

**GALLANT PRECISION MACHINING CO., LTD.  
PARENT COMPANY ONLY FINANCIAL  
STATEMENTS AND REPORT OF  
INDEPENDENT ACCOUNTANTS  
DECEMBER 31, 2022 AND 2021**

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

## REPORT OF INDEPENDENT ACCOUNTANTS

To Gallant Precision Machining Co., Ltd.

### **Opinion**

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

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

### **Basis for Opinion**

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

### **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the parent company only financial statements of the current period. These matters were addressed in the context of our audit of the parent company only financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Key audit

matters for the parent company only financial statements in the current period are stated as follow:

### **Evaluation of inventories**

#### Description

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

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

#### **How our audit addressed the matter**

Our audit procedures performed included the following:

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

### **Revenue recognition**

#### Description

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

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

### **How our audit addressed the matter**

Our audit procedures performed included the following:

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

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

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

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

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

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

## Statements

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

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

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

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

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

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

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

PricewaterhouseCoopers, Taiwan  
February 22, 2023

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The accompanying parent financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying parent financial statements and report of independent accountants are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

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

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

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

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

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



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

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

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

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

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

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

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

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

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

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

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

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

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

1. HISTORY AND ORGANIZATION

Gallant Precision Machining Co., Ltd. (the Company) was incorporated on December 22, 1978. The Company are engaged in the design, manufacture and sale of molds and machinery, metal parts and mold parts, stamping parts and die-cast parts, and automated manufacturing systems and their unit equipment, as well as the management and investment in the relevant business. The Company's stock was listed on the Taipei Exchange (formerly named GreTai Securities Market), effective from February, 1998.

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

The special shareholders' meeting of the Company resolved to spin-off its semiconductor business on December 15, 2010 and the GreTai Securities Market approved the spin-off and the Company's stock listed on January 13, 2011. The Company transferred its semiconductor business and related investment to the Company's subsidiary – Gallant Micro. Machining Co., Ltd. on the spin-off effective day March 1, 2011.

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

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

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

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

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

<u>New Standards, Interpretations and Amendments</u>	<u>Effective Date by International Accounting Standards Board</u>
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 Company financial condition and operating result based on the Company assessment.

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

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

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

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

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

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

(1) Compliance statement

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

(2) Basis of preparation

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

- (a) Financial assets at fair value through other comprehensive income.
- (b) Defined benefit liabilities recognized based on the net amount of pension fund assets less present value of defined benefit obligation.

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

(3) Foreign currency translation

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

A. Foreign currency transactions and balances

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

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

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

#### B. Translation of foreign operations

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

(a) Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;

(b) Income and expenses for each statement of comprehensive income are translated at average exchange rates of that periods; and

(c) All resulting exchange differences are recognized in other comprehensive income.

#### (4) Classification of current and non-current items

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

(a) Assets arising from operating activities that are expected to be realized, or are intended to be sold or consumed within the normal operating cycle;

(b) Assets held mainly for trading purposes;

(c) Assets that are expected to be realized within twelve months from the balance sheet date;

(d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to settle liabilities more than twelve months after the balance sheet date.

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

(a) Liabilities that are expected to be settled within the normal operating cycle;

(b) Liabilities arising mainly from trading activities;



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

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

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

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

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

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

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

(6) Financial assets at amortised cost

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

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

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

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

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

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

(7) Accounts and notes receivable

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

(8) Impairment of financial assets

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

(9) Derecognition of financial assets

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

(10) Leasing arrangements (lessor) – operating leases

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

(11) Inventories

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

(12) Investments accounted for using equity method / subsidiaries

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

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

(13) Property, plant and equipment

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

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

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

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

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

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

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

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

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

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

(15) Intangible assets

A. Computer software

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

B. Other intangible assets

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

(16) Impairment of non-financial assets

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

(17) Borrowings

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

(18) Notes and accounts payable

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

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

(19) Derecognition of financial liabilities

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

(20) Provisions

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

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

(21) Employee benefits

A. Short-term employee benefits

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

B. Pensions

(a) Defined contribution plans

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

(b) Defined benefit plans

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

C. Termination benefits

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

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

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

(22) Employee share-based payment

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

(23) Income tax

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

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

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

(24) Share capital

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



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

(25) Dividends

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

(26) Revenue recognition

A. Sales of goods

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

B. Sales of services

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

(27) Government grants

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

compensate.

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

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

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

None.

### (2) Critical accounting estimates and assumptions

Evaluation of inventories

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

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

## 6. DETAILS OF SIGNIFICANT ACCOUNTS

### (1) Cash and cash equivalents

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

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

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

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

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

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

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

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

(3) Financial assets at amortized cost

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

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

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

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

(4) Notes and accounts receivable

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

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

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

The above ageing analysis was based on past due date.

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

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

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

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

#### (5) Inventories

	December 31, 2022		
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 171,107	(\$ 15,818)	\$ 155,289
Work in progress	453,594	( 72,308)	381,286
Finished goods	95,963	( 14,124)	81,839
Inventory in transit	68	-	68
Total	<u>\$ 720,732</u>	<u>(\$ 102,250)</u>	<u>\$ 618,482</u>
	December 31, 2021		
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 82,924	(\$ 14,256)	\$ 68,668
Work in progress	376,503	( 32,719)	343,784
Finished goods	13,570	( 13,570)	-
Inventory in transit	1,054	-	1,054
Total	<u>\$ 474,051</u>	<u>(\$ 60,545)</u>	<u>\$ 413,506</u>

The cost of inventories recognized as expense for the year:

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

(6) Investments accounted for using equity method

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

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

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

(7) Property, plant and equipment

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

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

- A. Amount of borrowing costs capitalized as part of property, plant and equipment were \$0 and \$0 for the years ended December 31, 2022 and 2021, respectively.
- B. The significant components of buildings include main plants improvement and structure, which are depreciated over 42 and 50 years.
- C. Information about the property, plant and equipment that were pledged to others as collaterals is provided in Note 8.
- D. The above property, plant and equipment of the Group were for their own used.

(8) Leasing arrangements—lessee

- A. The Company leases various assets including land, buildings, multifunction printers. Rental contracts are typically made for periods of 1 to 35 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants, but leased assets may not be used as security for borrowing purposes.
- B. Short-term leases with a lease term of 12 months or less comprise buildings.
- C. The carrying amount of right-of-use assets and the depreciation charge are as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
	<u>Carrying amount</u>	<u>Carrying amount</u>
Land	\$ 196,901	\$ 200,029
Office equipment (multifunction printers)	-	-
	<u>\$ 196,901</u>	<u>\$ 200,029</u>

  

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

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

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

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

G. Extension and termination options

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

(9) Short-term borrowings

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

(10) Accounts payable



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

(11) Others accounts payable

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

(12) Long-term borrowings

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

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

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

### (13) Pensions

A. (a) The Company have a defined benefit pension plan in accordance with the Labor Standards Law, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Law. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company contributes monthly an amount equal to 7% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Company would assess the balance in the aforementioned labor pension reserve account by the end of December 31, every year. If the account balance is not enough to pay the pension calculated by the aforementioned method, to the labors expected to be qualified for retirement next year, the Company will make contribution for the deficit by next March.

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

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

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

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

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

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

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

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

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

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

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

- (f) Expected contributions to the defined benefit pension plans of the Company for the year ended December 31, 2023 amount to \$7,071.
- (g) As of December 31, 2022, the weighted average duration of that retirement plan is 11 year.

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

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

B. (a) Effective July 1, 2005, the Company have established a defined contribution pension plan (the “New Plan”) under the Labor Pension Act (the “Act”), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company contribute monthly an amount based on 6% of the employees’ monthly salaries and wages to the employees’ individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.

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

(14) Share-based payment

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

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

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

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

C. Share-based payment

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

(15) Share capital

A. As of December 31, 2022, the Company’s authorized capital was \$2,500,000, consisting of 250,000 thousand shares of ordinary stock, and the paid-in capital was \$1,651,361 with a par value of \$10 (in dollars) per share. All proceeds from shares issued have been collected.

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

	Unit: shares in thousands	
	Year ended	Year ended
	December 31, 2022	December 31, 2021
At January 1	160,623	159,136
Treasury stock transferred to employees	2,839	1,487
At December 31	163,462	160,623

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

C. Treasury shares

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

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

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

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

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

(d) Pursuant to the R.O.C. Securities and Exchange Act, treasury shares should be reissued to the employees within five years from the reacquisition date and shares not reissued within the five-year period are to be retired. Treasury shares to enhance the Company's credit rating and the stockholders' equity should be retired within six months of acquisition.

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

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

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

(16) Capital surplus

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

B. Details of Capital surplus:

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

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

(17) Retained earnings

A. Under the Company's Articles of Incorporation, the current year's earnings, if any, shall first be used to pay all taxes and offset prior years' operating losses and then 10% of the remaining amount shall be set aside as legal reserve and set aside a special reserve in accordance with applicable legal and regulatory requirement. Distributing the remaining amount plus prior year's retained earnings in the following order, but the ratios of the distribution of the aforementioned retained earnings and the cash dividend distribution shall be proposed by the Board of Directors based on the actual profit and capital situation of the current year, and proposed to the shareholders' meeting for resolution. The company authorized the board of directors to distribute all or part of the dividends or legal reserve and capital surplus in the form of cash with a resolution adopted by a majority vote at a meeting of the Board of Directors attended by over two-thirds of the directors, and report to the shareholders' meeting.

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

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

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

included in the distributable earnings.

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

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

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

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

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

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

(18) Other equity items

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



(19) Operating revenue

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

A. Disaggregation of revenue from contracts with customers

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

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

B. Contract liabilities

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

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

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

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

(20) Interest income

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

(21) Other income

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

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

(22) Other gains and losses

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

(23) Finance costs

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

(24) Expenses by nature

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

(25) Employee benefit expense

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

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

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

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

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

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

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

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

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

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

(26) Income tax

A. Income tax expense

(a) Components of income tax expense:

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

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

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

B. Reconciliation between income tax expense and accounting profit

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

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

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

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

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

(27) Earnings per share

	Year ended December 31, 2022		
	Amount after tax	Weighted average number of ordinary shares outstanding (share in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the Company	<u>\$ 390,200</u>	161,751	<u>\$ 2.41</u>
<u>Diluted earnings per share</u>			
Assumed conversion of all dilutive potential ordinary shares			
Employees' bonus	-	2,386	
Profit attributable to ordinary shareholders of the Company plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 390,200</u>	<u>164,137</u>	<u>\$ 2.38</u>

	Year ended December 31, 2021		
	Amount after tax	Weighted average number of ordinary shares outstanding (share in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the Company	<u>\$ 246,089</u>	159,369	<u>\$ 1.54</u>
<u>Diluted earnings per share</u>			
Assumed conversion of all dilutive potential ordinary shares			
Employees' bonus	-	981	
Profit attributable to ordinary shareholders of the Company plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 246,089</u>	<u>160,350</u>	<u>\$ 1.53</u>

(28) Supplemental cash flow information

Investing activities with partial cash payments

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

(29) Changes in liabilities from financing activities

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

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

7. RELATED-PARTY TRANSACTIONS

(1) Names and relationship of related parties

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

(2) Significant related party transactions

A. Operating revenue:

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

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

B. Purchases

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

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

C. Receivables from related parties

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

D. Payables from related parties

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

E. Other

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

F. Endorsements and guarantees provided to related parties:

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

(3) Key management compensation

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

8. PLEDGED ASSETS

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

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

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACT COMMITMENTS

(1) Contingent liabilities

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

(2) Unrecognized contract commitments

None.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

Please refer to Note 6(17)



## 12. OTHERS

### (1) Capital management

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

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

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

### (2) Financial instruments

#### A. Financial instruments by category

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

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

#### B. Financial risk management policies

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

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

##### (a) Market risk

##### Foreign exchange risk

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

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

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

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

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

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

Year ended December 31, 2022			
Sensitivity analysis			
	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	1%	\$ 6,346	-
JPY:NTD	1%	271	-
RMB:NTD	1%	2,496	-

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

#### Price risk

- i. The Company's equity securities, which are exposed to price risk, are the held financial assets at fair value through profit or loss, and financial assets at fair value through other comprehensive income. To manage its price risk arising from investments in equity securities, the Company diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Company.
- ii. The Company's investments in equity securities comprise domestic listed and unlisted stocks, shares and open-end funds issued by the domestic companies. The prices of equity securities would change due to the change of the future value of investee companies. If the prices of these equity securities had increased/decreased with all other variables held constant, post-tax profit for the year ended December 31, 2022 and 2021 would have increased/decreased by \$8,974 and \$6,491, respectively.

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

The Company's interest rate risk arises from short-term and long-term borrowings. Borrowings issued at variable rates expose the Company to cash flow interest rate risk which is partially offset by cash and cash equivalents held at variable rates. Borrowings issued at fixed rates expose the Company to fair value interest rate risk. During the year ended December 31, 2022 and 2021, the Company's borrowings at variable rate were denominated in the NTD, JPY, USD. If the interest rate had increased/decreased by 1%, the amount of cash flow out for the year ended December 31, 2022 and 2021 would have increased/decreased by \$8,200 and \$6,996,

respectively.

(b) Credit risk

- i. Credit risk refers to the risk of financial loss to the Company arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms, and the contract cash flows of debt instruments stated at amortised cost.
- ii. The Company manages their credit risk taking into consideration the entire Company's concern. For banks and financial institutions, only independently rated parties with a minimum rating of 'A' are accepted. According to the Company's credit policy, each local entity in the Company is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilisation of credit limits is regularly monitored.
- iii. The Company adopts following assumptions under IFRS 9 to assess whether there has been a significant increase in credit risk on that instrument since initial recognition:
  - If the contract payments were past due over 30 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition.
- iv. If the contract payments were past due based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition.
- v. The following indicators are used to determine whether the credit impairment of debt instruments has occurred:
  - (i) It becomes probable that the issuer will enter bankruptcy or other financial reorganization due to their financial difficulties;
  - (ii) The disappearance of an active market for that financial asset because of financial difficulties;
  - (iii) Default or delinquency in interest or principal repayments;
  - (iv) Adverse changes in national or regional economic conditions that are expected to cause a default.
- vi. The Company classifies customer's accounts receivable, in accordance with credit rating of customer. The Company applies the simplified approach using provision matrix, loss rate methodology to estimate expected credit loss under the provision matrix basis.
- vii. The Company wrote-off the financial assets, which cannot be reasonably expected to be recovered, after initiating recourse procedures. However, the Company will continue executing the recourse procedures to secure their rights.
- viii. The Company used the forecastability of Panel industry research report to adjust historical and timely information to assess the default possibility of accounts receivable. The provision matrix as of December 31, 2022 and 2021, is as follows:

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

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

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

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

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

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

(c) Liquidity risk

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

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

iii. The Company has the following undrawn borrowing facilities:

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

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

iv. The table below analyses the Company's non-derivative financial liabilities and net-settled or gross-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date for non-derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows.

Non-derivative financial liabilities:

December 31, 2022	<u>Less than 3 months</u>	<u>3 months and 1year</u>	<u>Between 1 and 2 years</u>	<u>Between 2 and 5 years</u>	<u>Over 5 years</u>
Short-term borrowings	\$ 440,000	\$ 230,000	\$ -	\$ -	\$ -
Accounts payable (including related parties)	522,006	94,229	504,876	-	-
Other payables	216,704	75,143	-	-	-
Leases liabilities	2,006	6,018	8,024	24,072	222,151
Long-term borrowings (including current portion)	11,574	173,980	142,817	112,080	-

Non-derivative financial liabilities:

December 31, 2021	<u>Less than 3 months</u>	<u>3 months and 1year</u>	<u>Between 1 and 2 years</u>	<u>Between 2 and 5 years</u>	<u>Over 5 years</u>
Short-term borrowings	\$ 261,631	\$ 218,933	\$ -	\$ -	\$ -
Accounts payable ( including related parties)	501,770	137,344	277,593	-	-
Other payables	167,286	55,514	-	-	-
Leases liabilities	1,979	5,936	7,914	23,743	226,900
Long-term borrowings (including current portion)	717	21,633	36,013	250,149	-

Derivative financial liabilities:

December 31, 2022 and 2021:None

(3) Fair value information

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

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

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

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

B. Financial instruments not measured at fair value

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

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

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

December 31, 2022	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through other comprehensive income				
Equity securities	<u>\$ 859,405</u>	<u>\$ -</u>	<u>\$ 38,000</u>	<u>\$ 897,405</u>
December 31, 2021	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through other comprehensive income				
Equity securities	<u>\$ 643,590</u>	<u>\$ -</u>	<u>\$ 5,500</u>	<u>\$ 649,090</u>

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

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

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

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

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



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

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

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

#### (4) Operating effect of COVID-19

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

### 13. SUPPLEMENTARY DISCLOSURES

#### (1) Significant transactions information

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

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

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

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

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

(2) Information on investees

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

(3) Information on investments in Mainland China

A. Basic information: Please refer to table 8.

B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: Please refer to table 6.

(4) Major shareholders information

Major shareholders information: Please refer to table 9.

14. SEGMENT INFORMATION

None.

Table 1

**GALLANT PRECISION MACHINING CO., LTD. AND SUBSIDIARIES**  
**FINANCINGS PROVIDED**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

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

No.	Financing Company	Counter-party	Financial Statement Account	Related Party	Maximum Balance for the Period	Ending Balance	Amount Actually Drawn	Interest Rate	Nature for Financing	Transaction Amounts	Reason for Financing	Allowance for Bad Debt	Collateral		Financing Limits for Each Borrowing Company(Note 1)	Financing Company's Total Financing Amount Limits (Note 1)	Footnote
													Item	Value			
1	Gallant Micro-Machining Co., Ltd.	Utron Technologies Corp	Other receivables -related parties	Y	\$ 50,000	\$ 50,000	\$ 20,000	2.00%	Short-term financing	-	Operating needed	-	Promised note	\$ 50,000	\$ 115,792	\$ 231,585	
2	Utron Technologies Corp	U Pin Precision Co., Ltd.	Other receivables	N	\$ 3,150	\$ 1,350	\$ 900	2.50%	Short-term financing	-	Operating needed	-	-	-	\$ 9,416	\$ 18,833	

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

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

Note2 : Utron Technologies Corp Financings provided:

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

Note3 : When a public company whose loans of funds were resolved by the board of directors in accordance with paragraph 1 of Article 14 of Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies, although the fund have not drawn down, the company shall announce the amount of loans of funds which resolved by the board of directors to disclose exposure risks. However, if the subsequent funds are repaid, the balance after repayment should be disclosed to reflect the adjustment of risk.If a public company whose chairperson be authorized within a certain monetary limit resolved by the board of directors, and within a period not to exceed one year, to give loans in installments or to make a revolving credit line available for the counterparty to draw down in accordance with paragraph 2 of Article 14 of Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies, the company shall announce the amount of loans of funds which resolved by the board of directors. Although the funds will be repaid later, considering the possibility of refinancing the loan, the company shall announce the amount of loans of funds which resolved by the board of directors.

Table 1

Table 2

**GALLANT PRECISION MACHINING CO., LTD. AND SUBSIDIARIES**  
**ENDORSEMENTS/GUARANTEES PROVIDED**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

No.	Endorsement/ Guarantee Provider	Guaranteed Party		Limits on Endorsement/ Guarantee Amount Provided to Each Guaranteed Party	Maximum Balance for the Period	Ending Balance	Amount Actually Drawn	Amount of Endorsement/ Guarantee Collateralized by Properties	Ratio of Accumulated Endorsement/ Guarantee to Net Equity per Latest Financial Statements	Maximum Endorsement/ Guarantee Amount Allowable (Note1)	Guarantee Provided by Parent Company	Guarantee Provided by A Subsidiary	Guarantee Provided to Subsidiaries in Mainland China	Footnote
		Name	Nature of Relationship											
0	Gallant Precision Machining Co., Ltd.	APEX-I International Co., Ltd.	Subsidiary	\$ 528,498	\$ 101,420	\$ 70,710	\$ -	\$ -	2.68%	\$ 1,321,246	Y	N	N	
0	Gallant Precision Machining Co., Ltd.	Gallant Precision Industries (Suzhou) Co., Ltd.	Subsidiary	528,498	30,710	-	-	-	0.00%	1,321,246	Y	N	Y	
1	Gallant Micro Machining Co., Ltd.	Utron Technologies Corp	Subsidiary	231,585	141,200	80,000	30,000	-	6.91%	578,962	Y	N	N	

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

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

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

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

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

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

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

Table 2

Table 3

**GALLANT PRECISION MACHINING CO., LTD. AND SUBSIDIARIES**  
**MARKETABLE SECURITIES HELD (NOT INCLUDING SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES)**  
**DECEMBER 31, 2022**

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

Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	December 31, 2022				Footnote
				Shares/Units	Carrying Value	Percentage of Ownership	Fair Value	
Gallant Precision Machining Co., Ltd	C SUN Mfg. Ltd.	Associates	Financial assets at fair value through other comprehensive income-non-current	14,957,082	\$ 643,155	9.54	\$ 643,155	
Gallant Precision Machining Co., Ltd	AMPOC FAR-EAST CO., LTD	None	Financial assets at fair value through other comprehensive income-non-current	5,000,000	216,250	4.37	216,250	
Gallant Precision Machining Co., Ltd	Ohmplus Technologies Inc.	None	Financial assets at fair value through other comprehensive income-non-current	495,000	5,500	8.74	5,500	
Gallant Precision Machining Co., Ltd	OpXion Tech. Incorporation	None	Financial assets at fair value through other comprehensive income-non-current	6,500,000	32,500	18.57	32,500	
Gallant-Rapid Corpration Ltd.	Phoenix & Corporation	None	Financial assets at fair value through other comprehensive income-non-current	6,694	111	0.59	111	
Gallant-Rapid Corpration Ltd.	Phoenix pioneer technology	None	Financial assets at fair value through other comprehensive income-non-current	1,079,183	20,504	0.36	20,504	
APEX-I International Co., Ltd.	Shinyu Light Co., Ltd.	None	Financial assets at fair value through other comprehensive income-non-current	286,891	-	1.98	-	
Gallant Micro. Machining Co., Ltd.	C SUN Mfg. Ltd.	Associates	Financial assets at fair value through other comprehensive income-non-current	1,237,723	53,222	0.79	53,222	
King Mechatronics Co., Ltd.	POWER EVER ENTFRPRISES LIMITED	None	Financial assets at fair value through other comprehensive income-non-current	624,726	179,909	10.15	179,909	

Table 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 YEAR ENDED DECEMBER 31, 2022**

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

Purchaser/seller	Counterparty	Relationship with the counterparty	Transaction				Differences in transaction term compared to third party transactions(note1)		Notes/accounts receivable (payable)		Footnote (note2)
			Purchases(sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	
Gallant Micro Machining Co., Ltd	KING MECHATRONICS CO., Ltd.	Subsidiary	Sales	\$ 121,190	2.56%	Similar to third parties	Similar to third parties	Similar to third parties	\$ 167,854	6.94%	
Gallant Precision Machining Co., Ltd.	Gallant Precision Intelligence Technology Co., Ltd.	Subsidiary	Purchases	118,980	3.90%	Similar to third parties	Similar to third parties	Similar to third parties	6,170	0.45%	

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

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

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

Table 4

Table 5

GALLANT PRECISION MACHINING CO., LTD. AND SUBSIDIARIES  
RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT  
LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL  
FOR THE YEAR ENDED DECEMBER 31, 2022

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

Company Name	Related Party	Nature of Relationship	Ending Balance(Note1)	Turnover	Overdue		Amounts Received in Subsequent Period	Loss allowance
					Amount	Action Taken		
Gallant Micro. Machining Co., Ltd.	KING MECHATRONICS CO., LTD	Subsidiary	\$ 167,854	0.97	\$ -	- \$ -	\$ -	-

Table 5

Table 6

**GALLANT PRECISION MACHINING CO., LTD. AND SUBSIDIARIES**  
**INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

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

No. (Note 1)	Company Name	Counter Party	Nature of Relationship (Note 2)	Financial Statements Item	Amount	Intercompany Transactions	
						Terms	Percentage of Consolidated Net Revenue or Total Assets (Note 3)
0	Gallant Precision Machining Co., Ltd.	Gallant Micro. Machining Co., Ltd.	1	Sales	\$ 20,963	subject to the terms and conditions agreed upon by both parties	0.44%
0	Gallant Precision Machining Co., Ltd.	Gallant Precision Industries (Suzhou) Co., Ltd.	1	Other income	11,676	subject to the terms and conditions agreed upon by both parties	0.25%
0	Gallant Precision Machining Co., Ltd.	Gallant Precision Industries (Suzhou) Co., Ltd.	1	Cost of sales	17,702	subject to the terms and conditions agreed upon by both parties	0.37%
0	Gallant Precision Machining Co., Ltd.	Gallant Precision Intelligence Technology Co., Ltd.	1	Purchases	118,980	subject to the terms and conditions agreed upon by both parties	2.51%
1	Gallant Micro. Machining Co., Ltd.	King Mechatronics Co., Ltd.	1	Sales	121,190	subject to the terms and conditions agreed upon by both parties	2.56%
1	Gallant Micro. Machining Co., Ltd.	King Mechatronics Co., Ltd.	1	Accounts receivable	167,854	subject to the terms and conditions agreed upon by both parties	2.13%
1	Gallant Micro. Machining Co., Ltd.	King Mechatronics Co., Ltd.	1	Purchases	28,971	subject to the terms and conditions agreed upon by both parties	0.61%
1	Gallant Micro. Machining Co., Ltd.	Gallant Micro. Machining (Suzhou) Co., Ltd.	1	Sales	37,552	subject to the terms and conditions agreed upon by both parties	0.79%
1	Gallant Micro. Machining Co., Ltd.	Gallant Micro. Machining (Suzhou) Co., Ltd.	1	Accounts receivable	24,467	subject to the terms and conditions agreed upon by both parties	0.31%
1	Gallant Micro. Machining Co., Ltd.	Utron Technologies Corp	1	Sales	14,018	subject to the terms and conditions agreed upon by both parties	0.30%
1	Gallant Micro. Machining Co., Ltd.	Utron Technologies Corp	1	Other accounts receivable	20,000	subject to the terms and conditions agreed upon by both parties	0.25%
2	King Mechatronics Co., Ltd.	Gallant Micro. Machining (Suzhou) Co., Ltd.	3	Purchases	55,223	subject to the terms and conditions agreed upon by both parties	1.17%
2	King Mechatronics Co., Ltd.	Gallant Micro. Machining (Suzhou) Co., Ltd.	3	Accounts payable	56,919	subject to the terms and conditions agreed upon by both parties	0.72%
3	Gallant Precision Industries (Suzhou) Co., Ltd.	Gallant Precision Intelligence Technology Co., Ltd.	3	Purchases	14,776	subject to the terms and conditions agreed upon by both parties	0.31%
3	Gallant Precision Industries (Suzhou) Co., Ltd.	APEX-I International Co., Ltd.	3	Sales	10,995	subject to the terms and conditions agreed upon by both parties	0.23%

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

(1) Number 0 represents the Company.

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

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

(1) The Company to the consolidated subsidiaries.

(2) The consolidated subsidiaries to the Company.

(3) The consolidated subsidiaries to another consolidated subsidiaries.

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

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

Table 6



Table 7

**GALLANT PRECISION MACHINING CO., LTD. AND SUBSIDIARIES**  
**NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEEES OVER WHICH**  
**THE COMPANY EXERCISES SIGNIFICANT INFLUENCE**  
**(EXCLUDING INFORMATION ON INVESTMENT IN MAINLAND CHINA)**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

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

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2022			Net Income (Losses) of the Investee(note1)	Share of Profits/Losses of Investee(note1)	Footnote
				December 31, 2022	December 31, 2021	Shares	Percentage of Ownership	Carrying Value			
Gallant Precision Machining Co., Ltd.	Gallant-Rapid Corporation Ltd.	British Virgin Islands	Investing in Gallant Precision Industries (Suzhou) Co., Ltd.	\$ 459,050	\$ 459,050	13,560,000	100.00	\$ 246,468	(\$ 19,836)	\$ 19,836	
Gallant Precision Machining Co., Ltd.	APEX-I International Co., Ltd.	Taiwan	Marketing and selling of process equipment of LCD and related parts.	46,657	46,657	6,600,000	100.00	143,697	77,362	77,362	
Gallant Precision Machining Co., Ltd.	Gallant Micro. Machining Co., Ltd.	Taiwan	Manufacturing and selling of semiconductor related equipment and parts	379,182	379,182	16,171,750	57.19	658,922	229,720	135,734	
Gallant Micro. Machining Co., Ltd.	King Mechatronics Co., Ltd.	British Virgin Islands	Investment Gallant Micro. Machining (Suzhou) Co., Ltd.	393,508	393,508	2,780,645	100.00	955,002	78,340	78,340	
Gallant Micro. Machining Co., Ltd.	Gallant Micro Machining (Malaysia) Sdn. Bhd.	Malaysia	Engaged in the import and export and trading business of semiconductor substrate machines and related parts	3,992	3,992	500,000	100.00	2,775	73	73	
Gallant Micro. Machining Co., Ltd.	Utron Technologies Corp	Taiwan	Testing of wire and tools and testing equipment of PBC and related systems	53,212	53,212	2,660,600	53.21	50,107	499	527	

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

Table 7

Table 8

**GALLANT PRECISION MACHINING CO., LTD. AND SUBSIDIARIES**  
**INFORMATION ON INVESTMENT IN MAINLAND CHINA**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

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

Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital	Method of Investment (note 1)	Accumulated Outflow of Investment from Taiwan as of January 1, 2022	Outflow	Inflow	Accumulated Outflow of Investment from Taiwan as of December 31, 2022	Net Income (Losses) of the Investee Company	Percentage of Ownership	Share of Profits/Losses (note 2(2))	Carrying Amount as of December 31, 2022	Accumulated Inward Remittance of Earnings as of December 31, 2022	Footnote
Gallant Precision Industries (Suzhou) Co., Ltd.	Manufacturing of optoelectronic products equipment, mechanical equipment and related parts	\$ 194,087	Indirectly invest in Mainland China through GRC registered in third region.	\$ 160,951	\$ -	\$ -	\$ 160,951	(\$ 21,094)	100.00	(\$ 21,094)	\$ 204,649	\$ -	Note2- 2.C
Suzhou Top Creation Machines Co.,Ltd.	PCB / FPC Wet Process Equipments	168,905	Indirectly invest in Mainland China through Power Ever registered in third region .	28,371	-	-	28,371	-	10.15	-	-	8,236	Note2- 2.C Note 5
Gallant Micro. Machining (Suzhou) Co., Ltd.	Manufacturing and selling of precision mold and related parts	139,731	Indirectly invest in Mainland China through KMC registered in third region.	247,002	-	-	247,002	83,366	100.00	83,366	795,132	-	Note2- 2.B
Gallant Precision Intelligence Technology Co., Ltd.	Manufacturing of optoelectronic products equipment, mechanical equipment and related parts	44,080	Directly invest by GPI.	-	-	-	-	20,140	60.00	12,084	89,294	-	Note2- 2.C
Kunshan Qihong Electronic Sales Co., Ltd.	Testing and manufacturing of circuit board testing equipment, wire and cable and semiconductor	4,408	Directly invest by GMM.	-	-	-	-	851	100.00	851	7,480	-	Note 4
Suzhou Top Creation Machines Co.,Ltd.	Design and production of printed circuit boards, flat panel displays, semiconductors, special equipment for the solar industry and sales of related spare parts	307,100	Indirectly invest in Mainland China through Power Ever registered in third region .	-	-	-	-	-	10.15	-	-	-	Note 6

Table 8-1

Investee Company	Accumulated Investment in Mainland China as of December 31, 2022	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
Gallant Precision Machining Co., Ltd.	\$ 434,871	\$ 600,213	\$ 1,945,062
Gallant Micro. Machining Co., Ltd.	275,373	275,373	721,189

Note1: There are three methods of investment as follows

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

Note2: Share of Profits/Losses recognized for the year ended December 31, 2022:

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

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

Note4: The investment was invested by Gallant Micro. Machining (Suzhou) Co., Ltd. There was no cash outflow for the year ended December 31, 2022.

Note5: The Company acquired 10% ownership of Suzhou Top Creation Machines Co.,Ltd. held by C SUN Mfg. Ltd. through the British Virgin Islands business King Mechatronics Co. Ltd. (BVI) for US\$1,205 thousand Thus, the Company indirectly invested in Suzhou Top Creation Machines Co.,Ltd. in the mainland, and then executed the equity conversion according to the relevant terms of the original investment contract. After the conversion, the Company directed hold Suzhou Top Creation Machines Co.,Ltd. which was shown as "financial assets measured at fair value through other comprehensive income".

Note6: The Company invested in Samoa POWER EVER ENTERPRISES LIMITED through King Mechatronics Co. Ltd. (BVI) of the British Virgin Islands. Received dividends of US\$1,015 thousand from Suzhou Top Creation Machines Co., Ltd., was reinvested in Nantong Chuangfeng Optoelectronics Equipment Co., Ltd. The investment was shown as "financial assets measured at fair value through other comprehensive income".

Note7: The investment amount was translated based on the exchange rate USD:NTD=1:30.71 of balance sheet date December 31, 2022

Table 8-2

Table 9

GALLANT PRECISION MACHINING CO., LTD. AND SUBSIDIARIES  
 INFORMATION OF MAJOR SHAREHLDER  
 FOR THE NINE MONTH PERIOD ENDED DECEMBER 31, 2022

Shareholders	Shares	
	Total Shares Owned	Ownership Percentage
C SUN Mfg. Ltd.	44,758,827	27.10%

Note1: The main shareholder information in this table is based on the last business day at the end of each quarter by the China Insurance Company, which calculates that shareholders hold more than 5% of the company's ordinary shares and special shares that have completed unregistered delivery (including treasury shares). As for the share capital recorded in the company's financial report and the company's actual number of shares delivered without physical registration, there may be differences or differences due to different calculation bases.

Note2: In the case of the above information, if the shareholder delivers the shares to the trust, it is disclosed in the individual accounts of the trustee who opened the trust account by the trustee. As for the shareholder's declaration of insider's equity holding more than 10% of the shares in accordance with the Securities and Exchange Act, his shareholding includes his own shareholding plus the shares delivered to the trust and the right to use the trust property, etc. For information on insider's equity declaration, please refer to Market Observation Post System.

GALLANT PRECISION MACHINING CO., LTD.  
STATEMENT OF CASH AND CASH EQUIVALENTS  
DECEMBER 31, 2022  
(Expressed in thousands of New Taiwan dollars)

Statement 1

Item	Description	Amount
Cash and cash equivalents		\$ 132
Cash in banks		
Checking accounts		26
Demand deposits -NTD		501,406
-USD	2,503    Exchange rate 30.71	76,852
-JPY	69,921    Exchange rate 0.2324	16,250
-EUR	23    Exchange rate 32.72	743
-SGD	161    Exchange rate 22.88	3,683
-CNY	16,947    Exchange rate 4.408	74,701
		<u>\$ 673,793</u>

Statement 1

GALLANT PRECISION MACHINING CO., LTD.  
STATEMENT OF ACCOUNTS RECEIVABLE, NET  
DECEMBER 31, 2022

(Expressed in thousands of New Taiwan dollars)

Statement 2

<u>Client Name</u>	<u>Description</u>	<u>Amount</u>	<u>NOTE</u>
General Customers:			
B company		\$ 845,831	
D company		224,632	
P company		144,376	
F company		94,245	
H company		89,013	
Others			
		<u>347,865</u>	The amount of individual client included in others does not exceed 5% of the account balance.
Subtotal		1,745,962	
Less: Allowance for bad debts		( <u>174,830</u> )	
Total		<u>\$ 1,571,132</u>	
Related parties:			
C SUN Mfg. Ltd.		\$ 19,530	
Others		<u>2,007</u>	
Subtotal		<u>\$ 21,537</u>	
Total		<u><u>\$ 1,592,669</u></u>	

GALLANT PRECISION MACHINING CO., LTD.  
STATEMENT OF INVENTORIES  
DECEMBER 31, 2022  
(Expressed in thousands of New Taiwan dollars)

Statement 3

Item	Description	Amount		Note
		Cost	Market value	
Raw materials		\$ 171,107	\$ 170,951	Net Realizable Value for the market value
Work in process		453,594	680,873	"
Finished goods		95,963	162,799	"
Inventory in transit		<u>68</u>	<u>68</u>	"
		720,732	<u>\$ 1,014,691</u>	
Less: allowance for valuation		<u>( 102,250)</u>		
		<u>\$ 618,482</u>		

GALLANT PRECISION MACHINING CO., LTD.  
STATEMENT OF CHANGES IN INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD  
FOR THE YEAR ENDED DECEMBER 31, 2022  
(Expressed in thousands of New Taiwan dollars)

Statement 4

Investees	Balance, January 1, 2022		Additions (Note 1)		Decrease (Note 2)		Balance, December 31, 2022			Market Value or Net Assets Value	
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	%	Amount	Total Amount	Unit Price
Gallant-Rapid Corporation Ltd.	13,560,000	\$ 252,489	-	\$ 13,953	-	(\$ 19,974)	13,560,000	100	\$ 246,468	\$ 246,468	18.18
Apex-I International Co.,Ltd.	6,600,000	89,166	-	80,219	-	( 25,688)	6,600,000	100	143,697	143,697	21.77
Gallant Micro Machining Co., Ltd.	16,171,750	589,066	-	175,466	-	( 105,610)	16,171,750	57.19	658,922	658,922	40.75
Less: Accumulated Impairment		-		-		-			-		
Total		<u>\$ 930,721</u>		<u>\$ 269,638</u>		<u>(\$ 151,272)</u>			<u>\$ 1,049,087</u>		

Note 1: The amount of additions is included the adjustment of cumulative translation and investment profit.

Note 2: The amount of decrease is included investment loss, unrealized loss from sales and dividends received.

Statement 4



GALLANT PRECISION MACHINING CO., LTD.  
STATEMENT OF CHANGES IN FIXED ASSETS  
FOR THE YEAR ENDED DECEMBER 31, 2022  
(Expressed in thousands of New Taiwan dollars)

Statement 5

Item	Balance, January 1, 2022	Additions	Transfer	Decrease	Balance, December 31, 2022	Remark
Buildings	\$ 472,804	\$ -	\$ -	\$ -	\$ 472,804	Pledge for long – term borrowings
Machinery and equipment	66,741	869	-	-	67,610	None
Office equipment	11,409	1,261	-	( 1,651)	11,019	None
Transportation equipment	143	-	-	-	143	None
Leased assets	65,683	-	-	-	65,683	Pledge for long – term borrowings
Others	8,188	-	-	-	8,188	None
	<u>\$ 624,968</u>	<u>\$ 2,130</u>	<u>\$ -</u>	<u>(\$ 1,651)</u>	<u>\$ 625,447</u>	

Statement 5

GALLANT PRECISION MACHINING CO., LTD.  
STATEMENT OF CHANGES IN ACCUMULATED DEPRECIATION OF FIXED ASSETS  
FOR THE YEAR ENDED DECEMBER 31, 2022  
(Expressed in thousands of New Taiwan dollars)

Statement 6

Item	Balance, January 1, 2022	Additions	Transfer	Decrease	Balance, December 31, 2022
Buildings	\$ 157,448	\$ 9,510	\$ -	\$ -	\$ 166,958
Machinery and equipment	8,519	7,031	-	-	15,550
Office equipment	6,053	2,723	-	( 1,651 )	7,125
Transportation equipment	44	24	-	-	68
Leased assets	18,933	1,288	-	-	20,221
Others	5,366	1,228	-	-	6,594
	<u>\$ 196,363</u>	<u>\$ 21,804</u>	<u>\$ -</u>	<u>( \$ 1,651 )</u>	<u>\$ 216,516</u>

Statement 6

GALLANT PRECISION MACHINING CO., LTD  
STATEMENT OF SHORT-TERM LOANS  
DECEMBER 31, 2022  
(Expressed in thousands of New Taiwan dollars)

Statement 7

Name	Description	Balance, December 31, 2022	Contract Period	Range of Interest Rates (%)	Loan Commitments	Collateral	Note
CTBC BANK	Unsecured loans	\$ 140,000	Maturity within 1 year	1.40% ~ 1.62%	\$ 300,000	Nil	
Cathay United Bank	"	180,000	"	1.43%	200,000	"	
The Export-Import Bank of the Republic of China	"	150,000	"	1.64%	150,000	"	
YUANTA Bank	"	200,000	"	1.45% ~ 1.65%	200,000	"	
		<u>\$ 670,000</u>			<u>\$ 850,000</u>		

Statement 7

GALLANT PRECISION MACHINING CO., LTD.  
STATEMENT OF ACCOUNTS PAYABLES  
DECEMBER 31, 2022  
(Expressed in thousands of New Taiwan dollars)

Statement 8

Vendor Name	Description	Amount	Remark
General Supplier			
A company		\$ 139,008	
B company		70,867	
C company		56,787	
The amount of individual vendor in others does not exceed 5% of the account balance.			
Others		<u>842,479</u>	
		<u>\$ 1,109,141</u>	
Related parties:			
Gallant Precision Intelligence Technology Co., Ltd.			
		6,170	
Others		<u>5,800</u>	
		<u>\$ 11,970</u>	

GALLANT PRECISION MACHINING CO., LTD.  
STATEMENT OF NET REVENUE  
FOR THE YEAR ENDED DECEMBER 31, 2022  
(Expressed in thousands of New Taiwan dollars)

Statement 9

Item	Unit	Amount	Remark
Display industry	204	\$ 2,128,510	
Semiconductor industry	467	421,179	
Intelligent automation industry	69	66,960	
Others	-	316,774	
Net revenue		<u>\$ 2,933,423</u>	

GALLANT PRECISION MACHINING CO., LTD.  
STATEMENT OF OPERATING COST  
FOR THE YEAR ENDED DECEMBER 31, 2022  
(Expressed in thousands of New Taiwan dollars)

Statement 10

Item	Amount
Raw materials, beginning of year (Included inventory in transit)	\$ 83,978
Add: Raw material purchased	2,088,043
Less: Raw materials, end of year(Included inventory in transit)	( 171,175)
Sales of Raw materials	( 80,954)
Raw materials used	1,919,892
Direct labor	257,481
Manufacturing expenses	189,435
Manufacturing cost	2,366,808
Add:Work in process, beginning of year	376,503
Less:Work in process, end of year	( 453,594)
Transferred to research and development expenses	( 96,368)
Others	4
Cost of finished goods	2,193,353
Add:Finished goods, beginning of year	13,570
Less:Finished goods, end of year	( 95,963)
Cost of goods sold	2,110,960
After sales cost	53,023
Loss on decline in market value	41,705
Cost of Raw materials sold	80,954
Other operating cost	2,069
	\$ 2,288,711

GALLANT PRECISION MACHINING CO., LTD.  
STATEMENT OF MANUFACTURING EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2022  
(Expressed in thousands of New Taiwan dollars)

Statement 11

Item	Description	Amount	Remark
Payroll expenses		\$ 68,909	
Miscellaneous charges		22,533	
Depreciation charges		19,736	
Others		78,257	The amount of each item included in others does not exceed 5% of the account balance.
		<u>\$ 189,435</u>	

GALLANT PRECISION MACHINING CO., LTD.  
STATEMENT OF OPERATING EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2022  
(Expressed in thousands of New Taiwan dollars)

Statement 12

<u>Item</u>	<u>Description</u>	<u>Amount</u>	<u>Remark</u>
<b>Selling expenses</b>			
	Wages and salaries expenses	\$ 30,083	
	Packing expenses	8,716	
	Shipping expenses	5,238	
	Entertainment expenses	4,232	
			The amount of each item included in others does not exceed 5% of the account balance.
	Others	<u>18,043</u>	
		<u>\$ 66,312</u>	
<b>General and administrative expenses</b>			
	Wages and salaries expenses	\$ 220,457	
	Professional service fees	16,584	
			The amount of each item included in others does not exceed 5% of the account balance.
	Others	<u>47,865</u>	
		<u>\$ 284,906</u>	
<b>Research and development expenses</b>			
	Research and development orders expenses	\$ 96,368	
	Wages and salaries expenses	37,827	
			The amount of each item included in others does not exceed 5% of the account balance.
	Others	<u>7,910</u>	
		<u>\$ 142,105</u>	
		<u>\$ 493,323</u>	



GALLANT PRECISION MACHINING CO., LTD.  
STATEMENT OF LABOR, DEPRECIATION AND AMORTIZATION BY FUNCTION  
FOR THE YEAR ENDED DECEMBER 31,2022  
(Expressed in thousands of New Taiwan dollars)

Statement 13

Function Nature	Year ended December 31, 2022			Year ended December 31, 2021		
	Classified as cost of revenue	Classified as operating expenses	Total	Classified as cost of revenue	Classified as operating expenses	Total
Labor cost						
Wages and salaries expenses	\$ 286,586	\$ 277,905	\$ 564,491	\$ 267,651	\$ 204,505	\$ 472,156
Labor and health insurance	27,678	11,489	39,167	26,188	10,978	37,166
Pension	14,628	6,860	21,488	13,747	6,596	20,343
Directors remuneration	-	10,462	10,462	-	5,416	5,416
Other employee benefit expense	12,926	4,878	17,804	12,332	4,284	16,616
Depreciation charges	19,736	8,108	27,844	17,424	7,718	25,142
Amortization charges	856	2,777	3,633	2,975	4,720	7,695

1. As of December 31, 2022 and 2021, the company had 457 and 433 employees, respectively and the number of directors who have not served as employees are 6 and 6 respectively.
2. Listed on the Taiwan Stock Exchange and Taipei exchange companies, please disclosure below information :
  - (1) Average labor cost for the year ended December 31, 2022 was NT\$1,426  
Average labor cost for the year ended December 31, 2021 was NT\$1,279
  - (2) Average salary and bonus for the year ended December 31, 2022 was NT\$1,252  
Average salary and bonus for the year ended December 31, 2021 was NT\$1,106
  - (3) Average salary and bonus decreased by 13.19% year over year.
  - (4) The supervisor's remuneration for the year ended December 31, 2022 was NT\$0  
The supervisor's remuneration for the year ended December 31, 2021 was NT\$0  
The company has established an audit committee, so there is no supervisor's remuneration.

(5) The principles of remuneration policy

Employee: the salary of the company's employees is determined by referring to the salary market, the company's operating conditions and the organizational structure.

Director : the reference should be made to the usual level of payment in the industry, and the reasonableness of the relationship between personal performance, company operating performance and future risks should be considered.

Manager: the reference should be made to the usual level of payment in the industry, and the reasonableness of the relationship between personal performance, company operating performance and future risks should be considered.