

**GALLANT PRECISION MACHINING CO., LTD. AND
SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REVIEW REPORT
SEPTEMBER 30, 2021 AND 2020**

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 and Shareholders 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 at September 30, 2021 and 2020, and the related consolidated statements of comprehensive income for the three-month and nine-month periods ended September 30, 2021 and 2020, as well as the related consolidated statements of changes in equity and of cash flows for the nine-month periods ended, and 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 Statement of Auditing Standards No.65, "Review of Financial Statements". A review of interim financial information 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 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) and 6(6), the financial statements of certain nonsignificant subsidiaries were not reviewed by independent auditors. These statements reflect total assets amounting to \$722,846 thousand and \$1,002,518 thousand, constituting 11% and 18% of the consolidated total assets, and total liabilities amounting to \$250,068 thousand and \$274,239 thousand, constituting 7% and 9% of the consolidated total liabilities as at September 30, 2021 and 2020, respectively, and total comprehensive (loss) income amounting to \$21,876 thousand, \$31,138 thousand, \$25,461 thousand and \$11,275 thousand, constituting (612%), 31%, 7% and 12% of the consolidated total comprehensive income (loss) for the three-month periods ended September 30, 2021 and 2020, and for the nine-month periods ended September 30, 2021 and 2020, respectively. The investments accounted for using equity method amounting to \$0 thousand and \$0 thousand as at September 30, 2021 and 2020, respectively, and related share of the profit or loss amounting to \$0 thousand, \$340 thousand, \$0 thousand and (\$4,782) thousand, constituting 0%, 0.3%, 0% and (5%) of the consolidated total comprehensive income (loss) for the three-month periods ended September 30, 2021 and 2020, and for the nine-month periods ended September 30, 2021 and 2020, 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 at September 30, 2021 and 2020, and of its consolidated financial performance for the three-month and nine-month periods ended and its consolidated cash flows for the nine-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.

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 September 30, 2021 and 2020 are reviewed, not audited)

Assets	Notes	September 30, 2021		December 31, 2020		September 30, 2020		
		AMOUNT	%	AMOUNT	%	AMOUNT	%	
Current assets								
1100	Cash and cash equivalents	6(1)	\$ 1,266,127	20	\$ 1,584,069	26	\$ 1,422,883	25
1136	Financial assets at amortized cost -							
	current	6(3) and 8	674,343	11	702,752	12	614,596	11
1150	Notes receivable, net	6(4)	22,436	-	14,411	-	39,071	1
1170	Accounts receivable, net	6(4)	1,620,001	25	1,554,642	26	1,401,511	25
1180	Accounts receivable, related parties							
	net	6(4) and 7	3,361	-	10,605	-	3,528	-
1200	Other receivables		5,072	-	9,431	-	16,830	-
130X	Inventories, net	6(5)	899,531	14	831,742	14	899,044	16
1410	Prepayments		111,443	2	77,328	1	69,797	1
1470	Other current assets		12,750	-	12,301	-	12,749	-
11XX	Current Assets		<u>4,615,064</u>	<u>72</u>	<u>4,797,281</u>	<u>79</u>	<u>4,480,009</u>	<u>79</u>
Non-current assets								
1517	Financial assets at fair value through							
	other comprehensive income - non							
	- current	6(2)	676,814	11	167,966	3	136,374	2
1535	Financial assets at amortized cost -							
	non-current	6(3) and 8	17,687	-	22,615	-	22,593	-
1600	Property, plant and equipment, net	6(7) and 8	714,688	11	720,976	12	614,773	11
1755	Right-of-use assets	6(8)	253,316	4	258,063	4	262,448	5
1780	Intangible assets, net		14,368	-	20,536	-	58,789	1
1840	Deferred income tax assets		128,207	2	95,922	2	97,358	2
1900	Other non-current assets		7,901	-	12,711	-	6,453	-
15XX	Non-current assets		<u>1,812,981</u>	<u>28</u>	<u>1,298,789</u>	<u>21</u>	<u>1,198,788</u>	<u>21</u>
1XXX	Total assets		<u>\$ 6,428,045</u>	<u>100</u>	<u>\$ 6,096,070</u>	<u>100</u>	<u>\$ 5,678,797</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 September 30, 2021 and 2020 are reviewed, not audited)

Liabilities and Equity	Notes	September 30, 2021		December 31, 2020		September 30, 2020		
		AMOUNT	%	AMOUNT	%	AMOUNT	%	
Current liabilities								
2100	Short-term loans	6(9)	\$ 1,136,610	18	\$ 1,054,410	17	\$ 837,533	15
2130	Contract liabilities-current	6(18)	233,426	4	267,883	4	273,170	5
2150	Notes payable		451	-	-	-	1,794	-
2170	Accounts payable	6(10)	1,160,849	18	1,066,830	18	706,560	12
2180	Accounts payables to related parties	7	50	-	34,274	1	57,087	1
2200	Other payables	6(11)	306,900	5	281,619	5	227,763	4
2220	Other payables - related parties	7	-	-	470	-	-	-
2230	Current income tax liabilities		32,129	-	17,824	-	15,180	-
2250	Provisions for liabilities - current		115,372	2	126,136	2	106,152	2
2280	Lease liabilities-current		18,231	-	19,472	-	19,210	-
2300	Other current liabilities	6(12) and 8	37,438	-	33,844	1	41,977	1
21XX	Current Liabilities		<u>3,041,456</u>	<u>47</u>	<u>2,902,762</u>	<u>48</u>	<u>2,286,426</u>	<u>40</u>
Non-current liabilities								
2540	Long-term loans	6(12) and 8	302,593	4	128,050	2	498,163	9
2570	Deferred income tax liabilities		110,095	2	98,856	1	80,844	2
2580	Lease liabilities-non-current		240,581	4	242,838	4	246,760	4
2600	Other non-current liabilities		46,582	1	51,605	1	52,887	1
25XX	Non-current liabilities		<u>699,851</u>	<u>11</u>	<u>521,349</u>	<u>8</u>	<u>878,654</u>	<u>16</u>
2XXX	Total Liabilities		<u>3,741,307</u>	<u>58</u>	<u>3,424,111</u>	<u>56</u>	<u>3,165,080</u>	<u>56</u>
Equity attributable to owners of parent company								
Share capital								
3110	Share capital - common stock	6(14)	1,651,361	26	1,651,361	27	1,651,361	29
Capital surplus								
3200	Capital surplus	6(15)	174,762	2	187,088	3	187,088	3
Retained earnings								
3310	Legal reserve	6(16)	163,550	3	148,486	2	148,486	3
3320	Special reserve		111,147	2	132,987	2	132,987	3
3350	Unappropriated retained earnings		303,350	5	254,070	4	164,673	3
Other equity interest								
3400	Other equity interest	6(17)	(1,013)	-	(48,346)	-	(85,713)	(2)
3500	Treasury shares	6(14)	(108,425)	(2)	(108,425)	(2)	(108,425)	(2)
31XX	Equity attributable to owners of the parent company		<u>2,294,732</u>	<u>36</u>	<u>2,217,221</u>	<u>36</u>	<u>2,090,457</u>	<u>37</u>
36XX	Non-controlling interest		<u>392,006</u>	<u>6</u>	<u>454,738</u>	<u>8</u>	<u>423,260</u>	<u>7</u>
3XXX	Total equity		<u>2,686,738</u>	<u>42</u>	<u>2,671,959</u>	<u>44</u>	<u>2,513,717</u>	<u>44</u>
Significant contingent liabilities and unrecognised contract commitments								
3X2X	Total liabilities and equity		<u>\$ 6,428,045</u>	<u>100</u>	<u>\$ 6,096,070</u>	<u>100</u>	<u>\$ 5,678,797</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	For the three-month periods ended September 30				For the nine-month periods ended September 30				
		2021		2020		2021		2020		
		AMOUNT	%	AMOUNT	%	AMOUNT	%	AMOUNT	%	
4000	Operating revenue	6(18) and 7	\$ 1,175,496	100	\$ 923,019	100	\$ 3,701,201	100	\$ 2,288,274	100
5000	Operating costs	6(5)(23)(24)								
		and 7	(908,760)	(77)	(692,837)	(75)	(2,800,126)	(76)	(1,652,421)	(72)
5900	Net operating margin		<u>266,736</u>	<u>23</u>	<u>230,182</u>	<u>25</u>	<u>901,075</u>	<u>24</u>	<u>635,853</u>	<u>28</u>
	Operating expenses	6(23)(24)								
6100	Selling expenses		(36,129)	(3)	(34,751)	(4)	(116,735)	(3)	(102,204)	(4)
6200	General and administrative expenses		(77,141)	(6)	(73,340)	(8)	(252,971)	(7)	(177,202)	(8)
6300	Research and development expenses		(80,204)	(7)	(52,573)	(6)	(236,403)	(6)	(230,767)	(10)
6450	Impairment loss (gain)	12(2)	<u>2,193</u>	-	(15,075)	(1)	<u>11,593</u>	-	(79,673)	(4)
6000	Total operating expenses		<u>(191,281)</u>	<u>(16)</u>	<u>(175,739)</u>	<u>(19)</u>	<u>(594,516)</u>	<u>(16)</u>	<u>(589,846)</u>	<u>(26)</u>
6900	Operating profit		<u>75,455</u>	<u>7</u>	<u>54,443</u>	<u>6</u>	<u>306,559</u>	<u>8</u>	<u>46,007</u>	<u>2</u>
	Non-operating income and expenses									
7100	Interest income	6(19)	3,775	-	2,689	-	11,000	-	11,612	-
7010	Other income	6(20)	37,765	3	51,617	6	78,697	2	107,419	5
7020	Other gains and losses	6(21)	3,246	-	(28,386)	(3)	(60,488)	(1)	(30,161)	(1)
7050	Finance costs	6(22)	(5,007)	-	(5,864)	(1)	(13,767)	-	(21,477)	(1)
7060	Share of profit of associates and joint ventures accounted for under equity method	6(6)	-	-	340	-	-	-	(4,782)	-
7000	Total non-operating income and expenses		<u>39,779</u>	<u>3</u>	<u>20,396</u>	<u>2</u>	<u>15,442</u>	<u>1</u>	<u>62,611</u>	<u>3</u>
7900	Profit before tax		<u>115,234</u>	<u>10</u>	<u>74,839</u>	<u>8</u>	<u>322,001</u>	<u>9</u>	<u>108,618</u>	<u>5</u>
7950	Income tax expense	6(25)	(21,310)	(2)	(14,708)	(1)	(17,917)	(1)	(32,177)	(2)
8200	Profit for the period		<u>\$ 93,924</u>	<u>8</u>	<u>\$ 60,131</u>	<u>7</u>	<u>\$ 304,084</u>	<u>8</u>	<u>\$ 76,441</u>	<u>3</u>
	Other comprehensive income for the period									
	Components of other comprehensive income that will not be reclassified to profit or loss									
8316	Unrealized loss on investments in equity instruments at fair value through other comprehensive income	6(2)(17)	(\$ 81,691)	(7)	\$ 22,627	2	\$ 36,576	1	\$ 32,912	(1)
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(25)	<u>3,076</u>	-	(4,525)	-	(6,330)	-	(6,582)	-
8310	Items that will not be reclassified subsequently to profit or loss		<u>(78,615)</u>	<u>(7)</u>	<u>18,102</u>	<u>2</u>	<u>30,246</u>	<u>1</u>	<u>26,330</u>	<u>(1)</u>
	Components of other comprehensive income that will be reclassified to profit or loss									
8361	Cumulative translation differences of foreign operations	6(17)	(18,881)	(1)	22,358	2	17,673	1	(8,930)	-
8360	Summary of Components of other comprehensive income that will be reclassified to profit or loss		<u>(18,881)</u>	<u>(1)</u>	<u>22,358</u>	<u>2</u>	<u>17,673</u>	<u>1</u>	<u>(8,930)</u>	<u>-</u>
8300	Other comprehensive income (loss) for the period		<u>(\$ 97,496)</u>	<u>(8)</u>	<u>\$ 40,460</u>	<u>4</u>	<u>\$ 47,919</u>	<u>2</u>	<u>\$ 17,400</u>	<u>1</u>
8500	Total comprehensive income for the period		<u>(\$ 3,572)</u>	<u>-</u>	<u>\$ 100,591</u>	<u>11</u>	<u>\$ 352,003</u>	<u>10</u>	<u>\$ 93,841</u>	<u>4</u>
	Profit attributable to:									
8610	Equity holders of the parent company		\$ 74,769	6	\$ 49,362	6	\$ 240,814	6	\$ 61,244	3
8620	Non-controlling interest		<u>19,155</u>	<u>2</u>	<u>10,769</u>	<u>1</u>	<u>63,270</u>	<u>2</u>	<u>15,197</u>	<u>-</u>
	Profit for the period		<u>\$ 93,924</u>	<u>8</u>	<u>\$ 60,131</u>	<u>7</u>	<u>\$ 304,084</u>	<u>8</u>	<u>\$ 76,441</u>	<u>3</u>
	Total comprehensive income attributable to:									
8710	Equity holders of the parent company		(\$ 1,196)	-	\$ 76,384	8	\$ 288,147	8	\$ 71,936	3
8720	Non-controlling interest		(2,376)	-	24,207	3	63,856	2	21,905	1
	Total comprehensive income for the period		<u>(\$ 3,572)</u>	<u>-</u>	<u>\$ 100,591</u>	<u>11</u>	<u>\$ 352,003</u>	<u>10</u>	<u>\$ 93,841</u>	<u>4</u>
	Earnings per share (In dollars)	6(26)								
9750	Basic earnings per share		<u>\$ 0.47</u>		<u>\$ 0.31</u>		<u>\$ 1.51</u>		<u>\$ 0.38</u>	
	Earnings per share (In dollars)	6(26)								
9850	Diluted earnings per share		<u>\$ 0.47</u>		<u>\$ 0.31</u>		<u>\$ 1.51</u>		<u>\$ 0.38</u>	

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

GALLANT PRECISION MACHINING CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars)
(UNAUDITED)

	Notes	Equity attributable to owners of the parent										
		Retained Earnings					Other Equity Interest					
		Share capital- common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Cumulative translation differences of foreign operations	Unrealized gain(loss) on financial assets at fair value through other comprehensive income	Treasury stock	Total	Non- controlling interest	Total equity
For the nine-month period ended September 30, 2020												
Balance at January 1, 2020		\$ 1,651,361	\$ 199,091	\$ 123,722	\$ 132,987	\$ 375,897	(\$ 99,700)	\$ 3,295	\$ -	\$ 2,386,653	\$ 433,783	\$ 2,820,436
Profit for the period		-	-	-	-	61,244	-	-	-	61,244	15,197	76,441
Other comprehensive income for the period	6(17)	-	-	-	-	-	(4,257)	14,949	-	10,692	6,708	17,400
Total comprehensive income for the period		-	-	-	-	61,244	(4,257)	14,949	-	71,936	21,905	93,841
Distribution of 2019 earnings:	6(16)											
Legal reserve		-	-	24,764	-	(24,764)	-	-	-	-	-	-
Cash dividends		-	-	-	-	(247,704)	-	-	-	(247,704)	-	(247,704)
Changes on equities of disposal of associates		-	(12,003)	-	-	-	-	-	-	(12,003)	-	(12,003)
Treasury stock acquired	6(14)	-	-	-	-	-	-	-	(108,425)	(108,425)	-	(108,425)
Changes in non-controlling interest		-	-	-	-	-	-	-	-	-	(32,428)	(32,428)
Balance at September 30, 2020		<u>\$ 1,651,361</u>	<u>\$ 187,088</u>	<u>\$ 148,486</u>	<u>\$ 132,987</u>	<u>\$ 164,673</u>	<u>(\$ 103,957)</u>	<u>\$ 18,244</u>	<u>(\$ 108,425)</u>	<u>\$ 2,090,457</u>	<u>\$ 423,260</u>	<u>\$ 2,513,717</u>
For the nine-month period ended September 30, 2021												
Balance at January 1, 2021		\$ 1,651,361	\$ 187,088	\$ 148,486	\$ 132,987	\$ 254,070	(\$ 80,574)	\$ 32,228	(\$ 108,425)	\$ 2,217,221	\$ 454,738	\$ 2,671,959
Profit for the period		-	-	-	-	240,814	-	-	-	240,814	63,270	304,084
Other comprehensive income for the period	6(17)	-	-	-	-	-	25,569	21,764	-	47,333	586	47,919
Total comprehensive income for the period		-	-	-	-	240,814	25,569	21,764	-	288,147	63,856	352,003
Distribution of 2020 earnings:	6(16)											
Legal reserve		-	-	15,064	-	(15,064)	-	-	-	-	-	-
Cash dividends		-	-	-	-	(159,136)	-	-	-	(159,136)	-	(159,136)
Reversal of special reserve	6(16)	-	-	-	(21,840)	21,840	-	-	-	-	-	-
Recognition of changes in ownership interest in subsidiaries	6(27)	-	(12,326)	-	-	(39,174)	-	-	-	(51,500)	-	(51,500)
Changes in non-controlling interest	6(27)	-	-	-	-	-	-	-	-	-	(126,588)	(126,588)
Balance at September 30, 2021		<u>\$ 1,651,361</u>	<u>\$ 174,762</u>	<u>\$ 163,550</u>	<u>\$ 111,147</u>	<u>\$ 303,350</u>	<u>(\$ 55,005)</u>	<u>\$ 53,992</u>	<u>(\$ 108,425)</u>	<u>\$ 2,294,732</u>	<u>\$ 392,006</u>	<u>\$ 2,686,738</u>

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

GALLANT PRECISION MACHINING CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in thousands of New Taiwan dollars)
(UNAUDITED)

	Notes	For the nine-month periods ended September 30	
		2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		\$ 322,001	\$ 108,618
Adjustments			
Income and expenses having no effect on cash flow			
Depreciation	6(23)	43,097	39,549
Amortization	6(23)	8,584	10,992
Expected credit loss (gain)	12(2)	(11,593)	79,673
Gain on financial assets at fair value through profit , net	6(21)	-	(60)
Interest expense	6(22)	13,767	21,477
Interest income	6(19)	(11,000)	(11,612)
Dividend income	6(21)	(21,266)	(1,880)
Share of profit of associates and joint ventures accounted for using equity method		-	4,782
Loss on disposal of property, plant and equipment, net	6(21)	-	1,301
Gain on disposal of investments accounted for using equity method	6(21)	33,482	(19,873)
Gain on lease modification	6(21)	(110)	(314)
Changes in assets/liabilities relating to operating activities			
Net changes in assets relating to operating activities			
Financial assets at fair value through profit or loss - current		-	120,413
Notes receivable	(	( 8,310)	12,293
Accounts receivable	(	( 57,283)	912,965
Accounts receivable - related parties		5,846	(3,528)
Other receivables		5,180	(11,384)
Inventories	(	( 68,119)	73,914
Prepayments	(	( 33,775)	(16,945)
Other current assets	(	( 478)	(1,277)
Other non-current assets	(	( 317)	113
Net changes in liabilities relating to operating activities			
Contract liabilities	(	( 33,842)	127,846
Notes payable		451	1,794
Accounts payable		90,172	(272,536)
Accounts payable - related parties	(	( 33,758)	29,836
Other payables		23,917	(104,360)
Other payables - related parties	(	( 470)	-
Provisions for liabilities	(	( 10,670)	(37,921)
Unearned receipts	(	( 4,908)	8,518
Other current liabilities	(	( 1,448)	1,720
Net defined benefit liability	(	( 4,685)	(20,280)
Cash generated from operations		244,465	1,053,834
Interest received		10,620	24,781
Dividend received		21,084	1,674
Interest paid	(	( 13,776)	(24,066)
Income tax paid	(	( 31,297)	(53,235)
Net cash provided by (used in) operating activities		231,096	1,002,988
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposal of financial assets at amortized cost		\$ 24,568	\$ 205,913
Acquisition of financial assets at fair value through other comprehensive income	6(2)	(472,269)	-
Acquisition of subsidiaries (after deduction of cash received)	6(28)	-	(5,262)
Proceeds from disposal of investments accounted for using equity method	6(7)	-	42,879
Acquisition of property, plant and equipment	6(29)	(22,661)	(34,527)
Acquisition of intangible assets	(	( 2,745)	(7,777)
Refundable paid refunded		-	(407)
Refundable deposits refunded		5,037	-
Net cash provided by (used in) investing activities	(	( 468,070)	200,819
CASH FLOWS FROM FINANCING ACTIVITY			
Proceeds from short -term loan	6(30)	1,978,142	2,201,766
Repayment of short -term loans	6(30)	(1,895,942)	(2,551,220)
Proceeds from long-term loan	6(30)	200,000	68,000
Repayment of long-term loans	6(30)	(15,457)	(18,117)
Repayment of the principal portion of lease liabilities	6(30)	(15,068)	(14,675)
Guarantee paid refunded		83	570
Treasury stock acquired	6(14)	-	(108,425)
Subsidiaries acquired treasury stock	6(27)	(151,112)	-
Cash dividends paid	(	( 189,450)	(284,018)
Decrease in non-controlling interests		-	3,885
Net cash used in financing activities	(	( 88,804)	(702,234)
Effect of fluctuations in exchange rate		7,836	(8,402)
Net decrease in cash and cash equivalents	(	( 317,942)	493,171
Cash and cash equivalents at beginning of period	6(1)	1,584,069	929,712
Cash and cash equivalents at end of period	6(1)	\$ 1,266,127	\$ 1,422,883

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 NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)
(UNAUDITED)

1. HISTORY AND ORGANIZATION

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

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

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

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

The special shareholders' meeting of the Company resolved to spin-off its semiconductor business on December 15, 2010 and the GreTai Securities Market approved the spin-off and the Company’s stock listed on January 13, 2011. The Company transferred its semiconductor business and related investment to the Company's subsidiary – Gallant Micro. Machining Co., Ltd. on the spin-off effective day March 1, 2011. The equity interest in Gallant Micro. Machining Co., Ltd. held by the Company as of September 30, 2021 was 61.54%.

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 November 5, 2021.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

(1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards ("IFRS") as endorsed by the Financial Supervisory Commission ("FSC")

New standards, interpretations and amendments endorsed by FSC effective from 2021 are as follows:

New Standards, Interpretations and Amendments	Effective Date by International Accounting Standards Board
Amendments to IFRS 4, “Extension of the temporary exemption from applying IFRS 9”	January 1, 2021
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform - Phase 2”	January 1, 2021
Amendments to IFRS 16 "Covid-19-Related Rent Concessions beyond June 30, 2021"	April 1, 2021(Note)

Note: The FSC allows to apply on January 1, 2021.

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

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

New standards, interpretations and amendments endorsed by FSC effective from 2022 are as follows:

New Standards, Interpretations and Amendments	Effective Date by International Accounting Standards Board
Amendments to IFRS 3 “Reference to the Conceptual Framework”	January 1, 2022
Amendments to IAS 16 “Property, Plant and Equipment – Proceeds before Intended Use”	January 1, 2022
Amendments to IAS 37 “Onerous Contracts–Cost of Fulfilling a Contract”	January 1, 2022
Annual Improvements to IFRS Standards 2018-2020	January 1, 2022

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

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

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

New Standards, Interpretations and Amendments	Effective Date by International Accounting Standards Board
Sale or contribution of assets between an investor and its associate or joint venture (amendments to IFRS 10 and IAS 28)	To be determined by International Accounting Standards Board
IFRS 17, “Insurance Contracts”	January 1, 2023
Amendments to IFRS 17, “Insurance Contracts”	January 1, 2023
IFRS 1, Classification of Liabilities as Current or Non-current	January 1, 2023
Amendments to IAS 1 “Presentation of Financial Statements” – Disclosure Initiative – Accounting Policies	January 1, 2023
Amendments to IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors” – Definition of Accounting Estimates	January 1, 2023

New Standards, Interpretations and Amendments

Amendment to IAS 12 “Income Taxes” - 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.

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, 2020, 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, 2020.

(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, 2020.

B. Subsidiaries included in the consolidated financial statements:

Name of Investor	Name of subsidiary	Main Business Activities	Percentage of Ownership			Note
			September 30, 2021	December 31, 2020	September 30, 2020	
Gallant Precision Machining Co., Ltd.	Gallant Micro. Machining Co., Ltd.	Manufacturing and selling of semiconductor related equipment and parts	61.54	57.19	57.19	
Gallant Precision Machining Co., Ltd.	Gallant-Rapid Corporation Ltd. (the "GRC")	Investing in Gallant Precision Industries (Suzhou) Co., Ltd.	100	100	100	Note1
Gallant Precision Machining Co., Ltd.	Gallant Precision Machinery (BVI)Ltd. (the "GPM(BVI)")	Investing in Gallant Precision Machinery (Xiamen) Co., Ltd.	-	100	100	Note1 Note4
Gallant Precision Machining Co., Ltd.	APEX-I International Co., Ltd.	Marketing and selling of process equipment of LCD and related parts.	100	100	100	Note1
Gallant Micro. Machining Co., Ltd.	King Mechatronics Co., Ltd. (the "KMC")	Investing in Gallant Micro. Machining (Suzhou) Co., Ltd.	100	100	100	
Gallant Micro. Machining Co., Ltd.	Gallant Micro Machining (Malaysia) Sdn. Bhd. (the "GMMM")	Engaged in the import and export and trading business of semiconductor machines and related parts	100	100	100	
Gallant Precision Machining Co., Ltd.	Utron Technologies Corp	Testing of wire and tools and testing equipment of PBC and related systems	76.02	76.02	76.02	Note1
GRC	Gallant Precision Industries (Suzhou) Co., Ltd.	Manufacturing of optoelectronic products equipment, mechanical equipment and related parts	100	100	100	Note1
KMC	Investing in Gallant Micro. Machining (Suzhou) Co., Ltd.	Manufacturing and selling of precision mold and related parts	100	100	100	
GPM(BVI)	Gallant Precision Machinery (Xiamen) Co., Ltd.	Manufacturing of optoelectronic products equipment, mechanical equipment and related parts	-	100	100	Note1 Note4
Gallant Precision Industries (Suzhou)Co., Ltd.	Gallant International Trading Co., Ltd.	Engaged in selling of mechatronics equipment	-	100	100	Note1 Note3
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	Note1
Gallant International Trading Co., Ltd.	Suzhou Jianmeifu Optical Co., Ltd.	Engaged in wholesale and retail of contact lenses and related care products	-	-	100	Note1 Note2
Investing in 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	-	-	Note1

Note1: The financial statements of the entity as of September 30, 2021 and 2020 were not reviewed by the independent auditors as the entity did not meet the definition of significant subsidiary.

Note2: The subsidiary has been completed the dissolution and liquidation procedures in October, 2020.

Note3: The subsidiary has been completed the dissolution and liquidation procedures in February, 2021.

Note4: The subsidiary has been completed the dissolution and liquidation procedures in May, 2021.

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 September 30, 2021, December 31, 2020 and September 30, 2020, the non-controlling interest amounted to \$392,006, \$454,738 and \$423,260, respectively. The information of non-controlling interest and respective subsidiaries is as follows:

Name of subsidiary	Principal place of business	Non-controlling interest					
		September 30, 2021		December 31, 2020		September 30, 2020	
		Amount	Ownership(%)	Amount	Ownership(%)	Amount	Ownership(%)
Gallant Micro Machining Co., Ltd.	Taiwan	\$ 326,543	38.46	\$ 401,998	42.81	\$ 385,112	42.81

Summarized financial information of the subsidiaries:

Balance sheets

	Gallant Micro. Machining Co., Ltd. and its subsidiaries		
	September 30, 2021	December 31, 2020	September 30, 2020
Current assets	\$ 1,667,292	\$ 1,364,254	\$ 1,432,182
Non-current assets	661,281	587,931	525,806
Current liabilities	(1,201,504)	(732,326)	(742,509)
Non-current liabilities	(262,338)	(264,964)	(260,377)
Total net assets	\$ 864,731	\$ 954,895	\$ 955,102

Statements of comprehensive income

	<u>Gallant Micro. Machining Co., Ltd. and its subsidiaries</u>	
	<u>For the three-month period ended September 30, 2021</u>	<u>For the three-month period ended September 30, 2020</u>
Revenue	\$ 380,637	\$ 273,530
Profit before income tax	\$ 57,057	\$ 38,874
Income tax expense	(13,555)	(9,307)
Profit for the period from continuing operations	<u>43,502</u>	<u>29,567</u>
Profit for the period	43,502	29,567
Other comprehensive income, net of tax	(27,311)	29,818
Total comprehensive income for the period	<u>\$ 16,191</u>	<u>\$ 59,385</u>
Comprehensive income attributable to non-controlling interest	<u>\$ 6,227</u>	<u>\$ 12,198</u>
Dividends paid to non-controlling interest	<u>\$ -</u>	<u>\$ -</u>

	<u>Gallant Micro. Machining Co., Ltd. and its subsidiaries</u>	
	<u>For the nine-month period ended September 30, 2021</u>	<u>For the nine-month period ended September 30, 2020</u>
Revenue	\$ 1,091,464	\$ 630,621
Profit before income tax	\$ 161,680	\$ 94,711
Income tax expense	(33,594)	(17,130)
Profit for the period from continuing operations	<u>128,086</u>	<u>77,581</u>
Profit for the period	128,086	77,581
Other comprehensive income, net of tax	<u>11,691</u>	<u>21,299</u>
Total comprehensive income for the period	<u>\$ 139,777</u>	<u>\$ 98,880</u>
Comprehensive income attributable to non-controlling interest	<u>\$ 53,758</u>	<u>\$ 29,106</u>
Dividends paid to non-controlling interest	<u>\$ 30,314</u>	<u>\$ 36,314</u>

Statements of cash flows

	Gallant Micro. Machining Co., Ltd. and its subsidiaries	
	For the nine-month period ended September 30, 2021	For the nine-month period ended September 30, 2020
Net cash provided by (used in) operating activities	(\$ 31,670)	\$ 49,288
Net cash provided by (used in) investing activities	31,968	(202,820)
Net cash provided by (used in) financing activities	55,009	13,841
Effect of exchange rates on cash and cash equivalents	33	(3,938)
Increase (decrease) in cash and cash equivalents	55,340	(143,629)
Cash and cash equivalents, beginning of period	356,779	535,320
Cash and cash equivalents, end of period	<u>\$ 412,119</u>	<u>\$ 391,691</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 September 30, 2021. Please refer to Note 5 in the consolidated financial statements for the year ended December 31, 2020.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Cash on hand and revolving funds	\$ 290	\$ 302	\$ 297
Checking accounts	26	26	26
Demand deposits	1,265,811	1,583,741	1,422,560
Total	<u>\$ 1,266,127</u>	<u>\$ 1,584,069</u>	<u>\$ 1,422,883</u>

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

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

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

<u>Items</u>	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Non-current items:			
Equity instruments			
Listed stocks	\$ 466,772	\$ -	\$ -
Non-Listed stocks	79,407	73,907	73,907
Valuation adjustment	130,635	94,059	62,467
	<u>\$ 676,814</u>	<u>\$ 167,966</u>	<u>\$ 136,374</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 September 30, 2021, December 31, 2020, and September 30, 2020, the fair value of such investments amounted to \$676,814, \$167,966 and \$136,374, 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 September 30, 2021</u>	<u>For the three-month period ended September 30, 2020</u>
<u>Equity instruments at fair value through other comprehensive income:</u>		
Fair value change recognised in other comprehensive income	(\$ 81,691)	\$ 22,627
Dividend income recognized in profit or loss held at end of period	\$ 19,514	\$ -
	<u>For the nine-month period ended September 30, 2021</u>	<u>For the nine-month period ended September 30, 2020</u>
<u>Equity instruments at fair value through other comprehensive income:</u>		
Fair value change recognised in other comprehensive income	\$ 36,576	\$ 32,912
Dividend income recognized in profit or loss held at end of period	\$ 21,266	\$ 1,880

(3) Financial assets at amortized cost

Items	September 30, 2021	December 31, 2020	September 30, 2020
Current items:			
Time deposits	\$ 674,343	\$ 702,752	\$ 614,596
Non-current items:			
Time deposits	17,687	22,615	22,593
	\$ 692,030	\$ 725,367	\$ 637,189

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

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

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

(4) Notes and accounts receivable

	September 30, 2021	December 31, 2020	September 30, 2020
Notes receivable	\$ 22,436	\$ 14,411	\$ 39,071
Accounts receivable	\$ 1,807,671	\$ 1,754,150	\$ 1,645,017
Accounts receivable - related parties	3,361	10,605	3,528
Less: allowance for bad debts	(187,670)	(199,508)	(243,506)
	\$ 1,623,362	\$ 1,565,247	\$ 1,405,039

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

	September 30, 2021		December 31, 2020	
	Accounts receivable	Notes receivable	Accounts receivable	Notes receivable
Not past due	\$ 1,418,620	\$ 22,436	\$ 1,456,763	\$ 14,411
0 to 90 days	162,085	-	74,216	-
91 to 120 days	22,587	-	18,705	-
Over 120 days	207,740	-	215,071	-
	\$ 1,811,032	\$ 22,436	\$ 1,764,755	\$ 14,411

	September 30, 2020	
	Accounts receivable	Notes receivable
Not past due	\$ 1,149,635	\$ 39,071
0 to 90 days	200,017	-
91 to 120 days	8,084	-
Over 120 days	290,809	-
	\$ 1,648,545	\$ 39,071

The above ageing analysis was based on past due date.

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

(5) Inventories

September 30, 2021			
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 170,389	(\$ 27,886)	\$ 142,503
Work in process	656,522	(92,282)	564,240
Finished goods	259,693	(80,553)	179,140
Inventory in transit	13,648	-	13,648
Total	\$ 1,100,252	(\$ 200,721)	\$ 899,531

December 31, 2020			
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 121,831	(\$ 25,373)	\$ 96,458
Work in process	739,556	(86,973)	652,583
Finished goods	143,615	(63,874)	79,741
Inventory in transit	2,960	-	2,960
Total	\$ 1,007,962	(\$ 176,220)	\$ 831,742

September 30, 2020			
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 172,679	(\$ 21,591)	\$ 151,088
Work in process	567,191	(89,501)	477,690
Finished goods	313,908	(46,487)	267,421
Inventory in transit	2,845	-	2,845
Total	\$ 1,056,623	(\$ 157,579)	\$ 899,044

The cost of inventories recognized as expense for the period:

	For the three-month period ended September 30, 2021	For the three-month period ended September 30, 2020
Cost of goods sold	\$ 885,785	\$ 707,169
Loss on (gain on reversal of) decline in market value	22,975 (	14,332)
	\$ 908,760	\$ 692,837
	For the nine-month period ended September 30, 2021	For the nine-month period ended September 30, 2020
Cost of goods sold	\$ 2,775,623	\$ 1,643,110
Loss on decline in market value	24,503	9,311
	\$ 2,800,126	\$ 1,652,421

(6) Investments accounted for using equity method

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Associates			
Gallant Biotech (Suzhou) Co., Ltd.	\$ -	\$ -	\$ -
Sunengine Co., Ltd.	-	-	-
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

- A. The Group sold all of the shares of Gallant Biotech (Suzhou) Co., Ltd. in June 2020, with a sale price of \$21,374 and recognized gain on disposal of investment amounting to \$17,502.
- B. The Group sold all of the shares of Sunengine Co., Ltd. in August 2020, with a sale price of \$21,505 and recognized loss on disposal of investment amounting to \$1,497.

(7) Property, plant and equipment

	<u>Land</u>	<u>Buildings</u>	<u>Machinery and equipment</u>	<u>Office equipment</u>	<u>Leased assets</u>	<u>Others</u>	<u>Total</u>
At January 1, 2021							
Cost	\$ 134,686	\$ 604,467	\$ 112,531	\$ 32,802	\$ 65,682	\$ 71,388	\$ 1,021,556
Accumulated depreciation and impairment	-	(156,763)	(85,880)	(19,061)	(17,644)	(21,232)	(300,580)
	<u>\$ 134,686</u>	<u>\$ 447,704</u>	<u>\$ 26,651</u>	<u>\$ 13,741</u>	<u>\$ 48,038</u>	<u>\$ 50,156</u>	<u>\$ 720,976</u>
2021							
Opening net book amount as at January 1	\$ 134,686	\$ 447,704	\$ 26,651	\$ 13,741	\$ 48,038	\$ 50,156	\$ 720,976
Additions	-	-	16,040	3,897	-	3,307	23,244
Additions - acquired through business combinations	-	-	-	25	-	31	56
Disposals	-	-	(24)	(5)	-	-	(29)
Reclassification	-	-	-	-	-	(2,041)	(2,041)
Depreciation charge	-	(9,151)	(5,677)	(4,369)	(1,728)	(5,670)	(26,595)
Net exchange differences	-	(74)	(202)	(70)	5,080	(5,657)	(923)
Closing net book amount as at September 30	<u>\$ 134,686</u>	<u>\$ 438,479</u>	<u>\$ 36,788</u>	<u>\$ 13,219</u>	<u>\$ 51,390</u>	<u>\$ 40,126</u>	<u>\$ 714,688</u>
At September 30, 2021							
Cost	\$ 134,686	\$ 604,364	\$ 125,059	\$ 33,479	\$ 70,762	\$ 63,679	\$ 1,032,029
Accumulated depreciation and impairment	-	(165,885)	(88,271)	(20,260)	(19,372)	(23,553)	(317,341)
	<u>\$ 134,686</u>	<u>\$ 438,479</u>	<u>\$ 36,788</u>	<u>\$ 13,219</u>	<u>\$ 51,390</u>	<u>\$ 40,126</u>	<u>\$ 714,688</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, 2020							
Cost	\$ 39,130	\$ 593,791	\$ 116,026	\$ 33,504	\$ 65,682	\$ 28,964	\$ 877,097
Accumulated depreciation and impairment	-	(144,453)	(90,884)	(19,285)	(16,356)	(17,491)	(288,469)
	<u>\$ 39,130</u>	<u>\$ 449,338</u>	<u>\$ 25,142</u>	<u>\$ 14,219</u>	<u>\$ 49,326</u>	<u>\$ 11,473</u>	<u>\$ 588,628</u>
2020							
Opening net book amount as at January 1	\$ 39,130	\$ 449,338	\$ 25,142	\$ 14,219	\$ 49,326	\$ 11,473	\$ 588,628
Additions	-	-	7,329	4,443	-	22,238	34,010
Additions - acquired through business combinations	11,290	647	4,001	386	-	4,106	20,430
Disposals	-	-	(1,223)	(75)	-	(3)	(1,301)
Depreciation charge	-	(9,275)	(3,906)	(4,380)	(966)	(4,480)	(23,007)
Transferred out due to disposal of subsidiaries	-	-	(3,517)	(99)	-	(173)	(3,789)
Net exchange differences	-	(61)	(133)	(35)	-	31	(198)
Closing net book amount as at September 30	<u>\$ 50,420</u>	<u>\$ 440,649</u>	<u>\$ 27,693</u>	<u>\$ 14,459</u>	<u>\$ 48,360</u>	<u>\$ 33,192</u>	<u>\$ 614,773</u>
At September 30, 2020							
Cost	\$ 50,420	\$ 605,265	\$ 112,796	\$ 33,941	\$ 65,682	\$ 53,240	\$ 921,344
Accumulated depreciation and impairment	-	(164,616)	(85,103)	(19,482)	(17,322)	(20,048)	(306,571)
	<u>\$ 50,420</u>	<u>\$ 440,649</u>	<u>\$ 27,693</u>	<u>\$ 14,459</u>	<u>\$ 48,360</u>	<u>\$ 33,192</u>	<u>\$ 614,773</u>

- A. Amount of borrowing costs capitalized as part of property, plant and equipment were \$0 for the three-month periods ended September 30, 2021 and 2020 and for the nine-month periods ended September 30, 2021 and 2020, 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.

(8) Leasing arrangements—lessee

- A. The Group leases various assets including land, buildings, business vehicles, multifunction printers. Rental contracts are typically made for periods of 1 to 38 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants, but leased assets may not be used as security for borrowing purposes.
- B. 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>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
	Carrying amount	Carrying amount	Carrying amount
Land	\$ 201,519	\$ 205,986	\$ 207,476
Buildings	51,797	52,045	54,894
Office equipment (multifunction printers)	-	32	78
	<u>\$ 253,316</u>	<u>\$ 258,063</u>	<u>\$ 262,448</u>

	<u>For the three-month period ended September 30, 2021</u>	<u>For the three-month period ended September 30, 2020</u>
	Depreciation charge	Depreciation charge
Land	\$ 1,490	\$ 1,505
Buildings	3,969	3,950
Office equipment (multifunction printers)	-	55
	<u>\$ 5,459</u>	<u>\$ 5,510</u>

	<u>For the nine-month period ended September 30, 2021</u>	<u>For the nine-month period ended September 30, 2020</u>
	Depreciation charge	Depreciation charge
Land	\$ 4,468	\$ 4,484
Buildings	12,003	11,884
Office equipment (multifunction printers)	31	174
	<u>\$ 16,502</u>	<u>\$ 16,542</u>

- D. For the three-month periods ended September 30, 2021 and 2020, and for the nine-month periods ended September 30, 2021 and 2020, respectively, the Group's total cash outflow for leases were \$0, \$4,557, \$12,324 and \$51,278, respectively.
- E. The information on income and expense accounts relating to lease contracts is as follows:

	<u>For the three-month period ended September 30, 2021</u>	<u>For the three-month period ended September 30, 2020</u>
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 1,383	\$ 1,593
Expense on short-term lease contracts	3,264	3,635
Expense on leases of low-value assets	54	79
	<u>For the nine-month period ended September 30, 2021</u>	<u>For the nine-month period ended September 30, 2020</u>
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 4,186	\$ 4,505
Expense on short-term lease contracts	10,835	11,138
Expense on leases of low-value assets	212	151

F. For the nine-month period ended September 30, 2021 and 2020, the Group's total cash outflow for leases were \$30,301 and \$30,469, respectively.

G. Extension and termination options

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

(9) Short-term borrowings

<u>Type of borrowings</u>	<u>September 30, 2021</u>	<u>Interest rate range</u>	<u>Collateral</u>
Unsecured Banking Loan	\$ 1,136,610	0.63%~1.34%	None
<u>Type of borrowings</u>	<u>December 31, 2020</u>	<u>Interest rate range</u>	<u>Collateral</u>
Unsecured Banking Loan	\$ 1,054,410	0.63%~1.34%	None
<u>Type of borrowings</u>	<u>September 30, 2020</u>	<u>Interest rate range</u>	<u>Collateral</u>
Unsecured Banking Loan	\$ 837,533	0.94%~1.34%	None

(10) Accounts payable

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Accounts payable	\$ 938,464	\$ 938,932	\$ 599,092
Estimated accounts payable	222,385	127,898	107,468
	<u>\$ 1,160,849</u>	<u>\$ 1,066,830</u>	<u>\$ 706,560</u>

(11) Other payables

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Accrued salaries	\$ 167,797	\$ 154,203	\$ 128,173
Accrued employees' bonuses and directors' remuneration	63,571	49,028	38,378
Payables on equipment - Fixed assets	968	385	567
Payables on equipment - Intangible assets	-	50	163
Others	74,564	77,953	60,482
	<u>\$ 306,900</u>	<u>\$ 281,619</u>	<u>\$ 227,763</u>

(12) Long-term borrowings

<u>Type of borrowings</u>	<u>Borrowing period and repayment term</u>	<u>Interest rate range</u>	<u>Collateral</u>	<u>September 30, 2021</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 A	\$ 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 A	66,036
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 A	5,750
Mortgage borrowings	Borrowing period is from June 08, 2020 to June 08, 2030; The principal is repayable every 3 months in 40 installments.	1.27%	Note A	59,500
				<u>331,286</u>
Less: current portion				(28,693)
				<u>\$ 302,593</u>

<u>Type of borrowings</u>	<u>Borrowing period and repayment term</u>	<u>Interest rate range</u>	<u>Collateral</u>	<u>December 31, 2020</u>
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 A	70,643
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 A	11,500
Mortgage borrowings	Borrowing period is from June 08, 2020 to June 08, 2030; The principal is repayable every 3 months in 40 installments.	1.27%	Note A	64,600
				<u>146,743</u>
Less: current portion				(18,693)
				<u>\$ 128,050</u>

<u>Type of borrowings</u>	<u>Borrowing period and repayment term</u>	<u>Interest rate range</u>	<u>Collateral</u>	<u>September 30, 2020</u>
Mortgage borrowings	Borrowing period is from July 31, 2008 to July 31, 2023; interest is repayable monthly and principal is repayable through August, 2010 to July, 2023.	0.94%	Note A	\$ 18,422
Unsecured borrowing	Borrowing period is from July 31, 2008 to July 31, 2023; interest is repayable monthly and principal is repayable through August, 2010 to July, 2023.	1.04%	None	4,921
Mortgage borrowings	Borrowing period is from September 29, 2020 to September 29, 2022; interest is repayable monthly and principal is repayable in September, 2021..	1.18%	Note A Note B	350,000
Mortgage borrowings	Borrowing period is from June 14, 2017 to June 14, 2032; interest is repayable monthly and principal is repayable monthly through June, 2018 to June, 2032.	1.45%	Note A	72,179
Mortgage borrowings	Borrowing period is from July 13, 2017 to July 13, 2022; The principal is repayable every 6 months in 8 installments.	1.20%	Note A	11,500
Mortgage borrowings	Borrowing period is from June 08, 2020 to June 08, 2030; The principal is repayable every 3 months in 40 installments.	1.27%	Note A	66,300
				<u>523,322</u>
Less: current portion				(<u>25,159</u>)
				<u>\$ 498,163</u>

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

Note B:(a) In order to repay the existing financial liabilities and enrich the medium-term working capital, the Company entered into a comprehensive credit contract amounting to \$800 million with the bank on September 27, 2019. The Company also applied for a drawdown of \$350,000 from the credit line granted by the bank in September, 2019. The borrowings has been repaid in September 2020.

- (b) According to the notice of credit between the Company and the bank, the financial ratios in the Company's annual and semi-annual consolidated financial statements should be maintained as follows:
- i . Current ratio: the ratio of current assets divided by current liabilities shall be maintained above 120% (inclusive).
 - ii . Financial gearing ratio: the total of short-term borrowings, corporate bonds due within one year, mid and long-term borrowings due within one year and long-term borrowings, divided by the tangible net worth shall not exceed 60%.
 - iii. Net tangible net worth: the shareholders' equity after deducting intangible assets shall not be less than NT\$2,200,000 (inclusive).

(13) 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.
- (b) For the aforementioned pension plan, the Group recognized pension costs of \$11, \$174, \$34 and \$521 for the three-month periods ended September 30, 2021 and 2020, and for the nine-month periods ended September 30, 2021 and 2020, respectively.
- (c) Expected contributions to the defined benefit pension plans of the Group for the year ended December 31, 2021 are \$7,116.
- 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 Chinese subsidiary 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 September 30, 2021 and 2020, and for the nine-month periods ended September 30, 2021 and 2020, were \$9,622, \$6,642, \$27,485 and \$20,790, respectively.
- (d) From February to December 2020, due to the impact of COVID-19, the Ministry of Human Resources and Social Security of China announced that part of the pension insurance fund was exempted, which was amounting to \$5,159.

(14) Share capital

- A. As of September 30, 2021, 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	
	2021	2020
At January 1	\$ 159,136	\$ 165,136
Treasury stock acquired	-	(6,000)
At September 30	<u>159,136</u>	<u>159,136</u>

B. On March 24, 2020, the Board of directors resolved to acquire 6,000 thousands shares of the Company. All the acquired shares will be reissued to employees. As of September 30, 2021, the Company has acquired 6,000 thousands shares.

C. Treasury shares

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

		Unit: shares in thousands	
		September 30,2021	
Name of company holding the shares	Reason for reacquisition	Number of shares	Carrying amount
The Company	To be reissued to employees	6,000	\$ 108,425
		December 30,2020	
Name of company holding the shares	Reason for reacquisition	Number of shares	Carrying amount
The Company	To be reissued to employees	6,000	\$ 108,425
		September 30,2020	
Name of company holding the shares	Reason for reacquisition	Number of shares	Carrying amount
The Company	To be reissued to employees	6,000	\$ 108,425

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

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

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

(15) Capital surplus

A. Pursuant to the R.O.C. Company Act, capital surplus arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficit. Further, the R.O.C. Securities and Exchange Law requires that the amount of capital surplus to be capitalized mentioned above should not exceed 10% of the paid-in capital each year. Capital surplus should not be used to cover accumulated deficit unless the legal reserve is insufficient.

B. Details of Capital surplus:

	Share premium	Treasury share transactions	Difference between consideration and carrying amount of subsidiaries acquired or disposed	Net change in equity of associates	Net change in equity of subsidiaries	Expired employee stock option	Total
At January 1, 2021	\$ 127,167	\$ 31,399	\$ 11,750	\$ -	\$ 12,326	\$ 4,446	\$ 187,088
From changes in equities of subsidiaries	-	-	-	-	(12,326)	-	(12,326)
At September 30, 2021	<u>\$ 127,167</u>	<u>\$ 31,399</u>	<u>\$ 11,750</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,446</u>	<u>\$ 174,762</u>

	Share premium	Treasury share transactions	Difference between consideration and carrying amount of subsidiaries acquired or disposed	Net change in equity of associates	Net change in equity of associates	Expired employee stock option	Total
At January 1, 2020	\$ 127,167	\$ 31,399	\$ 11,750	\$ 12,003	\$ 12,326	\$ 4,446	\$ 199,091
Disposals Associates	-	-	-	(12,003)	-	-	(12,003)
At September 30, 2020	<u>\$ 127,167</u>	<u>\$ 31,399</u>	<u>\$ 11,750</u>	<u>\$ -</u>	<u>\$ 12,326</u>	<u>\$ 4,446</u>	<u>\$ 187,088</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 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 July 5, 2021 and June 17, 2020, respectively, the shareholders resolved that total dividends for the distribution of earnings for the year of 2020 and 2019 were as following:

	2020		2019	
	Amount	Earnings per share(In dollars)	Amount	Earnings per share(In dollars)
Legal reserve	\$ 15,064	\$ -	\$ 24,764	\$ -
Cash dividends	159,136	1.000	247,704	1.556
Reversal of Special surplus reserve	(21,840)	-	-	-
Total	<u>\$ 152,360</u>	<u>\$ 1.000</u>	<u>\$ 272,468</u>	<u>\$ 1.556</u>

(17) Other equity items

	For the nine-month period ended September 30, 2021		
	Unrealised gains (losses) on valuation	Currency translation	Total
At January 1	\$ 32,228	(\$ 80,574)	(\$ 48,346)
Revaluation:–group	21,809	-	21,809
Revaluation - tax	(45)	-	(45)
Disposal transferred	-	38,724	38,724
Currency translation differences: – group	-	(13,155)	(13,155)
At September 30	<u>\$ 53,992</u>	<u>(\$ 55,005)</u>	<u>(\$ 1,013)</u>

	For the nine-month period ended September 30, 2020		
	Unrealised gains (losses) on valuation	Currency translation	Total
At January 1	\$ 3,295	(\$ 99,700)	(\$ 96,405)
Revaluation:–group	14,949	-	14,949
Valuation adjustment to profit or loss due to liquidate of subsidiaries	-	1,360	1,360
Currency translation differences:–group	-	(5,617)	(5,617)
At September 30	<u>\$ 18,244</u>	<u>(\$ 103,957)</u>	<u>(\$ 85,713)</u>

(18) Operating revenue

	For the three-month period ended September 30, 2021	For the three-month period ended September 30, 2020
	Revenue from Contracts with Customers	<u>\$ 1,175,496</u>	$ 923,019
	For the nine-month period ended September 30, 2021	For the nine-month period ended September 30, 2020
	<u>\$ 3,701,201</u>	<u>\$ 2,288,274</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 September 30, 2021				
	Taiwan	China	Other	Total
Total segment revenue	\$ 739,229	\$ 547,084	\$ 21,714	\$ 1,308,027
Inter-segment revenue	(108,096)	(24,426)	(9)	(132,531)
Revenue from external customer contracts	<u>\$ 631,133</u>	<u>\$ 522,658</u>	<u>\$ 21,705</u>	<u>\$ 1,175,496</u>
Timing of revenue recognition				
At a point in time	\$ 626,179	\$ 518,694	\$ 21,594	\$ 1,166,467
Over time	4,954	3,964	111	9,029
	<u>\$ 631,133</u>	<u>\$ 522,658</u>	<u>\$ 21,705</u>	<u>\$ 1,175,496</u>
For the three-month period ended September 30, 2020				
	Taiwan	China	Other	Total
Total segment revenue	\$ 438,884	\$ 593,648	\$ 26,222	\$ 1,058,754
Inter-segment revenue	(112,744)	(22,991)	-	(135,735)
Revenue from external customer contracts	<u>\$ 326,140</u>	<u>\$ 570,657</u>	<u>\$ 26,222</u>	<u>\$ 923,019</u>
Timing of revenue recognition				
At a point in time	\$ 322,337	\$ 569,657	\$ 25,903	\$ 917,897
Over time	3,803	1,000	319	5,122
	<u>\$ 326,140</u>	<u>\$ 570,657</u>	<u>\$ 26,222</u>	<u>\$ 923,019</u>
For the nine-month period ended September 30, 2021				
	Taiwan	China	Other	Total
Total segment revenue	\$ 2,109,652	\$ 1,987,516	\$ 59,397	\$ 4,156,565
Inter-segment revenue	(345,970)	(109,364)	(30)	(455,364)
Revenue from external customer contracts	<u>\$ 1,763,682</u>	<u>\$ 1,878,152</u>	<u>\$ 59,367</u>	<u>\$ 3,701,201</u>
Timing of revenue recognition				
At a point in time	\$ 1,750,228	\$ 1,873,478	\$ 58,247	\$ 3,681,953
Over time	13,454	4,674	1,120	19,248
	<u>\$ 1,763,682</u>	<u>\$ 1,878,152</u>	<u>\$ 59,367</u>	<u>\$ 3,701,201</u>
For the nine-month period ended September 30, 2020				
	Taiwan	China	Other	Total
Total segment revenue	\$ 1,052,064	\$ 1,489,215	\$ 58,146	\$ 2,599,425
Inter-segment revenue	(239,851)	(71,300)	-	(311,151)
Revenue from external customer contracts	<u>\$ 812,213</u>	<u>\$ 1,417,915</u>	<u>\$ 58,146</u>	<u>\$ 2,288,274</u>
Timing of revenue recognition				
At a point in time	\$ 796,972	\$ 1,415,853	\$ 56,866	\$ 2,269,691
Over time	15,241	2,062	1,280	18,583
	<u>\$ 812,213</u>	<u>\$ 1,417,915</u>	<u>\$ 58,146</u>	<u>\$ 2,288,274</u>

B. Contract liabilities

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

	September 30, 2021	December 31, 2020	September 30, 2020	January 1, 2020
Contract liabilities	\$ 233,426	\$ 267,883	\$ 273,170	\$ 144,695

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

	For the three-month period ended September 30, 2021	For the three-month period ended September 30, 2020
Revenue recognised that was included in the contract liability balance at the beginning of the period	\$ 54,796	\$ 30,232
Total	\$ 54,796	\$ 30,232
	For the nine-month period ended September 30, 2021	For the nine-month period ended September 30, 2020
Revenue recognised that was included in the contract liability balance at the beginning of the period	\$ 239,482	\$ 84,229
Total	\$ 239,482	\$ 84,229

(19) Interest income

	For the three-month period ended September 30, 2021	For the three-month period ended September 30, 2020
Interest income from bank deposits	\$ 3,775	\$ 2,689
	For the nine-month period ended September 30, 2021	For the nine-month period ended September 30, 2020
Interest income from bank deposits	\$ 11,000	\$ 11,612

(20) Other income

	For the three-month period ended September 30, 2021	For the three-month period ended September 30, 2020
Rental revenue	\$ 6,724	\$ 4,680
Government grants revenue	9,412	46,188
Dividend income	19,514	-
Others	2,115	749
Total	\$ 37,765	\$ 51,617

	<u>For the nine-month period ended September 30, 2021</u>	<u>For the nine-month period ended September 30, 2020</u>
Rental revenue	\$ 19,893	\$ 12,700
Government grants revenue	30,730	76,737
Dividend income	21,266	1,880
Others	6,808	16,102
Total	<u>\$ 78,697</u>	<u>\$ 107,419</u>

(21) Other gains and losses

	<u>For the three-month period ended September 30, 2021</u>	<u>For the three-month period ended September 30, 2020</u>
Loss on disposal of equipment	\$ -	(\$ 277)
Gains on disposal of investments	-	3,998
Gains on lease modification	-	2
Net currency exchange gains(losses)	4,333	(32,114)
Others gains and losses	(1,087)	5
	<u>\$ 3,246</u>	<u>(\$ 28,386)</u>
	<u>For the nine-month period ended September 30, 2021</u>	<u>For the nine-month period ended September 30, 2020</u>
Loss on disposal of equipment	\$ -	(\$ 1,301)
Losses (gains) on disposal of investments	(33,482)	19,873
Gains on lease modification	110	314
Net gains (losses) on financial assets and liabilities at fair value through profit or loss	-	60
Net currency exchange losses	(23,425)	(48,983)
Others gains and losses	(3,691)	(124)
	<u>(\$ 60,488)</u>	<u>(\$ 30,161)</u>

(22) Finance costs

	<u>For the three-month period ended September 30, 2021</u>	<u>For the three-month period ended September 30, 2020</u>
Interest expense	\$ 5,007	\$ 5,864
	<u>For the nine-month period ended September 30, 2021</u>	<u>For the nine-month period ended September 30, 2020</u>
Interest expense	\$ 13,767	\$ 21,477

(23) Expenses by nature

	<u>For the three-month period ended September 30, 2021</u>	<u>For the three-month period ended September 30, 2020</u>
Employee benefit expense	\$ 261,754	\$ 214,430
Depreciation charges	\$ 14,032	\$ 13,631
Amortization charges on intangible assets	\$ 2,867	\$ 3,696

	<u>For the nine-month period ended September 30, 2021</u>	<u>For the nine-month period ended September 30, 2020</u>
Employee benefit expense	\$ 696,038	\$ 588,763
Depreciation charges	\$ 43,097	\$ 39,549
Amortization charges on intangible assets	\$ 8,584	\$ 10,992

(24) Employee benefit expense

	<u>For the three-month period ended September 30, 2021</u>	<u>For the three-month period ended September 30, 2020</u>
Wages and salaries	\$ 227,838	\$ 185,373
Labour and health insurance fees	16,543	15,103
Pension costs	9,633	6,816
Other personnel expenses	7,740	7,138
	<u>\$ 261,754</u>	<u>\$ 214,430</u>

	<u>For the nine-month period ended September 30, 2021</u>	<u>For the nine-month period ended September 30, 2020</u>
Wages and salaries	\$ 596,666	\$ 500,249
Labour and health insurance fees	49,038	44,986
Pension costs	27,519	21,311
Other personnel expenses	22,815	22,217
	<u>\$ 696,038</u>	<u>\$ 588,763</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 three-month periods ended September 30, 2021 and 2020 and for the nine-month periods ended September 30, 2021 and 2020, employees' remuneration was accrued at \$8,943, \$6,078, \$24,113 and \$8,097, respectively; directors' remuneration was accrued at \$1,808, \$1,215, \$3,942 and \$1,619, respectively. The aforementioned amounts were recognized in salary expenses.

For the years ended September 30, 2021, employees' compensation and directors' and supervisors' remuneration were accrued based on the profit at 10.04% and 1.64%, respectively.

The employees' compensation of \$22,139 and directors' and supervisors' remuneration of \$3,752 for 2020 as resolved by the meeting of Board of Directors on March 16, 2021 were in agreement with those amounts recognized in the 2020 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 September 30, 2021</u>	<u>For the three-month period ended September 30, 2020</u>
Current tax:		
Current tax on profits for the period	\$ 25,649	\$ 13,877
Tax on undistributed surplus earnings	-	-
Prior year income tax (over) underestimate	-	562
Total current tax	<u>25,649</u>	<u>14,439</u>
Deferred tax:		
Origination and reversal of temporary differences	(5,339)	269
Effect from loss of nondeductible item	1,000	-
Total deferred tax	<u>(4,339)</u>	<u>269</u>
Income tax expense	<u>\$ 21,310</u>	<u>\$ 14,708</u>
	<u>For the nine-month period ended September 30, 2021</u>	<u>For the nine-month period ended September 30, 2020</u>
Current tax:		
Current tax on profits for the period	(\$ 6,855)	\$ 25,747
Tax on undistributed surplus earnings	-	5,171
Prior year income tax (over) underestimate	(2,037)	797
Total current tax	<u>(8,892)</u>	<u>31,715</u>
Deferred tax:		
Origination and reversal of temporary differences	(27,376)	462
Effect from loss of nondeductible item	54,185	-
Total deferred tax	<u>26,809</u>	<u>462</u>
Income tax expense	<u>\$ 17,917</u>	<u>\$ 32,177</u>

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

	<u>For the three-month period ended September 30, 2021</u>	<u>For the three-month period ended September 30, 2020</u>
Changes in fair value of financial assets at fair value through other comprehensive income	(\$ <u>3,076</u>)	\$ <u>4,525</u>
	<u>For the nine-month period ended June 30, 2021</u>	<u>For the nine-month period ended September 30, 2020</u>
Changes in fair value of financial assets at fair value through other comprehensive income	\$ <u>6,330</u>	\$ <u>6,582</u>

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

(26) Earnings per share

	<u>For the three-month period ended September 30, 2021</u>		
	<u>Amount after tax</u>	<u>Weighted average number of ordinary shares outstanding (share in thousands)</u>	<u>Earnings per share (in dollars)</u>
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ <u>74,769</u>	159,136	\$ <u>0.47</u>
<u>Diluted earnings per share</u>			
Assumed conversion of all dilutive potential ordinary shares			
- Employees' bonus	-	<u>745</u>	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ <u>74,769</u>	<u>159,881</u>	\$ <u>0.47</u>
	<u>For the three-month period ended September 30, 2020</u>		
	<u>Amount after tax</u>	<u>Weighted average number of ordinary shares outstanding (share in thousands)</u>	<u>Earnings per share (in dollars)</u>
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ <u>49,362</u>	159,136	\$ <u>0.31</u>
<u>Diluted earnings per share</u>			
Assumed conversion of all dilutive potential ordinary shares			
- Employees' bonus	-	<u>339</u>	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ <u>49,362</u>	<u>159,475</u>	\$ <u>0.31</u>

	<u>For the nine-month period ended September 30, 2021</u>		
	<u>Amount after tax</u>	<u>Weighted average number of ordinary shares outstanding (share in thousands)</u>	<u>Earnings per share (in dollars)</u>
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 240,814	159,136	\$ 1.51
<u>Diluted earnings per share</u>			
Assumed conversion of all dilutive potential ordinary shares - Employees' bonus	-	854	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 240,814	159,990	\$ 1.51
	<u>For the nine-month period ended September 30, 2020</u>		
	<u>Amount after tax</u>	<u>Weighted average number of ordinary shares outstanding (share in thousands)</u>	<u>Earnings per share (in dollars)</u>
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 61,244	161,604	\$ 0.38
<u>Diluted earnings per share</u>			
Assumed conversion of all dilutive potential ordinary shares - Employees' bonus	-	1,307	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 61,244	162,911	\$ 0.38

(27) Transactions with non-controlling interests

Subsidiary purchases treasury shares

For the six-month period ended September 30, 2021, Gallant Micro. Machining Co., Ltd. acquired an additional 7.07% of its outstanding shares for a total cash consideration of \$151,112. This transaction resulted in a decrease in the non-controlling interest by \$99,612 and a decrease in the equity attributable to owners of the parent by \$51,500. The effect of changes in interests in Gallant Micro. Machining Co., Ltd. on the equity attributable to owners of the parent for the years ended December 31, 2021 is shown below:

	<u>2021</u>
Cash	\$ 151,112
Decrease in the carrying amount of non-controlling interest	(99,612)
Capital surplus (unappropriated retained earnings) - difference between proceeds on actual acquisition of or disposal of equity interest in a subsidiary and its carrying amount	\$ 51,500

(28) Business combinations

- A. On January 3, 2020, the Group acquired 33.82% of the share capital of Utron Technologies Corp for \$23,672 and held 76.02% of the equity until December 31, 2020, and obtained the control over Utron Technologies Corp. The main business of company are testing of wire and tools and sales of testing equipment of PBC and related systems. As a result of the acquisition, the Group is expected to increase its position in these markets. It also expects to reduce costs through economies of scale.
- B. The following table summarizes the consideration paid for Utron Technologies Corp and the fair values of the assets acquired and liabilities assumed at the acquisition date, as well as the fair value of the non-controlling interest at the acquisition date:

	<u>Acquisition date</u>
Purchase consideration	
Cash paid	\$ 23,672
Fair value of equity interest in Utron Technologies Corp held before the business combination	25,443
Fair value of the non – controlling interest	<u>25,238</u>
	<u>74,353</u>
Fair value of the identifiable assets acquired and liabilities assumed	
Cash	18,410
Accounts receivable	72,491
Other accounts receivable	6,911
Inventories	42,737
Prepayments	14,374
Property, plant and equipment	114,787
Other non-current assets	690
Bank borrowings	(76,000)
Accounts payable	(27,417)
Other accounts payable	(54,512)
Provisions for liabilities	(248)
Unearned receipts	(576)
Other current liabilities	(118)
Deferred tax liabilities	(5,793)
Non-controlling interest of subsidiaries	(<u>490</u>)
Total identifiable net assets	<u>105,246</u>
Gain recognized in bargain purchase transaction	<u>(\$ 30,893)</u>

- C. Non-controlling interests are measured by the non-controlling interest's proportion share in the recognized amounts of the acquiree's identifiable net assets.
- D. The Group recognized gain in bargain purchase transaction amounting to \$30,893 due to the fair value of real estate and plant of the acquired company exceeded its book value. In addition, the Group considered the consistency of the financial report readers and do not modify the presentation of the financial statement for comparative information in the previous period.

E. The operating revenue included in the consolidated statement of comprehensive income since January 3, 2020 contributed by Utron Technologies Corp was \$59,457. Utron Technologies Corp also contributed profit before income tax of \$39,071 over the same period. Had Utron Technologies Corp been consolidated from January 1, 2020, the consolidated statement of comprehensive income would show operating revenue of \$59,457 and profit before income tax of \$39,071.

(29) Supplemental cash flow information

Investing activities with partial cash payments:

	For the nine-month period ended September 30, 2021	For the nine-month period ended September 30, 2020
Purchase of property, plant and equipment	\$ 23,244	\$ 34,010
Add: opening balance of payable on equipment	385	1,084
Less: ending balance of payable on equipment	(968)	(567)
Cash paid during the period	<u>\$ 22,661</u>	<u>\$ 34,527</u>

(30) Changes in liabilities from financing activities

	Short-term borrowings	Long-term borrowings	Guarantee deposits received	Leases liabilities	Liabilities from financing activities-gross
At January 1, 2021	\$ 1,054,410	\$ 146,743	\$ 3,531	\$ 262,310	\$ 1,466,994
Changes in cash flow from financing activities	82,200	184,543	83	(15,068)	251,758
Interest expense	-	-	-	4,186	4,186
Payment of interest	-	-	-	(4,186)	(4,186)
Changes in other non-cash items	-	-	-	(643)	(643)
Gain on lease modification	-	-	-	(110)	(110)
Changes in leases liabilities	-	-	-	12,323	12,323
At September 30, 2021	<u>\$ 1,136,610</u>	<u>\$ 331,286</u>	<u>\$ 3,614</u>	<u>\$ 258,812</u>	<u>\$ 1,730,322</u>

	<u>Short-term borrowings</u>	<u>Long-term borrowings</u>	<u>Guarantee deposits received</u>	<u>Leases liabilities</u>	<u>Liabilities from financing activities-gross</u>
At January 1, 2020	\$ 1,118,987	\$ 473,439	\$ 2,336	\$ 246,481	\$ 1,841,243
Changes in cash flow from financing activities	(349,454)	49,883	570	(14,675)	(313,676)
Interest expense	-	-	-	4,505	4,505
Payment of interest	-	-	-	(4,505)	(4,505)
Changes in acquisition of subsidiaries	76,000	-	-	-	76,000
Changes in loss of control in subsidiaries	(8,000)	-	-	-	(8,000)
Changes in other non - cash items	-	-	-	(110)	(110)
Gain on lease modification	-	-	-	(314)	(314)
Changes in other non-cash items	-	-	-	34,588	34,588
At September 30, 2020	<u>\$ 837,533</u>	<u>\$ 523,322</u>	<u>\$ 2,906</u>	<u>\$ 265,970</u>	<u>\$ 1,629,731</u>

7. RELATED-PARTY TRANSACTIONS

(1) Names and relationship of related parties

<u>Names of related parties</u>	<u>Relationship with the Company</u>
C SUN Mfg. Ltd.	Associate
C SUN(Guangzhou) Mfg. Ltd.	Associate
Sunengine Co., Ltd.	Associate (Note)
Fujian Chengzhe Automation Technology Co.Ltd	Substantive related party

Note: The company was not the associate of the Group from August, 2020.

(2) Significant related party transactions

A. Operating revenue:

	<u>For the three-month period ended September 30, 2021</u>	<u>For the three-month period ended September 30, 2020</u>
Sales of goods:		
Associates	<u>\$ 96</u>	<u>\$ 480</u>
	<u>For the nine-month period ended September 30, 2021</u>	<u>For the nine-month period ended September 30, 2020</u>
Sales of goods:		
Associates	<u>\$ 96</u>	<u>\$ 3,360</u>

B. Purchases:

	<u>For the three-month period ended September 30, 2021</u>	<u>For the three-month period ended September 30, 2020</u>
Purchases of goods:		
Substantive related party	\$ <u>11,525</u>	\$ <u>35,511</u>
	<u>For the nine-month period ended September 30, 2021</u>	<u>For the nine-month period ended September 30, 2020</u>
Purchases of goods:		
Substantive related party	\$ <u>99,347</u>	\$ <u>107,713</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>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Accounts receivable:			
Associates	\$ <u>3,361</u>	\$ <u>10,605</u>	\$ <u>3,528</u>

D. Payables to related parties:

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Accounts payable:			
Substantive related party	\$ <u>50</u>	\$ <u>34,274</u>	\$ <u>57,087</u>
Other payable:			
Associates	\$ <u>-</u>	\$ <u>470</u>	\$ <u>-</u>

(3) Key management compensation

	<u>For the three-month period ended September 30, 2021</u>	<u>For the three-month period ended September 30, 2020</u>
Payroll and Salaries and other short-term employee benefits	\$ 12,267	\$ 12,703
Post-employment benefits	<u>345</u>	<u>273</u>
Total	\$ <u>12,612</u>	\$ <u>12,976</u>
	<u>For the nine-month period ended September 30, 2021</u>	<u>For the nine-month period ended September 30, 2020</u>
Payroll and Salaries and other short-term employee benefits	\$ 30,812	\$ 36,244
Post-employment benefits	<u>1,030</u>	<u>16,996</u>
Total	\$ <u>31,842</u>	\$ <u>53,240</u>

8. PLEGDED ASSETS

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

Pledged asset	Book value			Purpose
	September 30, 2021	December 31, 2020	September 30, 2020	
Time deposits (shown as "financial assets at amortised cost-current")	\$ 954	\$ 5,690	\$ -	Exercise guarantee for construction
Time deposits (shown as "financial assets at amortised cost non-current")	17,687	22,615	22,593	Exercise guarantee for construction and customs deposit
Property, plant and equipment	519,630	517,628	532,712	Long-term borrowings
	<u>\$ 538,271</u>	<u>\$ 545,933</u>	<u>\$ 555,305</u>	

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

Contingent liabilities

As of September 30, 2021, December 31, 2020 and September 30, 2020, the bank open a guarantee letter for the Company due to business tender and guarantee for construction amounting to \$25,411, \$82,182 and \$46,422, 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 nine-month period ended September 30, 2021. For more information, please refer to note 12 in the Group's consolidated financial statements for the year ended December 31, 2020.

(2) Financial instruments

A. Financial instruments by category

	September 30, 2021	December 31, 2020	September 30, 2020
<u>Financial assets</u>			
Financial assets measured at fair value through profit or loss			
Financial assets at fair value through other comprehensive income	\$ 676,814	\$ 167,966	\$ 136,374
Financial assets at amortised cost/Loans and receivables			
Cash and cash equivalents	1,266,127	1,584,069	1,422,883
Financial assets at amortised cost	692,030	725,367	637,189
Notes receivables	22,436	14,411	39,071
Accounts receivables (related party)	1,623,362	1,565,247	1,405,039
Other accounts receivables	5,072	9,431	16,830
Guarantee deposits paid	7,573	12,697	6,422
	<u>\$ 4,293,414</u>	<u>\$ 4,079,188</u>	<u>\$ 3,663,808</u>
<u>Financial liabilities</u>			
Financial liabilities at amortised cost			
Short-term borrowings	\$ 1,136,610	\$ 1,054,410	\$ 837,533
Notes payable	451	-	1,794
Accounts payable(related party)	1,160,899	1,101,104	763,647
Other accounts payable(related party)	306,900	282,089	227,763
Long-term borrowings (including current portion)	331,286	146,743	523,322
Guarantee deposits received	3,614	3,531	2,906
	<u>\$ 2,939,760</u>	<u>\$ 2,587,877</u>	<u>\$ 2,356,965</u>
Leases liabilities	<u>\$ 258,812</u>	<u>\$ 262,310</u>	<u>\$ 265,970</u>

B. Financial risk management policies

No significant change was made during the nine-month period ended September 30, 2021. For more information, please refer to note 12 in the Group's consolidated financial statements for the year ended December 31, 2020.

C. Significant financial risks and degrees of financial risks

There was no significant change in the reporting period. Please refer to Note 12 in the consolidated financial statements for the year ended December 31, 2020, except for the items explained below:

(a) Market risk

Foreign exchange risk

- i . The Group's businesses involve some non-functional currency operations (the Company's and certain subsidiaries' functional currency: NTD; other certain subsidiaries' functional

currency: RMB and MYR). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

				September 30, 2021		
				Foreign currency amount (In thousands)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)						
<u>Financial assets</u>						
<u>Monetary items</u>						
	\$	47,681	27.85	\$	1,327,904	
		37,310	0.249		9,290	
		55,335	4.305		238,218	
		1,225	6.4692		34,114	
<u>Non-monetary items: None</u>						
<u>Financial liability</u>						
<u>Monetary items</u>						
	\$	19,578	27.85	\$	545,251	
		67,767	0.249		16,874	
		6,298	4.305		27,113	
<u>Non-monetary items: None</u>						
				December 31, 2020		
				Foreign currency amount (In thousands)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)						
<u>Financial assets</u>						
<u>Monetary items</u>						
	\$	52,432	28.48	\$	1,493,264	
		64,924	0.2763		17,939	
		29,190	4.377		127,764	
		1,609	6.5067		45,828	
<u>Non-monetary items: None</u>						
<u>Financial liability</u>						
<u>Monetary items</u>						
	\$	22,782	28.48	\$	648,832	
		119,864	0.2763		33,119	
		9,292	4.377		40,671	
<u>Non-monetary items: None</u>						

				September 30, 2020			
				Foreign currency amount (In thousands)	Exchange rate	Book value (NTD)	
(Foreign currency: functional currency)							
<u>Financial assets</u>							
<u>Monetary items</u>							
	USD:NTD	\$	48,549	29.10	\$	1,412,771	
	JPY:NTD		73,686	0.2756		20,308	
	RMB:NTD		8,679	4.269		37,053	
	USD: RMB		1,123	6.8166		32,683	
<u>Non-monetary items: None</u>							
<u>Financial liability</u>							
<u>Monetary items</u>							
	USD:NTD	\$	15,784	29.10	\$	459,304	
	JPY:NTD		110,588	0.2756		30,478	
	RMB:NTD		7,236	4.269		30,890	
<u>Non-monetary items: None</u>							

- ii . The unrealized exchange gain, including realized and unrealized arising from significant foreign exchange variation on the monetary items held by the Group for the three-month periods ended September 30, 2021 and 2020 and for the nine-month periods ended September 30, 2021 and 2020, amounted \$4,333, (\$32,114), (\$23,425) and (\$48,983), respectively.
- iii. Analysis of foreign currency market risk arising from significant foreign exchange variation:

				For the nine-month period ended September 30, 2021			
				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%	\$	13,279	\$	-
	JPY:NTD		1%		93		-
	RMB:NTD		1%		2,382		-
	USD: RMB		1%		341		-
<u>Financial liability</u>							
<u>Monetary items</u>							
	USD:NTD		1%	(\$	5,453)	\$	-
	JPY:NTD		1%	(	169)		-
	RMB:NTD		1%	(	271)		-

For the nine-month period ended September 30, 2020			
Sensitivity analysis			
	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	1%	\$ 14,128	\$ -
JPY:NTD	1%	203	-
RMB:NTD	1%	371	-
USD: RMB	1%	33	-
<u>Financial liability</u>			
<u>Monetary items</u>			
USD:NTD	1%	(\$ 4,593)	\$ -
JPY:NTD	1%	(305)	-
RMB:NTD	1%	(309)	-

Price risk

- A. The Group's equity securities, which are exposed to price risk, are the held financial assets at fair value through profit or loss, and financial assets at fair value through other comprehensive income and available-for-sale financial assets. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.
- B. The Group's investments in equity securities comprise domestic listed and unlisted stocks, shares and open-end funds issued by the domestic companies. The prices of equity securities would change due to the change of the future value of investee companies. If the prices of these equity securities had increased/decreased by 1% with all other variables held constant, post-tax profit for the periods ended September 30, 2021 and 2020 would have increased/decreased by \$6,768 and \$1,364, 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 September 30, 2021 and 2020, 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 nine-month periods ended September 30, 2021 and 2020 would have increased/decreased by \$7,403 and \$9,157, 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. On September 30, 2021, December 31, 2020 and September 30, 2020, respectively, the provision matrix is as follows:

At September 30, 2021	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%-1.15%	0.01%-31.43%	0.01%-34.45%	0.04%-100%	
Total book value	\$ 1,418,620	\$ 162,085	\$ 22,587	\$ 207,740	\$1,811,032
Loss allowance	\$ 11,919	\$ 15,515	\$ 2,818	\$ 157,418	\$ 187,670

At December 31, 2020	Not	Between	Between	Between	Total
	past due	0 -90 days Past due	91 -120 days Past due	120 days Past due	
Expected loss rate	0.00%-0.92%	0.01%-24.09%	0.26%-38.91%	0.95%-100%	
Total book value	\$ 1,456,763	\$ 74,216	\$ 18,705	\$ 215,071	\$1,764,755
Loss allowance	\$ 4,566	\$ 9,057	\$ 4,493	\$ 181,392	\$ 199,508

At September 30, 2020	Not	Between	Between	Between	Total
	past due	0 -90 days Past due	91 -120 days Past due	120 days Past due	
Expected loss rate	0.00%-0.60%	0.01%-28.02%	0.26%-32.67%	0.95%-100%	
Total book value	\$ 1,146,635	\$ 200,017	\$ 8,084	\$ 290,809	\$1,648,545
Loss allowance	\$ 4,025	\$ 25,304	\$ 182	\$ 213,995	\$ 243,506

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

	For the nine-month period ended September 30, 2021
	<u>Accounts receivable</u>
At January 1	\$ 199,508
Reversal of impairment loss	(11,593)
Effect of foreign exchange	(245)
At September 30	<u>\$ 187,670</u>

	For the nine-month period ended September 30, 2020
	<u>Accounts receivable</u>
At January 1	\$ 164,208
Provision for impairment	83,077
Reversal of impairment loss	(3,404)
Write-offs	(239)
Effect of foreign exchange	(136)
At September 30	<u>\$ 243,506</u>

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

	September 30, 2021			
	12 months	Lifetime		Total
		Significant increase in credit risk	Impairment of credit	
Financial assets at amortised cost				
Group 1	\$ 169,265	\$ -	\$ -	\$ 169,265
Group 2	505,833	-	-	505,833
Group 3	16,932	-	-	16,932
	<u>\$ 692,030</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 692,030</u>

	December 31, 2020			
	12 months	Lifetime		Total
		Significant increase in credit risk	Impairment of credit	
Financial assets at amortised cost				
Group 1	\$ 166,960	\$ -	\$ -	\$ 166,960
Group 2	541,048	-	-	541,048
Group 3	17,359	-	-	17,359
	<u>\$ 725,367</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 725,367</u>

	September 30, 2020			
	12 months	Lifetime		Total
		Significant increase in credit risk	Impairment of credit	
Financial assets at amortised cost				
Group 1	\$ 125,567	\$ -	\$ -	\$ 125,567
Group 2	493,045	-	-	493,045
Group 3	18,577	-	-	18,577
	<u>\$ 637,189</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 637,189</u>

Group 3:Taiwai Bank
Group 3:China Bank
Group 3:Other regional Bank

(c) Liquidity risk

- i .Cash flow forecasting is performed in the operating entities of the Group and aggregated by Group treasury. Group treasury monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs.
- ii. Surplus cash held by the operating entities over and above balance required for working capital management are transferred to the Group treasury. Group treasury invests surplus cash in interest bearing current accounts, beneficiary certificates and No active market of debt securities investment (Later than three month but not later than one years of deposit account) , choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient head-room as determined by the above-mentioned forecasts. As at September 30, 2021, December 31, 2020 and September 30, 2020, the Group held money market position of \$1,940,154, \$2,286,493 and \$2,037,156, respectively, that are expected to readily generate cash inflows for managing liquidity risk.
- iii. The Company has the following undrawn borrowing facilities:

	September 30, 2021	December 31, 2020	September 30, 2020
Floating rate:			
Expiring within one year	\$ 2,033,240	\$ 1,899,957	\$ 1,672,145
Expiring beyond one year	8,500	3,400	1,700
	<u>\$ 2,041,740</u>	<u>\$ 1,903,357</u>	<u>\$ 1,673,845</u>

The facilities expiring within one year are annual facilities subject to review at various

dates during 2021. 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:

September 30, 2021	Less than 3 months	Between 3 months and 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years
Short-term borrowings	\$1,106,610	\$ 30,000	\$ -	\$ -	\$ -
Notes payable	451	-	-	-	-
Accounts payable (related party)	670,054	162,415	-	328,430	-
Other payables (related party)	205,965	100,935	-	-	-
Leases liabilities	6,167	17,162	22,882	50,079	229,778
Long-term borrowings (including current portion)	4,123	28,016	51,164	199,785	62,658

Non-derivative financial liabilities:

December 31, 2020	Less than 3 months	Between 3 months and 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years
Short-term borrowings	\$ 589,610	\$ 464,800	\$ -	\$ -	\$ -
Accounts payable (related party)	564,842	368,531	-	167,731	-
Other payables (related party)	219,989	62,100	-	-	-
Leases liabilities	5,107	14,991	17,533	44,583	234,814
Long-term borrowings (including current portion)	6,543	13,811	20,135	42,143	72,970

Non-derivative financial liabilities:

September 30, 2020	Less than 3 months	Between 3 months and 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years
Short-term borrowings	\$ 579,836	\$ 257,697	\$ -	\$ -	\$ -
Notes payable	1,794	-	-	-	-
Accounts payable (related party)	370,670	194,353	-	198,624	-
Other payables (related party)	162,224	65,539	-	-	-
Leases liabilities	6,193	18,486	22,343	53,614	236,793
Long-term borrowings (including current portion)	6,659	26,244	382,507	49,659	76,844

Derivative financial liabilities:

September 30, 2021, December 31, 2020, September 30, 2020 : None.

(3) Fair value information

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

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The fair

value of the Group's investment in listed stocks, beneficiary certificates, is included in Level 1

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. The fair value of the Group's investment in most derivative instruments is included in Level 2.

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

B. Financial instruments not measured at fair value

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

C. The related information of financial and non-financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities are as follows:

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

September 30, 2021	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through other comprehensive income				
Equity securities	\$ 471,685	\$ -	\$ 205,129	\$ 676,814
December 31, 2020	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through other comprehensive income				
Equity securities	\$ -	\$ -	\$ 167,966	\$ 167,966
September 30, 2020	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through other comprehensive income				
Equity securities	\$ -	\$ -	\$ 136,374	\$ 136,374

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

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

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

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

D. The following chart is the financial instruments movement of Level 3 for the nine-month periods ended September 30, 2021 and 2020:

	<u>For the nine-month period ended September 30, 2021</u>	<u>For the nine-month period ended September 30, 2020</u>
	<u>equity instrument</u>	<u>equity instrument</u>
At January 1	\$ 167,966	\$ 103,462
Acquisitions	5,500	-
Recognized in other comprehensive income (loss)	31,663	32,912
At September 30	<u>\$ 205,129</u>	<u>\$ 136,374</u>

- E. For the nine month periods ended September 30, 2021 and 2020, there was no transfer into or out from Level 3.
- F. Finance segment is in charge of valuation procedures for fair value measurements being categorized within Level 3, which is to verify independent fair value of financial instruments. Such assessment is to ensure the valuation results are reasonable by applying independent information to make results close to current market conditions, confirming the resource of information is independent, reliable and in line with other resources and represented as the

exercisable price, and frequently calibrating valuation model, performing back-testing, updating inputs used to the valuation model and making any other necessary adjustments to the fair value.

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

	September 30, 2021	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Derivative equity instrument:					
Unlisted shares	\$ 189,563	Market comparable companies	Price to book ratio multiple	5.55~5.57	The higher the multiple , the higher the fair value
Unlisted shares	\$ 15,566	Net asset value	Not applicable	-	Not applicable
	December 31, 2020	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Derivative equity instrument:					
Unlisted shares	\$ 157,672	Market comparable companies	Price to book ratio multiple	1.09~4.30	The higher the multiple , the higher the fair value
Unlisted shares	\$ 10,294	Net asset value	Not applicable	-	Not applicable
	September 30, 2020	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Derivative equity instrument:					
Unlisted shares	\$ 125,856	Market comparable companies	Price to book ratio multiple	0.98~3.71	The higher the multiple , the higher the fair value
Unlisted shares	\$ 10,518	Net asset value	Not applicable	-	Not applicable

H. 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:

		September 30, 2021			
		Recognized in profit or loss		Recognized in other comprehensive income	
Input	Change	Favourable change	Unfavourable change	Favourable change	Unfavourable change
Financial assets					
Equity instrument	Price to book ratio multiple	±1%	\$ -	\$ -	\$ 1,896 (\$ 1,896)

				December 31, 2020			
				Recognized in profit or loss		Recognized in other comprehensive income	
				Favourable change	Unfavourable change	Favourable change	Unfavourable change
		Input	Change				
Financial assets							
Equity instrument	Price to book ratio multiple		±1%	\$ -	\$ -	\$ 1,581	(\$ 1,584)
				September 30, 2020			
				Recognized in profit or loss		Recognized in other comprehensive income	
				Favourable change	Unfavourable change	Favourable change	Unfavourable change
		Input	Change				
Financial assets							
Equity instrument	Price to book ratio multiple		±1%	\$ -	\$ -	\$ 1,257	(\$ 1,256)

(4) Operating effect of COVID-19

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

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

- A. Loans to others: Please refer to table 1.
- B. Provision of endorsements and guarantees to others: Please refer to table 2.
- C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to table 3.
- D. Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital: None.
- E. Acquisition of real estate reaching NT\$300 million or 20% of paid-in capital or more: None.
- F. Disposal of real estate reaching NT\$300 million or 20% of paid-in capital or more: None.
- G. Purchases or sales of goods from or to related parties reaching NT\$100 million or 20% of paid-in capital or more: Please refer to table 4.
- H. Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more: 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 5.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China) : Please refer to table 6.

(3) Information on investments in Mainland China

- A. Basic information: Please refer to table 7.

B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: Please refer to table 5.

(4) Major shareholders information

Major shareholders information: Please refer to table 8.

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:

Nine month ended September 30, 2021

	<u>Gallant Precision Machining Co., Ltd</u>	<u>Gallant-Rapid Corporation Ltd.</u>	<u>Gallant Micro. Machining Co., Ltd.</u>	<u>Gallant Precision Machinery (BVI)Ltd.</u>	<u>APEX-I International Co., Ltd.</u>	<u>elimination</u>	<u>Amount</u>
Revenue from external customers	<u>\$ 2,431,100</u>	<u>\$ 89,679</u>	<u>\$ 1,091,464</u>	<u>\$ -</u>	<u>\$ 88,958</u>	<u>\$ -</u>	<u>\$ 3,701,201</u>
Inter-segment revenue	<u>\$ 19,875</u>	<u>\$ 302,734</u>	<u>\$ 144,134</u>	<u>\$ -</u>	<u>\$ 1,805</u>	<u>(\$ 468,548)</u>	<u>\$ -</u>
Segment income	<u>\$ 212,195</u>	<u>\$ 41,599</u>	<u>\$ 161,680</u>	<u>(\$ 32,943)</u>	<u>\$ 31,352</u>	<u>(\$ 91,882)</u>	<u>\$ 322,001</u>
Total segment assets	<u>\$ 4,488,615</u>	<u>\$ 415,883</u>	<u>\$ 2,328,573</u>	<u>\$ -</u>	<u>\$ 106,488</u>	<u>(\$ 911,514)</u>	<u>\$ 6,428,045</u>

Nine month ended September 30, 2020

	<u>Gallant Precision Machining Co., Ltd</u>	<u>Gallant-Rapid Corporation Ltd.</u>	<u>Gallant Micro. Machining Co., Ltd.</u>	<u>Gallant Precision Machinery (BVI)Ltd.</u>	<u>Chun-Zhun Enterprise Corpration (BVI)Ltd.</u>	<u>APEX-I International Co., Ltd.</u>	<u>elimination</u>	<u>Amount</u>
Revenue from external customers	<u>\$ 1,568,742</u>	<u>\$ 59,481</u>	<u>\$ 630,621</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 29,430</u>	<u>\$ -</u>	<u>\$ 2,288,274</u>
Inter-segment revenue	<u>\$ 14,797</u>	<u>\$ 155,913</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(\$ 170,710)</u>	<u>\$ -</u>
Segment income	<u>\$ 71,254</u>	<u>\$ 9,818</u>	<u>\$ 110,369</u>	<u>\$ 16,186</u>	<u>(\$ 46)</u>	<u>\$ 9,406</u>	<u>(\$ 108,369)</u>	<u>\$ 108,618</u>
Total segment assets	<u>\$ 4,166,731</u>	<u>\$ 397,717</u>	<u>\$ 1,900,065</u>	<u>\$ 373,895</u>	<u>\$ -</u>	<u>\$ 76,252</u>	<u>(\$ 1,235,863)</u>	<u>\$ 5,678,797</u>

(3) Reconciliation for segment income

- 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 nine-month periods ended September 30, 2021 and 2020 is provided as follows:

	<u>For the nine-month period ended September 30, 2021</u>	<u>For the nine-month period ended September 30, 2020</u>
Reportable segments income/(loss)	\$ 413,883	\$ 216,987
Other	(91,882)	(108,369)
Income/(loss) before tax from continuing operations	<u>\$ 322,001</u>	<u>\$ 108,618</u>

- A. 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>September 30, 2021</u>	<u>September 30, 2020</u>
Assets of reportable segments	\$ 7,339,559	\$ 6,914,660
Elimination of intersegment assets	(911,514)	(1,235,863)
Total assets	<u>\$ 6,428,045</u>	<u>\$ 5,678,797</u>

Table 1

GALLANT PRECISION MACHINING CO., LTD. AND SUBSIDIARIES
FINANCINGS PROVIDED
FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 2021

(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	\$ 30,000	2.00%	Short-term financing	-	Operating need	-	Promised note	50,000	\$ 84,904	\$ 169,809	
2	Utron Technologies Corp	U Pin Precision Co., Ltd.	Other receivables	N	\$ 6,000	\$ 3,150	\$ 3,150	2.50%	Short-term financing	-	Operating need	-	-	-	\$ 6,617	\$ 13,235	

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

- (1) Total financing amount limits: Total financing amount limits shall not exceed 40% of the net worth of the Company.
(2) The need for short-term financing: The total loan amount is limited to 20% of the company's net worth.
The total amount for lending to a company for funding for a short-term period shall not exceed 10% of the net worth of the Company.

Note2 : Utron Technologies Corp Financings provided:

- (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 NINE MONTH PERIOD ENDED SEPTEMBER 30, 2021

(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	\$ 458,946	\$ 67,850	\$ 67,850	\$ -	\$ -	2.96%	\$ 1,147,366	Y	N	N	
0	Gallant Precision Machining Co., Ltd.	Gallant Precision Industries (Suzhou) Co., Ltd.	Subsidiary	458,946	83,550	83,550	-	-	3.64%	1,147,366	Y	N	Y	
	Gallant Micro Machining Co., Ltd.	Gallant Micro Machining (Suzhou) Co., Ltd.	Subsidiary	169,809	27,850	27,850	-	-	3.28%	424,523	Y	N	Y	
1	Gallant Micro Machining Co., Ltd.	Utron Technologies Corp	Subsidiary	169,809	168,000	163,000	89,500	-	19.20%	424,523	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)
SEPTEMBER 30, 2021

(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	September 30, 2021				Footnote
				Shares/Units	Carrying Value	Percentage of Ownership	Fair Value	
Gallant-Rapid Corporation Ltd.	Phoenix & Corporation	-	Financial assets at fair value through other comprehensive income-non-current	669,375	10,066	0.59	10,066	
King Mechatronics Co., Ltd.	POWER EVER ENTFRPRISES LIMITED	-	Financial assets at fair value through other comprehensive income-non-current	624,726	189,563	10.15	189,563	
APEX-I International Co., Ltd.	Shinyu Light Co., Ltd.	-	Financial assets at fair value through other comprehensive income-non-current	286,891	-	1.98	-	
Gallant Precision Machining Co., Ltd	C SUN Mfg. Ltd.	Associates	Financial assets at fair value through other comprehensive income-non-current	5,110,682	229,981	3.36	229,981	
Gallant Micro. Machining Co., Ltd.	C SUN Mfg. Ltd.	Associates	Financial assets at fair value through other comprehensive income-non-current	1,178,000	53,010	0.79	53,010	
Gallant Precision Machining Co., Ltd	AMPOC FAR-EAST CO., LTD.	-	Financial assets at fair value through other comprehensive income-non-current	4,759,000	188,694	4.16	188,694	
Gallant Precision Machining Co., Ltd	Ohmplus Technologies Inc.	-	Financial assets at fair value through other comprehensive income-non-current	495,000	5,500	5.42	5,500	

Table 3

Table 4

**GALLANT PRECISION MACHINING CO., LTD. AND SUBSIDIARIES
PURCHASES OR SALES OF GOODS FROM OR TO RELATED PARTIES
REACHING NT\$100 MILLION OR 20% OF PAID IN CAPITAL OR MORE
FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 2021**

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

Purchaser/seller	Counterparty	Relationship with the counterparty	Transaction			Differences in transaction term compared to third party transactions(note1)		Notes/accounts receivable (payable)		Footnote (note2)
			Purchases(sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance		Percentage of total notes/accounts receivable (payable)
Gallant Precision Machining Co., Ltd.	Gallant Precision Intelligence Technology Co., Ltd.	Subsidiary	Purchases	\$ 262,739	10.82%	Similar to third parties	Similar to third parties	\$ 49,656	4.28%	
Gallant Micro Machining Co., Ltd	KING MECHATRONICS CO., Ltd.	Subsidiary	Sales	100,418	2.71%	Similar to third parties	Similar to third parties	81,087	4.93%	

Note1: If the transaction term are different compared to third party, please describe the differences terms on column of credit term and unit price.

Note2: If the transaction have prepayment or received in advance, please describe the reason, term, amount and differences compared to third party on column of footnote.

Note3: Paid-in capital refers to the paid-in capital of the parent company. If the issuer's stock has no par value or the par value per share is not NT\$10, the transaction amount of 20% of the paid-in capital shall be calculated based on the 10% of the equity attributable to the owner of the parent company on the balance sheet .

Table 4

Table 5

GALLANT PRECISION MACHINING CO., LTD. AND SUBSIDIARIES
INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 2021

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

No. (Note 1)	Company Name	Counter Party	Nature of Relationship (Note 2)	Intercompany Transactions		
				Financial Statements Item	Amount	Percentage of Consolidated Net Revenue or Total Assets (Note 3)
0	Gallant Precision Machining Co., Ltd	Gallant Precision Intelligence Technology Co., Ltd.	1	Purchases	\$ 262,739	subject to the terms and conditions agreed upon by both parties 7.10
0	Gallant Precision Machining Co., Ltd	Gallant Precision Intelligence Technology Co., Ltd.	1	Accounts payable	49,656	subject to the terms and conditions agreed upon by both parties 0.77
0	Gallant Precision Machining Co., Ltd	Gallant Precision Industries (Suzhou) Co., Ltd.	1	Cost of sales	36,696	subject to the terms and conditions agreed upon by both parties 0.99
1	Gallant Micro. Machining Co., Ltd.	King Mechatronics Co., Ltd.	3	Sales	100,418	subject to the terms and conditions agreed upon by both parties 2.71
1	Gallant Micro. Machining Co., Ltd.	King Mechatronics Co., Ltd.	3	Accounts receivable	81,087	subject to the terms and conditions agreed upon by both parties 1.26
1	Gallant Micro. Machining Co., Ltd.	King Mechatronics Co., Ltd.	3	Purchases	12,046	subject to the terms and conditions agreed upon by both parties 0.33
1	Gallant Micro. Machining Co., Ltd.	Utron Technologies Corp	3	Other receivable	30,000	subject to the terms and conditions agreed upon by both parties 0.47
2	King Mechatronics Co., Ltd.	Gallant Micro. Machining (Suzhou) Co., Ltd.	3	Purchases	16,679	subject to the terms and conditions agreed upon by both parties 0.45
2	King Mechatronics Co., Ltd.	Gallant Micro. Machining (Suzhou) Co., Ltd.	3	Accounts payable	16,664	subject to the terms and conditions agreed upon by both parties 0.26

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

(1) Number 0 represents the Company.

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

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

(1) The Company to the consolidated subsidiaries.

(2) The consolidated subsidiaries to the Company.

(3) The consolidated subsidiaries to another consolidated subsidiaries.

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

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

Table 5

Table 6

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 NINE MONTH PERIOD ENDED SEPTEMBER 30, 2021

(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 September 30, 2021			Net Income (Losses) of the Investee(Note1)	Share of Profits/Losses of Investee	Footnote
				September 30, 2021	December 31, 2020	Shares	Percentage of Ownership	Carrying Value			
Gallant Precision Machining Co., Ltd.	Gallant-Rapid Corpration Ltd.	British Virgin Islands	Investing in Gallant Precision Industries (Suzhou) Co., Ltd.	\$ 459,050	\$ 459,050	13,560,000	100.00	\$ 251,772	\$ 22,108	\$ 22,108	
Gallant Precision Machining Co., Ltd.	Gallant Precision Machinery (BVI)Ltd.	British Virgin Islands	Investment Gallant Precision Machinery (Xiamen) Co., Ltd.	-	660,506	-	-	-	(33,091)	(33,091)	
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	87,980	24,624	24,624	
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	61.54	522,504	128,272	78,242	
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	853,086	26,140	26,140	
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	2,551	(31)	(31)	
Gallant Micro. Machining Co., Ltd.	Utron Technologies Corp	Taiwan	Testing of wire and tools and testing equipment of PBC and related systems	53,212	53,212	2,660,600	76.02	49,717	(774)	(589)	

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

Table 6

Table 7

GALLANT PRECISION MACHINING CO., LTD. AND SUBSIDIARIES
INFORMATION ON INVESTMENT IN MAINLAND CHINA
FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 2021

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

Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital	Method of Investment	Accumulated Outflow of Investment from Taiwan as of January 1, 2021	Investment Flows		Accumulated Outflow of Investment from Taiwan as of September 30, 2021	Net Income (Losses) of the Investee Company	Percentage of Ownership	Share of Profits/Losses	Carrying Amount as of September 30, 2021	Accumulated Inward Remittance of Earnings as of September 30, 2021	Footnote
					Outflow	Inflow							
Gallant Precision Industries (Suzhou) Co., Ltd.	Manufacturing of optoelectronic products equipment, mechanical equipment and related parts	\$ 176,012	Indirectly invest in Mainland China through GRC registered in third region.	\$ 145,962	\$ -	\$ -	\$ 145,962	\$ 22,764	100.00	\$ 22,764	\$ 218,735	\$ -	Note2- 2.C
Gallant Precision Machinery (Xiamen) Co., Ltd.	Manufacturing of optoelectronic products equipment, mechanical equipment and related parts	532,126	Indirectly invest in Mainland China through GPM BVI registered in third region.	532,126	-	(377,848)	154,278	389	100.00	389	-	-	Note6
Suzhou Top Creation Machines Co.,Ltd.	PCB / FPC Wet Process Equipments	153,175	Indirectly invest in Mainland China through Power Ever registered in third region .	27,469	-	-	27,469	-	10.15	-	189,563	6,507	Note2- 2.C
Gallant Micro. Machining (Suzhou) Co., Ltd.	Manufacturing and selling of precision mold and related parts	126,718	Indirectly invest in Mainland China through KMC registered in third region.	223,999	-	-	223,999	28,818	100.00	28,818	673,627	-	Note2- 2.B
Gallant International Trading Co., Ltd.	Engaged in selling of mechanical equipment	30,163	Directly invest by GPI.	-	-	-	-	-	-	-	-	-	Note5
Gallant Precision Intelligence Technology Co., Ltd.	Manufacturing of optoelectronic products equipment, mechanical equipment and related parts	43,050	Directly invest by GPI.	-	-	-	-	33,565	60.00	20,139	74,385	-	Note2- 2.C
Kunshan Qihong Electronic Sales Co., Ltd.	Testing and manufacturing of circuit board testing equipment, wire and cable and semiconductor	4,305	Directly invest by GMM.	-	-	-	(948)	(948)	100.00	(832)	1,371	-	Note4

Table 7

<u>Investee Company</u>	<u>Accumulated Investment in Mainland China as of September 30, 2020</u>	<u>Investment Amounts Authorized by Investment Commission, MOEA</u>	<u>Upper Limit on Investment</u>
Gallant Precision Machining Co., Ltd.	\$ 300,240	\$ 544,316	\$ 1,376,839
Gallant Micro Machining Co., Ltd.	\$ 251,468	\$ 251,468	\$ 509,428

Note1: There are three methods of investment as follows

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

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

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

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

Note4: The investment was invested by Gallant Micro. Machining (Suzhou) Co., Ltd. There was no cash outflow for the six month period ended June 30, 2021.

Note5: The subsidiary has been completed the dissolution and liquidation procedure in February 2021.

Note6: The subsidiary has been completed the dissolution and liquidation procedure in May 2020.

Note7: The investment review committee of the Ministry of Economic Affairs verified the amount of investment in investment businesses in the mainland based on the exchange rate USD:NTD=1:27.85 on September 30, 2021

Table 8

GALLANT PRECISION MACHINING CO., LTD. AND SUBSIDIARIES
 INFORMATION OF MAJOR SHAREHLDER
 FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 2021

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

Shareholders	Shares	
	Total Shares Owned	Ownership Percentage
C SUN Mfg. Ltd.	42,891,827	25.97%

Table 8