantee Amount Allowable (Note1)	Guarantee Provided by Parent Company	Guarantee Provided by A Subsidiary	Guarantee Provided to Subsidiaries in Mainland China	Footnote
		Name	Nature of Relationship											
0	Gallant Precision Machining Co., Ltd.	APEX-I International Co., Ltd.	Subsidiary	\$ 508,577	\$ 70,450	\$ 70,450	\$ -	\$ -	2.77%	\$ 1,271,443	Y	N	N	
1	Gallant Micro Machining Co., Ltd.	Utron Technologies Corp	Subsidiary	204,816	80,000	80,000	60,000	-	7.81%	512,040	Y	N	N	

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

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

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

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

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

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

Note3: Limits on endorsement/ guarantee amount is based on the amount of the endorsement/ guarantee contract or notes were signed between guaranteed party and financial institutions.

Table 2

Table 3

GALLANT PRECISION MACHINING CO., LTD. AND SUBSIDIARIES
MARKETABLE SECURITIES HELD (NOT INCLUDING SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES)
MARCH 31, 2023

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

Held Company Name	Marketable Securities Type and Name	Relationship with the company	Financial Statement Account	March 31, 2023				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	15,754,082	\$ 761,710	10.05	\$ 761,710	
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	267,500	4.37	267,500	
Gallant Precision Machining Co., Ltd	Phoenix Silicon International Corporation	None	Financial assets at fair value through other comprehensive income-non-current	2,251,000	139,112	1.47	139,112	
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 Pioneer Technology Co., Ltd.	None	Financial assets at fair value through other comprehensive income-non-current	6,694	110	0.59	110	
Gallant-Rapid Corporation Ltd.	Phoenix pioneer technology	None	Financial assets at fair value through other comprehensive income-non-current	1,079,183	24,012	0.36	24,012	
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.	The company has significant impact on the Group	Financial assets at fair value through other comprehensive income-non-current	1,237,723	60,302	0.79	60,302	
King Mechatronics Co., Ltd.	POWER EVER ENTFRPRISES LIMITED	None	Financial assets at fair value through other comprehensive income-non-current	624,726	193,553	10.15	193,553	

Table 3

Table 4

GALLANT PRECISION MACHINING CO., LTD. AND SUBSIDIARIES
INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2023

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

No. (Note 1)	Company Name	Counter Party	Nature of Relationship (Note 2)	Intercompany Transactions			Percentage of Consolidated Net Revenue or Total Assets (Note 3)
				Financial Statements Item	Amount	Terms	
0	Gallant Precision Machining Co., Ltd	Gallant Micro. Machining Co., Ltd.	1	Other accounts receivable	\$ 98,396	subject to the terms and conditions agreed upon by both parties	1.34%
1	Gallant Micro. Machining Co., Ltd.	King Mechatronics Co., Ltd.	1	Sales	10,904	subject to the terms and conditions agreed upon by both parties	1.48%
1	Gallant Micro. Machining Co., Ltd.	King Mechatronics Co., Ltd.	1	Accounts receivable	80,400	subject to the terms and conditions agreed upon by both parties	1.09%
2	King Mechatronics Co., Ltd.	Gallant Micro. Machining (Suzhou) Co., Ltd.	3	Accounts payable	13,216	subject to the terms and conditions agreed upon by both parties	0.18%

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 \$10,000,000 and counter parties shall not disclose.

Table 4

Table 5

GALLANT PRECISION MACHINING CO., LTD. AND SUBSIDIARIES
NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEEES OVER WHICH THE COMPANY EXERCISES
SIGNIFICANT INFLUENCE (EXCLUDING INFORMATION ON INVESTMENT IN MAINLAND CHINA)
FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2023

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

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of March 31, 2023			Net Income (Losses) of the Investee (Note1)	Share of Profits/Losses of Investee (Note1)	Footnote
				March 31, 2023	December 31, 2022	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	\$ 239,753	(\$ 11,417)	(\$ 11,417)	
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	144,533	837	837	
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	582,375	13,713	7,843	
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	978,848	4,880	4,880	
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	2,781	39	39	
Gallant Micro. Machining Co., Ltd.	Utron Technologies Corp	Taiwan	Testing of wire and tools and sales of testing equipment of PBC and related systems	53,212	53,212	2,660,600	53.21	51,017	1,668	911	

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

Table 5

Table 6

GALLANT PRECISION MACHINING CO., LTD. AND SUBSIDIARIES
INFORMATION ON INVESTMENT IN MAINLAND CHINA
FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2023

(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 (Note1)	Accumulated Outflow of Investment from Taiwan as of January 1, 2023	Investment Flows		Accumulated Outflow of Investment from Taiwan as of March 31, 2023	Net Income (Losses) of the Investee Company	Percentage of Ownership	Share of Profits/Losses (Note2(2))	Carrying Amount as of March 31, 2023	Accumulated Inward Remittance of Earnings as of March 31, 2023	Footnote
					Outflow	Inflow							
Gallant Precision Industries (Suzhou) Co., Ltd.	Manufacturing of optoelectronic products equipment, mechanical equipment and related parts	\$ 192,444	Indirectly invest in Mainland China through GRC registered in third region.	\$ 159,588	\$ -	\$ -	\$ 159,588	(\$ 11,344)	100.00	(\$ 11,344)	\$ 194,398	\$ -	Note 2- 2.C
Suzhou Top Creation Machines Co., Ltd	Manufacturing of wet production equipment for PBC	167,475	Indirectly invest in Mainland China through Power Ever registered in third region .	28,131	-	-	28,131	-	10.15	-	-	8,236	Note 2- 2.C Note 5
Gallant Micro. Machining (Suzhou) Co., Ltd.	Manufacturing and selling of precision mold and related parts	138,548	Indirectly invest in Mainland China through KMC registered in third region.	244,911	-	-	244,911	7,344	100.00	7,344	806,618	-	Note 2- 2.B
Gallant Precision Intelligence Technology Co., Ltd.	Manufacturing of optoelectronic products equipment, mechanical equipment and related parts	44,310	Directly invest by GPI.	-	-	-	-	(8,586)	60.00	(5,151)	65,478	-	Note 2- 2.C
Kunshan Qihong Electronic Sales Co., Ltd.	Testing and manufacturing of circuit board testing equipment, wire and cable and semiconductor	4,431	Directly invest by GMM.	-	-	-	-	194	100.00	194	7,722	-	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	304,500	Indirectly invest in Mainland China through Power Ever registered in third region .	-	-	-	-	-	10.15	-	-	-	Note 6

Table 6-1

Investee Company	Accumulated Investment in Mainland China as of March 31, 2023	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
Gallant Precision Machining Co., Ltd.	\$ 431,189	\$ 595,132	\$ 1,841,874
Gallant Micro. Machining Co., Ltd.	273,042	273,042	641,363

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 three month period ended March 31, 2023:

- (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 three month period ended March 31, 2023.

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=1:30.45 of balance sheet date March 31, 2023

Table 7

GALLANT PRECISION MACHINING CO., LTD. AND SUBSIDIARIES
 INFORMATION OF MAJOR SHAREHLDER
 FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2023

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 Public information observatory.