

**GALLANT PRECISION MACHINING CO., LTD. AND
SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REVIEW REPORT
SEPTEMBER 30, 2023 AND 2022**

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

INDEPENDENT AUDITORS' REVIEW REPORT

To the Board of directors and Shareholders of Gallant Precision Machining Co., Ltd.

Introduction

We have reviewed the accompanying consolidated balance sheets of Gallant Precision Machining Co., Ltd. and its subsidiaries (the "Group") as at September 30, 2023 and 2022, and the related consolidated statements of comprehensive income for the three-month and nine-month periods ended September 30, 2023 and 2022, as well as the related consolidated statements of changes in equity and of cash flows for the nine-month periods ended September 30, 2023 and 2022, and notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and International Accounting Standard (IAS) No.34, "Interim Financial Reporting" as endorsed by the Financial Supervisory Commission (FSC) of the Republic of China. Our responsibility is to express a conclusion on these interim the financial statements based on our reviews.

Scope of Review

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

Basis for Qualified Conclusion

As explained in Note 4(3), the consolidated financial statements included the financial statements of certain nonsignificant subsidiaries, which were not reviewed by independent accountants. These statements reflect total assets amounting to \$663,442 thousand and \$831,491 thousand, constituting 9% and 11% of the consolidated total assets, and total liabilities amounting to \$239,807 thousand and \$303,271 thousand, constituting 6% and 7% of the consolidated total liabilities as at September 30, 2023 and 2022, respectively, and total comprehensive (loss) income amounting to \$5,551 thousand, (\$11,316) thousand, (\$13,767) thousand and \$80,598 thousand, constituting (41%), (5%), (4%) and 18% of the consolidated total comprehensive income (loss) for the three-month periods ended September 30, 2023 and 2022, and for the nine-month periods ended September 30, 2023 and 2022, respectively.

Qualified Conclusion

Based on our reviews, except for the part described by the basis for qualified conclusion that the financial statement of insignificant subsidiaries may affect adjustments to the consolidated financial statements upon the CPA's review, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Gallant Precision Machining Co., Ltd. and its subsidiaries as at September 30, 2023 and 2022, and of its consolidated financial performance for the three-month and nine-month periods ended September 30, 2023 and 2022, and its consolidated cash flows for the nine-month periods ended September 30, 2023 and 2022, in accordance with the "Regulations Governing the Preparations of Financial Reports by Securities Issuers" and IAS No.34,

“Interim Financial Reporting” as endorsed by the FSC.

PricewaterhouseCoopers, Taiwan
November 7, 2023

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

GALLANT PRECISION MACHINING CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Expressed in thousands of New Taiwan dollars)
(The consolidated balance sheets as of September 30, 2023 and 2022 are reviewed, not audited)

Assets		Notes	September 30, 2023		December 31, 2022		September 30, 2022	
			AMOUNT	%	AMOUNT	%	AMOUNT	%
Current assets								
1100	Cash and cash equivalents	6(1)	\$ 1,026,183	14	\$ 1,345,746	17	\$ 1,018,142	13
1136	Financial assets at amortized cost - current	6(3)	632,644	9	586,983	7	534,824	7
1150	Notes receivable, net	6(4)	43,534	1	35,446	1	29,926	-
1170	Accounts receivable, net	6(4)	1,431,186	19	2,362,856	30	2,366,023	31
1180	Accounts receivable, related parties net	6(4) and 7	7,048	-	19,530	-	14,740	-
1200	Other receivables		11,106	-	3,431	-	10,128	-
1220	Current tax assets		9,423	-	-	-	-	-
130X	Inventories, net	6(5)	958,729	13	1,086,396	14	1,393,247	18
1410	Prepayments		168,980	2	175,026	2	143,773	2
1470	Other current assets		13,905	-	15,759	-	13,727	-
11XX	Current Assets		4,302,738	58	5,631,173	71	5,524,530	71
Non-current assets								
1517	Financial assets at fair value through other comprehensive income - non - current	6(2)	1,804,414	24	1,151,151	15	1,136,323	15
1535	Financial assets at amortized cost - non-current	6(3) and 8	221,878	3	14,777	-	15,076	-
1600	Property, plant and equipment, net	6(6) and 8	715,405	10	726,466	9	735,094	10
1755	Right-of-use assets	6(7)	227,348	3	242,980	3	249,424	3
1780	Intangible assets, net		13,828	-	13,078	-	14,159	-
1840	Deferred income tax assets		94,029	1	107,920	2	83,700	1
1900	Other non-current assets		57,406	1	8,816	-	10,587	-
15XX	Non-current assets		3,134,308	42	2,265,188	29	2,244,363	29
1XXX	Total assets		\$ 7,437,046	100	\$ 7,896,361	100	\$ 7,768,893	100

(Continued)

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

(Expressed in thousands of New Taiwan dollars)

(The consolidated balance sheets as of September 30, 2023 and 2022 are reviewed, not audited)

Liabilities and Equity		Notes	September 30, 2023		December 31, 2022		September 30, 2022	
			AMOUNT	%	AMOUNT	%	AMOUNT	%
Current liabilities								
2100	Short-term loans	6(8)	\$ 1,744,000	24	\$ 1,313,000	17	\$ 1,200,000	15
2130	Contract liabilities-current	6(18) and 7	202,023	3	341,753	4	283,843	4
2150	Notes payable		882	-	1,764	-	650	-
2170	Accounts payable	6(9)	948,208	13	1,364,727	17	1,448,699	19
2180	Accounts payables to related parties	7	-	-	66	-	272	-
2200	Other payables	6(10)	330,089	4	498,505	6	425,931	6
2230	Current income tax liabilities		11,302	-	52,336	1	59,583	1
2250	Provisions for liabilities - current		51,344	1	92,134	1	98,873	1
2280	Lease liabilities-current		23,469	-	23,322	-	23,512	-
2320	Long-term loans-current portion	6(11) and 8	152,943	2	192,943	3	192,943	2
2399	Other current liabilities-other		12,189	-	21,509	-	18,885	-
21XX	Current Liabilities		3,476,449	47	3,902,059	49	3,753,191	48
Non-current liabilities								
2540	Long-term loans	6(11) and 8	410,707	6	336,414	4	349,650	4
2570	Deferred income tax liabilities		152,649	2	155,942	2	129,561	2
2580	Lease liabilities-non-current		212,158	3	227,239	3	233,094	3
2600	Other non-current liabilities		28,607	-	32,938	1	41,511	1
25XX	Non-current liabilities		804,121	11	752,533	10	753,816	10
2XXX	Total Liabilities		4,280,570	58	4,654,592	59	4,507,007	58
Equity attributable to owners of parent company								
Share capital		6(14)						
3110	Share capital - common stock		1,651,361	22	1,651,361	21	1,651,361	21
Capital surplus		6(15)						
3200	Capital surplus		267,824	4	267,824	3	267,824	3
Retained earnings		6(16)						
3310	Legal reserve		226,325	3	186,625	2	186,625	2
3320	Special reserve		111,147	1	111,147	1	111,147	1
3350	Unappropriated retained earnings		223,332	3	459,677	6	436,761	6
Other equity interest		6(17)						
3400	Other equity interest		179,097	2	(3,888)	-	30,520	1
3500	Treasury shares	6(14)	(30,254)	-	(30,254)	-	(30,254)	-
31XX	Equity attributable to owners of the parent company		2,628,832	35	2,642,492	33	2,653,984	34
36XX	Non-controlling interest	4(3)	527,644	7	599,277	8	607,902	8
3XXX	Total equity		3,156,476	42	3,241,769	41	3,261,886	42
Significant contingent liabilities and unrecognised contract commitments		9						
3X2X	Total liabilities and equity		\$ 7,437,046	100	\$ 7,896,361	100	\$ 7,768,893	100

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

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

Items	Notes	For the three-month periods ended September 30				For the nine-month periods ended September 30			
		2023		2022		2023		2022	
		AMOUNT	%	AMOUNT	%	AMOUNT	%	AMOUNT	%
4000 Operating revenue	6(18) and 7	\$ 665,873	100	\$ 1,285,043	100	\$ 2,062,033	100	\$ 3,516,495	100
5000 Operating costs	6(5) (23)								
	(24) and 7	(559,296)	(84)	(881,433)	(69)	(1,571,322)	(76)	(2,392,929)	(68)
5900 Net operating margin		<u>106,577</u>	<u>16</u>	<u>403,610</u>	<u>31</u>	<u>490,711</u>	<u>24</u>	<u>1,123,566</u>	<u>32</u>
Operating expenses	6(23) (24)								
6100 Selling expenses		(23,487)	(3)	(28,921)	(2)	(65,923)	(3)	(94,175)	(3)
6200 General and administrative expenses		(70,358)	(11)	(162,005)	(13)	(240,373)	(12)	(390,999)	(11)
6300 Research and development expenses		(65,383)	(10)	(52,975)	(4)	(209,911)	(10)	(183,361)	(5)
6450 Impairment gain (loss)	12(2)	<u>3,069</u>	<u>1</u>	<u>(65,266)</u>	<u>(5)</u>	<u>(12,037)</u>	<u>(1)</u>	<u>(86,969)</u>	<u>(3)</u>
6000 Total operating expenses		<u>(156,159)</u>	<u>(23)</u>	<u>(309,167)</u>	<u>(24)</u>	<u>(528,244)</u>	<u>(26)</u>	<u>(755,504)</u>	<u>(22)</u>
6900 Operating profit		<u>(49,582)</u>	<u>(7)</u>	<u>94,443</u>	<u>7</u>	<u>(37,533)</u>	<u>(2)</u>	<u>368,062</u>	<u>10</u>
Non-operating income and expenses									
7100 Interest income	6(19)	3,822	-	2,552	-	17,361	1	9,064	-
7010 Other income	6(20)	39,649	6	66,150	5	154,134	8	98,191	3
7020 Other gains and losses	6(21)	37,740	6	73,085	6	41,173	2	145,535	4
7050 Finance costs	6(22)	(12,673)	(2)	(6,745)	-	(32,951)	(2)	(17,337)	-
7000 Total non-operating income and expenses		<u>68,538</u>	<u>10</u>	<u>135,042</u>	<u>11</u>	<u>179,717</u>	<u>9</u>	<u>235,453</u>	<u>7</u>
7900 Profit before tax		<u>18,956</u>	<u>3</u>	<u>229,485</u>	<u>18</u>	<u>142,184</u>	<u>7</u>	<u>603,515</u>	<u>17</u>
7950 Income tax expense	6(25)	<u>877</u>	<u>-</u>	<u>(42,405)</u>	<u>(3)</u>	<u>(28,230)</u>	<u>(2)</u>	<u>(127,193)</u>	<u>(3)</u>
8200 Profit for the period		<u>\$ 19,833</u>	<u>3</u>	<u>\$ 187,080</u>	<u>15</u>	<u>\$ 113,954</u>	<u>5</u>	<u>\$ 476,322</u>	<u>14</u>
Other comprehensive income for the period									
Components of other comprehensive income that will not be reclassified to profit or loss	6(17)								
8316 Unrealized loss on investments in equity instruments at fair value through other comprehensive income	6(2)	(\$ 65,013)	(10)	\$ 43,999	3	\$ 241,231	12	(\$ 60,431)	(2)
8349 Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(25)	<u>1,646</u>	<u>-</u>	<u>(1,399)</u>	<u>-</u>	<u>(21,405)</u>	<u>(1)</u>	<u>3,130</u>	<u>-</u>
8310 Items that will not be reclassified subsequently to profit or loss		<u>(63,367)</u>	<u>(10)</u>	<u>42,600</u>	<u>3</u>	<u>219,826</u>	<u>11</u>	<u>(57,301)</u>	<u>(2)</u>
Components of other comprehensive income that will be reclassified to profit or loss	6(17)								
8361 Cumulative translation differences of foreign operations		<u>30,088</u>	<u>5</u>	<u>8,328</u>	<u>1</u>	<u>2,105</u>	<u>-</u>	<u>28,003</u>	<u>1</u>
8360 Summary of Components of other comprehensive income that will be reclassified to profit or loss		<u>30,088</u>	<u>5</u>	<u>8,328</u>	<u>1</u>	<u>2,105</u>	<u>-</u>	<u>28,003</u>	<u>1</u>
8300 Other comprehensive income (loss) for the period		<u>(\$ 33,279)</u>	<u>(5)</u>	<u>\$ 50,928</u>	<u>4</u>	<u>\$ 221,931</u>	<u>11</u>	<u>(\$ 29,298)</u>	<u>(1)</u>
8500 Total comprehensive income for the period		<u>(\$ 13,446)</u>	<u>(2)</u>	<u>\$ 238,008</u>	<u>19</u>	<u>\$ 335,885</u>	<u>16</u>	<u>\$ 447,024</u>	<u>13</u>
Profit attributable to:									
8610 Equity holders of the parent company		\$ 16,237	2	\$ 162,149	13	\$ 97,587	4	\$ 374,089	11
8620 Non-controlling interest		<u>3,596</u>	<u>1</u>	<u>24,931</u>	<u>2</u>	<u>16,367</u>	<u>1</u>	<u>102,233</u>	<u>3</u>
Profit for the period		<u>\$ 19,833</u>	<u>3</u>	<u>\$ 187,080</u>	<u>15</u>	<u>\$ 113,954</u>	<u>5</u>	<u>\$ 476,322</u>	<u>14</u>
Total comprehensive income attributable to:									
8710 Equity holders of the parent company		(\$ 24,257)	(4)	\$ 204,567	16	\$ 280,572	13	\$ 344,574	10
8720 Non-controlling interest		<u>10,811</u>	<u>2</u>	<u>33,441</u>	<u>3</u>	<u>55,313</u>	<u>3</u>	<u>102,450</u>	<u>3</u>
Total comprehensive income for the period		<u>(\$ 13,446)</u>	<u>(2)</u>	<u>\$ 238,008</u>	<u>19</u>	<u>\$ 335,885</u>	<u>16</u>	<u>\$ 447,024</u>	<u>13</u>
Earnings per share	6(26)								
9750 Basic earnings per share		<u>\$ 0.10</u>		<u>\$ 1.00</u>		<u>\$ 0.60</u>		<u>\$ 2.32</u>	
Earnings per share	6(26)								
9850 Diluted earnings per share		<u>\$ 0.10</u>		<u>\$ 0.99</u>		<u>\$ 0.59</u>		<u>\$ 2.29</u>	

GALLANT PRECISION MACHINING CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars)
(UNAUDITED)

Equity attributable to owners of the parent												

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

GALLANT PRECISION MACHINING CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Expressed in thousands of New Taiwan dollars)

(UNAUDITED)

		For the nine-month periods ended September 30	
	Notes	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		\$ 142,184	\$ 603,515
Adjustments			
Income and expenses having no effect on cash flow			
Depreciation	6(23)	45,155	44,639
Amortization	6(23)	3,182	4,325
Expected credit loss (gain)	12(2)	12,037	86,969
Interest expense	6(22)	32,951	17,337
Interest income	6(19)	(17,361)	(9,064)
Dividend income	6(20)	(100,945)	(51,995)
Loss on disposal of property, plant and equipment	6(21)	18	-
Share-based payment	6(13)	-	37,043
Gain on lease modification	6(21)	(89)	-
Changes in assets/liabilities relating to operating activities			
Net changes in assets relating to operating activities			
Notes receivable	(	7,996)	10,483
Accounts receivable		919,470	(607,241)
Accounts receivable - related parties		12,368	33,134
Other receivables	(	6,688)	(6,354)
Inventories		127,816	(589,330)
Prepayments		6,056	(78,551)
Other current assets		1,852	(5,632)
Other non-current assets	(	49,225)	650
Net changes in liabilities relating to operating activities			
Contract liabilities	(	139,759)	60,549
Notes payable	(	882)	(8,033)
Accounts payable		416,705	205,673
Accounts payable - related parties	(	124)	(12,599)
Other payables	(	173,357)	33,715
Provisions for liabilities	(	40,774)	(2,894)
Unearned receipts	(	10,135)	6,371
Other current liabilities		809	2,672
Net defined benefit liability	(	4,371)	(4,144)
Cash generated from operations		335,487	(228,762)
Interest received		16,374	9,533
Dividend received		100,945	51,995
Interest paid	(	31,866)	(17,201)
Income tax paid	(	87,761)	(48,091)
Net cash provided by (used in) operating activities		333,179	(232,526)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of financial assets at fair value through other comprehensive income	6(2)	(\$ 412,032)	(\$ 261,470)
Acquisition of financial assets at amortized cost		(615,891)	(130,062)
Proceeds from disposal of financial assets at amortized cost		362,182	276,278
Acquisition of property, plant and equipment	6(27)	(17,219)	(23,595)
Proceeds from disposal of property, plant and equipment		685	-
Acquisition of intangible assets		(4,646)	(3,750)
Refundable deposits paid		(695)	(2,508)
Refundable deposits refunded		1,330	-
Net cash provided by (used in) investing activities		(686,286)	(145,107)
CASH FLOWS FROM FINANCING ACTIVITY			
Proceeds from short-term loan		2,464,000	1,292,777
Repayment of short-term loans	(	2,033,000)	(1,093,342)
Proceeds from long-term loan		74,000	140,000
Repayment of long-term loans	(	39,707)	(25,457)
Repayment of the principal portion of lease liabilities	6(28)	(17,963)	(16,548)
Guarantee deposits received		-	473
Proceeds from transaction with non-controlling interest		(41,612)	-
Treasury stock transferred to employees	6(13)	-	135,283
Cash dividends paid	6(16)	(379,768)	(279,721)
Cash distributed from additional paid-in capital	6(16)	-	(16,062)
Net cash used in financing activities		25,950	137,403
Effect of fluctuations in exchange rate		7,594	36,806
Net decrease in cash and cash equivalents		(319,563)	(203,424)
Cash and cash equivalents at beginning of period	6(1)	1,345,746	1,221,566
Cash and cash equivalents at end of period	6(1)	\$ 1,026,183	\$ 1,018,142

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

GALLANT PRECISION MACHINING CO., LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)
(UNAUDITED)

1. HISTORY AND ORGANIZATION

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

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

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

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

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

2. THE DATE OF AUTHORIZATION FOR ISSUANCE OF THE CONSOLIDATED FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORIZATION

These consolidated financial statements were authorized for issuance by the Board of Directors on November 7, 2023.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

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

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

New Standards, Interpretations and Amendments	Effective Date by International Accounting Standards Board
Amendments to IAS 1 “Disclosure of Accounting Policies”	January 1, 2023
Amendments to IAS 8 “Definition of Accounting Estimates”	January 1, 2023
Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”	January 1, 2023
Amendments to IAS 12 “International Tax Reform - Pillar Two Model Rules”	May 23, 2023

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

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

New standards, interpretations and amendments endorsed by FSC effective from 2024 are as follows:

New Standards, Interpretations and Amendments	Effective Date by International Accounting Standards Board
Amendments to IFRS 16 “Leases” - Lease Liability in a Sale and Leaseback	January 1, 2024
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
Amendment to IAS 7 and IFRS 7 “Supplier Finance Arrangements”	January 1, 2024

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

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

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

New Standards, Interpretations and Amendments	Effective Date by International Accounting Standards Board
Amendments to IFRS 10 and IAS 28 “Sale or contribution of assets between an investor and its associate or joint venture”	To be determined by International Accounting Standards Board
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 21 “Lack of Exchangeability”	January 1, 2025

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted are consistent with Note 4 in the consolidated financial statements for the year ended December 31, 2022, except for the compliance statement, basis of preparations, basis of consolidation and additional policies as set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

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

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

(2) Basis of preparation

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

(a) Financial assets at fair value through other comprehensive income.

(b) Defined benefit liabilities recognized based on the net amount of pension fund assets less present value of defined benefit obligation.

B. The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

(3) Basis of consolidation

A. Basis for preparation of consolidated financial statements:

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

B. Subsidiaries included in the consolidated financial statements:

Name of Investor	Name of subsidiary	Main Business Activities	Percentage of Ownership			
			September 30, 2023	December 31, 2022	September 30, 2022	Note
Gallant Precision Machining Co., Ltd.	Gallant Micro. Machining Co., Ltd.	Manufacturing and selling of semiconductor related equipment and parts	57.19	57.19	57.19	
Gallant Precision Machining Co., Ltd.	Gallant-Rapid Corporation Ltd. (the “GRC”)	Investing in Gallant Precision Industries (Suzhou) Co., Ltd.	100	100	100	Note2

Name of Investor	Name of subsidiary	Main Business Activities	Percentage of Ownership			Note
			September 30, 2023	December 31, 2022	September 30, 2022	
Gallant Precision Machining Co., Ltd.	APEX-I International Co., Ltd.	Marketing and selling of process equipment of LCD and related parts.	100	100	100	Note2
Gallant Micro. Machining Co., Ltd.	King Mechatronics Co., Ltd. (the "KMC")	Investing in Gallant Micro. Machining (Suzhou) Co., Ltd.	100	100	100	
Gallant Micro. Machining Co., Ltd.	Gallant Micro Machining (Malaysia) Sdn. Bhd. (the "GMMM")	Engaged in the import and export and trading business of semiconductor machines and related parts	100	100	100	
Gallant Micro Machining Co., Ltd.	Utron Technologies Corp	Testing of wire and tools and testing equipment of PBC and related systems	53.21	53.21	53.21	Note1 Note2
GRC	Gallant Precision Industries (Suzhou) Co., Ltd.	Manufacturing of optoelectronic products equipment, mechanical equipment and related parts	100	100	100	Note2
KMC	Gallant Micro. Machining (Suzhou) Co., Ltd.	Manufacturing and selling of precision mold and related parts	100	100	100	
Gallant Precision Industries (Suzhou) Co., Ltd.	Gallant Precision Intelligence Technology Co., Ltd.	Manufacturing of optoelectronic products equipment, mechanical equipment and related parts	100	60	60	Note2 Note3
Gallant Micro. Machining (Suzhou) Co., Ltd.	Kunshan Qihong Electronic Sales Co., Ltd.	Circuit board testing equipment, wire and cable and semiconductor testing and manufacturing	100	100	100	Note2

Note 1: Utron Technologies Corp issued new shares in July 2022. The Group did not subscribe the new shares and therefore the percentage of ownership was decreased.

Note 2: The financial statements of the entity as of September 30, 2023 and 2022 were not reviewed by the independent auditors as the entity did not meet the definition of significant subsidiary.

Note 3: Gallant Precision Industries (Suzhou) Co., Ltd. acquired the remaining 40% equity from Fujian Chengzhe Automation Technology Co. Ltd in June 2023.

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

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

E. Significant restrictions: None.

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

As of September 30, 2023, December 31, 2022 and September 30, 2022, the non-controlling interest amounted to \$527,644, \$599,277 and \$607,902, respectively. The information of non-controlling interest and respective subsidiaries is as follows:

Name of subsidiary	Principal place of business	Non-controlling interest					
		September 30, 2023		December 31, 2022		September 30, 2022	
		Amount	Ownership (%)	Amount	Ownership (%)	Amount	Ownership (%)
Gallant Micro. Machining Co., Ltd.	Taiwan	\$ 482,555	42.81	\$ 495,690	42.81	\$ 500,477	42.81

Summarized financial information of the subsidiaries:

Balance sheets

Gallant Micro. Machining Co., Ltd. and its subsidiaries				
	September 30, 2023	December 31, 2022	September 30, 2022	
Current assets	\$ 1,922,054	\$ 1,973,083	\$ 1,983,547	
Non-current assets	802,332	644,883	651,625	
Current liabilities	(1,221,221)	(1,153,863)	(1,159,077)	
Non-current liabilities	(330,835)	(262,121)	(262,752)	
Total net assets	\$ 1,172,330	\$ 1,201,982	\$ 1,213,343	

Statements of comprehensive income

Gallant Micro. Machining Co., Ltd. and its subsidiaries		
	For the three-month period ended September 30, 2023	For the three-month period ended September 30, 2022
Revenue	\$ 238,214	\$ 339,112
Profit before income tax	\$ 2,611	\$ 66,285
Income tax expense	2,737	(14,357)
Profit for the period from continuing operations	5,348	51,928
Profit for the period	5,348	51,928
Other comprehensive income, net of tax	16,854	12,529
Total comprehensive income for the period	\$ 22,202	\$ 64,457
Comprehensive income attributable to non-controlling interest	\$ 8,536	\$ 29,930
Dividends paid to non-controlling interest	\$ -	\$ -

Gallant Micro. Machining Co., Ltd. and its subsidiaries		
	For the nine-month period ended September 30, 2023	For the nine-month period ended September 30, 2022
Revenue	\$ 721,529	\$ 1,161,152
Profit before income tax	\$ 51,622	\$ 281,766
Income tax expense	(4,103)	(58,262)
Profit for the period from continuing operations	47,519	223,504
Profit for the period	47,519	223,504
Other comprehensive income, net of tax	92,488	(10,776)

	Gallant Micro. Machining Co., Ltd. and its subsidiaries	
	For the nine-month period ended September 30, 2023	For the nine-month period ended September 30, 2022
Total comprehensive income for the period	\$ 140,007	\$ 212,728
Comprehensive income attributable to non-controlling interest	\$ 59,494	\$ 89,861
Dividends paid to non-controlling interest	\$ 72,628	\$ 54,849

Statements of cash flows

	Gallant Micro. Machining Co., Ltd. and its subsidiaries	
	For the nine-month period ended September 30, 2023	For the nine-month period ended September 30, 2022
Net cash provided by (used in) operating activities	\$ 307,725	(\$ 94,899)
Net cash provided by (used in) investing activities	(228,144)	6,533
Net cash provided by (used in) financing activities	(36,394)	10,751
Effect of exchange rates on cash and cash equivalents	271	4,953
(Decrease) increase in cash and cash equivalents	43,458	(72,662)
Cash and cash equivalents, beginning of period	503,709	516,024
Cash and cash equivalents, end of period	\$ 547,167	\$ 443,362

(4) Employee benefits

Pensions

Defined benefit plans

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

(5) Income tax

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

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

There have been no significant change as of September 30, 2023. Please refer to Note 5 in the consolidated financial statements for the year ended December 31, 2022.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	<u>September 30, 2023</u>	<u>December 31, 2022</u>	<u>September 30, 2022</u>
Cash on hand and revolving funds	\$ 273	\$ 270	\$ 273
Checking accounts	26	26	26
Demand deposits	880,669	1,345,450	1,017,843
Time deposits	145,215	-	-
Total	<u>\$ 1,026,183</u>	<u>\$ 1,345,746</u>	<u>\$ 1,018,142</u>

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

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

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

<u>Items</u>	<u>September 30, 2023</u>	<u>December 31, 2022</u>	<u>September 30, 2022</u>
Non-current items:			
Equity instruments			
Listed stocks	\$ 1,327,579	\$ 925,494	\$ 899,810
Non-Listed stocks	121,855	111,908	94,407
Valuation adjustment	354,980	113,749	142,106
	<u>\$ 1,804,414</u>	<u>\$ 1,151,151</u>	<u>\$ 1,136,323</u>

A. The Group has elected to classify investments that are considered to be strategic investments as financial assets at fair value through other comprehensive income. As at September 30, 2023, December 31, 2022, and September 30, 2022, the fair value of such investments amounted to \$1,804,414, \$1,151,151 and \$1,136,323, respectively.

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

	<u>For the three-month period ended September 30, 2023</u>	<u>For the three-month period ended September 30, 2022</u>
<u>Equity instruments at fair value through other comprehensive income:</u>		
Fair value change recognised in other comprehensive income	(\$ 65,013)	\$ 43,999
Dividend income recognized in profit or loss held at end of period	<u>\$ 24,644</u>	<u>\$ 51,995</u>

	For the nine-month period ended September 30, 2023	For the nine-month period ended September 30, 2022
<u>Equity instruments at fair value through other comprehensive income:</u>		
Fair value change recognised in other comprehensive income	\$ 241,231	(\$ 60,431)
Dividend income recognized in profit or loss held at end of period	\$ 100,945	\$ 51,995

(3) Financial assets at amortized cost

Items	September 30, 2023	December 31, 2022	September 30, 2022
Current items:			
Time deposits	\$ 632,644	\$ 586,983	\$ 534,824
Non-current items:			
Time deposits	21,878	14,777	15,076
Corporate bonds	200,000	-	-
	<u>221,878</u>	<u>14,777</u>	<u>15,076</u>
	<u>\$ 854,522</u>	<u>\$ 601,760</u>	<u>\$ 549,900</u>

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

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

C. Information relating to credit risk of financial assets measured at amortized cost is provided in Note 12(2). The Group investment in time deposit with financial institutions with high credit quality and expects that the probability of counterparty default is remote.

(4) Notes and accounts receivable

	September 30, 2023	December 31, 2022	September 30, 2022
Notes receivable	\$ 43,534	\$ 35,446	\$ 29,926
Accounts receivable	\$ 1,737,939	\$ 2,657,461	\$ 2,654,151
Accounts receivable - related parties	7,048	19,530	14,740
Less: allowance for bad debts	(306,753)	(294,605)	(288,128)
	<u>\$ 1,438,234</u>	<u>\$ 2,382,386</u>	<u>\$ 2,380,763</u>

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

	September 30, 2023		December 31, 2022	
	Accounts receivable	Notes receivable	Accounts receivable	Notes receivable
Not past due	\$ 1,189,802	\$ 43,534	\$ 1,906,654	\$ 35,446
0 to 90 days	170,110	-	359,366	-
91 to 120 days	45,358	-	29,146	-
Over 120 days	339,717	-	381,825	-
	<u>\$ 1,744,987</u>	<u>\$ 43,534</u>	<u>\$ 2,676,991</u>	<u>\$ 35,446</u>

	September 30, 2022	
	Accounts receivable	Notes receivable
Not past due	\$ 2,022,011	\$ 29,926
0 to 90 days	224,332	-
91 to 120 days	46,702	-
Over 120 days	375,846	-
	<u>\$ 2,668,891</u>	<u>\$ 29,926</u>

The above aging analysis was based on past due date.

B. As at September 30, 2023, December 31, 2022, September 30, 2022, and January 1, 2022, the balances of receivables from contracts with customers amounted to \$1,788,521, \$2,712,437, \$2,698,817 and \$2,136,485, respectively.

C. As at September 30, 2023, December 31, 2022, and September 30, 2022, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the Group's notes and accounts receivable were \$43,534, \$35,446 and \$29,926, \$1,438,234, \$2,382,386 and \$2,380,763, respectively.

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

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

(5) Inventories

	September 30, 2023		
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 299,954	(\$ 40,775)	\$ 259,179
Work in process	853,059	(227,850)	625,209
Finished goods	155,014	(90,409)	64,605
Inventory in transit	9,736	-	9,736
Total	<u>\$ 1,317,763</u>	<u>(\$ 359,034)</u>	<u>\$ 958,729</u>

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

	September 30, 2022		
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 307,922	(\$ 27,931)	\$ 279,991
Work in process	958,202	(125,107)	833,095
Finished goods	354,690	(91,105)	263,585
Inventory in transit	16,576	-	16,576
Total	<u>\$ 1,637,390</u>	<u>(\$ 244,143)</u>	<u>\$ 1,393,247</u>

The cost of inventories recognized as expense for the period:

	For the three-month period ended September 30, 2023	For the three-month period ended September 30, 2022
Cost of goods sold	\$ 528,792	\$ 862,714
Loss on decline in market value	30,504	18,719
	<u>\$ 559,296</u>	<u>\$ 881,433</u>

	For the nine-month period ended September 30, 2023	For the nine-month period ended September 30, 2022
Cost of goods sold	\$ 1,509,351	\$ 2,372,532
Loss on decline in market value	61,971	20,397
	<u>\$ 1,571,322</u>	<u>\$ 2,392,929</u>

(6) Property, plant and equipment

	Land	Buildings	Machinery and equipment	Office equipment	Leased assets	Others	Construction in progress and equipment under installation	Total
At January 1, 2023								
Cost	\$ 134,686	\$ 605,842	\$ 171,042	\$ 35,373	\$ 65,682	\$ 67,387	\$ 1,854	\$ 1,081,866
Accumulated depreciation and impairment	- (181,228)	(98,975)	(23,852)	(20,220)	(31,125)	-	(355,400)	
	<u>\$ 134,686</u>	<u>\$ 424,614</u>	<u>\$ 72,067</u>	<u>\$ 11,521</u>	<u>\$ 45,462</u>	<u>\$ 36,262</u>	<u>\$ 1,854</u>	<u>\$ 726,466</u>
2023								
Opening net book amount as at January 1	\$ 134,686	\$ 424,614	\$ 72,067	\$ 11,521	\$ 45,462	\$ 36,262	\$ 1,854	\$ 726,466
Additions	-	693	6,693	6,320	-	2,300	-	16,006
Disposals	-	- (331)	(11)	-	- (361)	-	- (703)	
Reclassification	-	-	-	1,848	-	- (1,848)	-	
Depreciation charge	- (9,278)	(6,915)	(4,446)	(966)	(4,839)	-	(26,444)	
Net exchange differences	- (21)	35	33	-	39	(6)	80	
Closing net book mount as at September 30	<u>\$ 134,686</u>	<u>\$ 416,008</u>	<u>\$ 71,549</u>	<u>\$ 15,265</u>	<u>\$ 44,496</u>	<u>\$ 33,401</u>	<u>\$ -</u>	<u>\$ 715,405</u>
At September 30, 2023								
Cost	\$ 134,686	\$ 606,504	\$ 174,463	\$ 37,191	\$ 65,682	\$ 66,336	\$ -	\$ 1,084,862
Accumulated depreciation and impairment	- (190,496)	(102,914)	(21,926)	(21,186)	(32,935)	-	(369,457)	
	<u>\$ 134,686</u>	<u>\$ 416,008</u>	<u>\$ 71,549</u>	<u>\$ 15,265</u>	<u>\$ 44,496</u>	<u>\$ 33,401</u>	<u>\$ -</u>	<u>\$ 715,405</u>

	Land	Buildings	Machinery and equipment	Office equipment	Leased assets	Others	Total
At January 1, 2022							
Cost	\$ 134,686	\$ 604,358	\$ 164,309	\$ 35,025	\$ 70,762	\$ 65,970	\$ 1,075,110
Accumulated depreciation and impairment	- (	168,934)(	90,847)(	21,509)(	19,948)(	27,079)(	328,317)
	<u>\$ 134,686</u>	<u>\$ 435,424</u>	<u>\$ 73,462</u>	<u>\$ 13,516</u>	<u>\$ 50,814</u>	<u>\$ 38,891</u>	<u>\$ 746,793</u>
2022							
Opening net book amount as at January 1	\$ 134,686	\$ 435,424	\$ 73,462	\$ 13,516	\$ 50,814	\$ 38,891	\$ 746,793
Additions	-	916	6,444	3,969	-	2,582	13,911
Depreciation charge	- (	9,190)(	6,291)(	5,092)(	1,728)(	4,785)(	27,086)
Net exchange differences	-	42	355	105	-	974	1,476
Closing net book mount as at September 30	<u>\$ 134,686</u>	<u>\$ 427,192</u>	<u>\$ 73,970</u>	<u>\$ 12,498</u>	<u>\$ 49,086</u>	<u>\$ 37,662</u>	<u>\$ 735,094</u>
At September 30, 2022							
Cost	\$ 134,686	\$ 605,335	\$ 173,057	\$ 36,531	\$ 70,762	\$ 68,071	\$ 1,088,442
Accumulated depreciation and impairment	- (	178,143)(	99,087)(	24,033)(	21,676)(	30,409)(	353,348)
	<u>\$ 134,686</u>	<u>\$ 427,192</u>	<u>\$ 73,970</u>	<u>\$ 12,498</u>	<u>\$ 49,086</u>	<u>\$ 37,662</u>	<u>\$ 735,094</u>

- A. Amount of borrowing costs capitalized as part of property, plant and equipment were \$0 for the three-month periods ended September 30, 2023 and 2022 and for the nine-month periods ended September 30, 2023 and 2022, respectively.
- B. The significant components of buildings include main plants improvement and structure, which are depreciated over 10 and 50 years.
- C. Information about the property, plant and equipment that were pledged to others as collaterals is provided in Note 8.
- D. The above property, plant and equipment of the Group were for their own used.

(7) Leasing arrangements — lessee

- A. The Group leases various assets including land, buildings, and multifunction printers. Rental contracts are typically made for periods of 1 to 38 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants, but leased assets may not be used as security for borrowing purposes.
- B. Short-term leases with a lease term of 12 months or less comprise Buildings. Low-value assets comprise office equipment (multifunction printers).
- C. The carrying amount of right-of-use assets and the depreciation charge are as follows:

	<u>September 30, 2023</u>	<u>December 31, 2022</u>	<u>September 30, 2022</u>
	<u>Carrying amount</u>	<u>Carrying amount</u>	<u>Carrying amount</u>
Land	\$ 192,556	\$ 196,901	\$ 198,411
Buildings	34,792	46,079	51,013
	<u>\$ 227,348</u>	<u>\$ 242,980</u>	<u>\$ 249,424</u>

	<u>For the three-month period ended September 30, 2023</u>	<u>For the three-month period ended September 30, 2022</u>
	<u>Depreciation charge</u>	<u>Depreciation charge</u>
Land	\$ 1,582	\$ 1,510
Buildings	4,963	4,385
	<u>\$ 6,545</u>	<u>\$ 5,895</u>

	<u>For the nine-month period ended September 30, 2023</u>	<u>For the nine-month period ended September 30, 2022</u>
	<u>Depreciation charge</u>	<u>Depreciation charge</u>
Land	\$ 4,602	\$ 4,530
Buildings	14,109	13,023
	<u>\$ 18,711</u>	<u>\$ 17,553</u>

- D. For the three-month periods ended September 30, 2023 and 2022, and for the nine-month periods ended September 30, 2023 and 2022, respectively, the Group's total cash outflow for leases were \$4,829, \$6,144, \$4,829 and \$9,056, respectively.
- E. The information on income and expense accounts relating to lease contracts is as follows:

	<u>For the three-month period ended September 30, 2023</u>	<u>For the three-month period ended September 30, 2022</u>
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 1,136	\$ 1,342
Expense on short-term lease contracts	3,995	3,806
Expense on leases of low-value assets	174	157

		For the nine-month period ended September 30, 2023	For the nine-month period ended September 30, 2022
<u>Items affecting profit or loss</u>			
Interest expense on lease liabilities	\$	3,471	\$ 4,001
Expense on short-term lease contracts		10,267	11,147
Expense on leases of low-value assets		544	400

F. For the nine-month period ended September 30, 2023 and 2022, the Group's total cash outflow for leases were \$32,245 and \$32,096, respectively.

G. Extension and termination options

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

(8) Short-term borrowings

Type of borrowings	September 30, 2023	Interest rate range	Collateral
Unsecured Banking Loan	\$ 1,744,000	1.72%~2.02%	None
Type of borrowings	December 31, 2022	Interest rate range	Collateral
Unsecured Banking Loan	\$ 1,313,000	1.24%~1.87%	None
Type of borrowings	September 30, 2022	Interest rate range	Collateral
Unsecured Banking Loan	\$ 1,200,000	1.29%~1.44%	None

(9) Accounts payable

	September 30, 2023	December 31, 2022	September 30, 2022
Accounts payable	\$ 805,157	\$ 1,214,387	\$ 1,162,272
Estimated accounts payable	143,051	150,340	286,427
	<u>\$ 948,208</u>	<u>\$ 1,364,727</u>	<u>\$ 1,448,699</u>

(10) Other payables

	September 30, 2023	December 31, 2022	September 30, 2022
Accrued salaries	\$ 188,848	\$ 268,598	\$ 229,270
Accrued employees' bonuses and directors' remuneration	43,923	130,863	105,212
Payables on equipment - Fixed assets	1,418	2,631	2,141
Payables on equipment - Intangible assets	-	938	938
Others	95,900	95,475	88,370
	<u>\$ 330,089</u>	<u>\$ 498,505</u>	<u>\$ 425,931</u>

(11) Long-term borrowings

<u>Type of borrowings</u>	<u>Borrowing period and repayment term</u>	<u>Interest rate range</u>	<u>Collateral</u>	<u>September 30, 2023</u>
Mortgage borrowings	Borrowing period is from July 1, 2021 to July 1, 2026, non-revolving instalments, with monthly interest payment, principal is repayable every 3 months with 5% of principal from July 1, 2022, and the rest of principal shall be paid off on the maturity date.	2.05%	Note	\$ 150,000
Mortgage borrowings	The mortgage borrowings is recyclable from November 24, 2021 to March 31, 2024, with monthly interest payment and the principal shall be paid off on the maturity date (the actual borrowings period is less than 3 years, because the factory contract period is from March 31, 2021 to March 31, 2024, the principal shall be paid off on the maturity date).	1.76%	Note	100,000
Mortgage borrowings	Borrowing period is from June 14, 2017 to June 14, 2032; interest is repayable monthly and principal is repayable monthly through June, 2018 to June, 2032.	1.98%	Note	53,750
Mortgage borrowings	The mortgage borrowings from July 7, 2023 to July 7, 2026, with monthly interest payment and the principal shall be paid off on the maturity date.	1.90%	Note	54,000
Mortgage borrowings	The mortgage borrowings from July 7, 2023 to July 7, 2026, with monthly interest payment and the principal shall be paid off on the maturity date.	1.95%	Note	20,000
Mortgage borrowings	Borrowing period is from December 8, 2022 to June 8, 2030 with monthly interest payment and the principal is repayable every 3 months in 30 installments.	2.35%	Note	45,900
Unsecured borrowing	The unsecured borrowings is recyclable from April 20, 2023 to April 20, 2025, with monthly interest payment and the principal shall be paid off on the maturity date.	1.98%	None	80,000
Unsecured borrowing	The unsecured borrowings is recyclable from April 20, 2023 to April 20, 2025, with monthly interest payment and the principal shall be paid off on the maturity date.	1.98%	None	60,000
				563,650
Less: current portion				(152,943)
				<u>\$ 410,707</u>

<u>Type of borrowings</u>	<u>Borrowing period and repayment term</u>	<u>Interest rate range</u>	<u>Collateral</u>	<u>December 31, 2022</u>
Mortgage borrowings	Borrowing period is from July 1, 2021 to July 1, 2026, non-revolving instalments, with monthly interest payment, principal is repayable every 3 months with 5% of principal from July 1, 2022, and the rest of principal shall be paid off on the maturity date.	1.58%	Note	\$ 180,000
Mortgage borrowings	The mortgage borrowings is recyclable from November 24, 2021 to March 31, 2024, with monthly interest payment and the principal shall be paid off on the maturity date (the actual borrowings period is less than 3 years, because the factory contract period is from March 31, 2021 to March 31, 2024, the principal shall be paid off on the maturity date).	1.51%	Note	100,000
Mortgage borrowings	Borrowing period is from June 14, 2017 to June 14, 2032; interest is repayable monthly and principal is repayable monthly through June, 2018 to June, 2032.	1.73%	Note	58,357
Mortgage borrowings	Borrowing period is from June 08, 2020 to June 08, 2030 with monthly interest payment and the principal is repayable every 3 months in 40 installments.	2.18%	Note	51,000
Unsecured borrowing	The unsecured borrowings is recyclable from January 18, 2022 to May 14, 2023, with monthly interest payment and the principal shall be paid off on the maturity date.	1.57%	None	80,000
Unsecured borrowing	The unsecured borrowings is recyclable from April 21, 2022 to May 14, 2023, with monthly interest payment and the principal shall be paid off on the maturity date.	1.57%	None	60,000
				<u>529,357</u>
Less: current portion				(192,943)
				<u>\$ 336,414</u>

<u>Type of borrowings</u>	<u>Borrowing period and repayment term</u>	<u>Interest rate range</u>	<u>Collateral</u>	<u>September 30, 2022</u>
Mortgage borrowings	Borrowing period is from July 1, 2021 to July 1, 2026, non-revolving instalments, with monthly interest payment, principal is repayable every 3 months with 5% of principal from July 1, 2022, and the rest of principal shall be paid off on the maturity date.	1.39%	Note	\$ 190,000
Mortgage borrowings	The mortgage borrowings is recyclable from November 24, 2021 to March 31, 2024, with monthly interest payment and the principal shall be paid off on the maturity date (the actual borrowings period is less than 3 years, because the factory contract period is from March 31, 2021 to March 31, 2024, the principal shall be paid off on the maturity date).	1.38%	Note	100,000
Mortgage borrowings	Borrowing period is from June 14, 2017 to June 14, 2032; interest is repayable monthly and principal is repayable monthly through June, 2018 to June, 2032.	1.59%	Note	59,893
Mortgage borrowings	Borrowing period is from June 08, 2020 to June 08, 2030 with monthly interest payment and the principal is repayable every 3 months in 40 installments.	1.75%	Note	52,700
Unsecured borrowing	The unsecured borrowings is recyclable from January 18, 2022 to May 14, 2023, with monthly interest payment and the principal shall be paid off on the maturity date.	1.32%	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.	1.32%	None	60,000
				<u>542,593</u>
Less: current portion				(192,943)
				<u>\$ 349,650</u>

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

(12) Pensions

- A. (a) The Company and its domestic subsidiaries have a defined benefit pension plan in accordance with the Labor Standards Law, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Law. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company and its domestic subsidiaries contributes monthly an amount equal to 2% and 7%, respectively of the

employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Company and its domestic subsidiaries would assess the balance in the aforementioned labor pension reserve account by the end of December 31, every year. If the account balance is not enough to pay the pension calculated by the aforementioned method, to the labors expected to be qualified for retirement next year, the Company and its domestic subsidiaries will make contribution for the deficit by next March.

(b) For the aforementioned pension plan, the Group recognized pension costs of \$66, \$134, \$199 and \$404 for the three-month periods ended September 30, 2023 and 2022, and for the nine-month periods ended September 30, 2023 and 2022, respectively.

(c) Expected contributions to the defined benefit pension plans of the Group for the year ended December 31, 2023 are \$7,071.

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

(b) The Group's Chinese subsidiary have a defined contribution plan. Monthly contributions to an independent fund administered by the government in accordance with the pension regulations in the People's Republic of China (PRC.) are based on certain percentage of employees' monthly salaries and wages. The contribution percentage was 10% to 20%. Other than the monthly contributions, the Group has no further obligations.

(c) The pension costs under defined contribution pension plans of the Group for the three-month periods ended September 30, 2023 and 2022, and for the nine-month periods ended September 30, 2023 and 2022, were \$10,712, \$10,393, \$32,736 and \$30,896, respectively.

(13) Share-based payment

A. For the nine-month periods ended September 30, 2023, the Group's share-based payment arrangements were as follows:

Type of arrangement	Grant date	Quantity granted (shares in thousands)	Contract period	Vesting conditions
Employee stock options	2023.9.27	1,400	4 years	25% can be exercised 2 years after the grant expires 50% can be exercised 2.5 years after the grant expires 75% can be exercised 3 years after the grant expires 100% can be exercised 3.5 years after the grant expires
Treasury stock transferred to employees	2022.8.9	2,839	-	Immediately
Treasury stock transferred to employees	2022.8.19	1,135	-	Immediately

B. Details of the share-based payment arrangements are as follows:

	2023		2022	
	No. of options	Exercise price (in dollars)	No. of options	Exercise price (in dollars)
Options outstanding at January 1	-	\$ -	-	\$ -
Options granted	1,400	117.5	-	-
Options outstanding at September 30	1,400	\$ 117.5	-	\$ -
Options exercisable at September 30	-	\$ -	-	\$ -

C. The expiry date and exercise price of stock options outstanding at balance sheet date are as follows:

		September 30, 2023		September 30, 2022	
		No. of shares (shares in thousands)	Exercise price (in dollars)	No. of shares (shares in thousands)	Exercise price (in dollars)
Issue date approved	Expiry date				
2023.09.27	2027.09.26	1,400	\$ 117.5	-	\$ -

D. The fair value of stock options granted on grant date is measured using the Black-Scholes option-pricing model. Relevant information is as follows:

Type of arrangement	Grant date	Stock price (in dollars)	Exercise price (in dollars)	Expected price volatility	Expected option life	Expected dividends	Risk-free interest rate	Fair value per unit (in dollars)
Employee stock options	2023.9.27	117.5	117.5	46.66% ~ 48.86%	3 ~ 3.75 years	-	1.09% ~ 1.13%	39.81 ~ 42.59

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

Type of arrangement	Grant date	Stock price (in dollars)	Exercise price (in dollars)	Compensation cost per unit (in dollars)
Treasury stock transferred to employees	2022.8.9	25.35	18.07	7.28
Treasury stock transferred to employees	2022.8.19	90.80	71.13	19.67
Treasury stock transferred to employees	2022.8.19	90.80	74.91	15.89
Treasury stock transferred to employees	2022.8.19	90.80	78.09	12.71

F. The expenses incurred on share-based payment transactions of the Group for the three-month periods ended September 30, 2023 and 2022, and for the nine-month periods ended September 30, 2023 and 2022, were \$0, \$37,043, \$0 and \$37,043, respectively.

(14) Share capital

A. As of September 30, 2023, the Company's authorized capital was \$2,500,000, consisting of 250,000 thousand shares of ordinary stock, and the paid-in capital was \$1,651,361 with a par value of \$10 (in dollars) per share. All proceeds from shares issued have been collected.

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

	Unit: shares in thousands	
	2023	2022
At January 1	\$ 163,462	\$ 160,623
Treasury stock transferred to employees	-	2,839
At September 30	<u>163,462</u>	<u>163,462</u>

B. On March 24, 2020, the Board of directors resolved to acquire 6,000 thousand shares of the Company. All the acquired shares will be reissued to employees. As of September 30, 2023, the Company has acquired 6,000 thousand shares and 4,326 thousand shares have been reissued to employees.

C. Treasury shares

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

		Unit: shares in thousands	
		September 30, 2023	
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, 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
		September 30, 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

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

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

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

(15) Capital surplus

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

deficit unless the legal reserve is insufficient.

B. Details of Capital surplus:

	Share premium	Treasury share transactions	Difference between the actual acquisition or disposal equity price and the book value of subsidiaries	Net change in equity of subsidiaries	Expired employee stock option	Total
At January 1, 2023 (At September 30)	\$ 111,105	\$ 74,714	\$ 11,750	\$ 65,809	\$ 4,446	\$ 267,824
	Share premium	Treasury share transactions	Difference between the actual acquisition or disposal equity price and the book value of subsidiaries	Net change in equity of subsidiaries	Expired 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 September 30, 2022	\$ 111,105	\$ 74,714	\$ 11,750	\$ 65,809	\$ 4,446	\$ 267,824

(16) Retained earnings

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

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

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

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

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

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

D. On June 19, 2023 and June 8, 2022, respectively, the shareholders resolved that total dividends for the distribution of earnings for the year of 2022 and 2021 were as following:

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

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

(17) Other equity items

	For the nine-month period ended September 30, 2023		
	Unrealised gains (losses) on financial assets at fair value through other comprehensive income	Currency translation	Total
At January 1	\$ 38,971	(\$ 42,859)	(\$ 3,888)
Revaluation - group	180,785	-	180,785
Revaluation - tax	539	-	539
Currency translation differences: – group	-	1,661	1,661
At September 30	<u>\$ 220,295</u>	<u>(\$ 41,198)</u>	<u>\$ 179,097</u>

	For the nine-month period ended September 30, 2022		
	Unrealised gains (losses) on financial assets at fair value through other comprehensive income	Currency translation	Total
At January 1	\$ 109,454	(\$ 49,419)	\$ 60,035
Revaluation - group	(43,910)	-	(43,910)
Revaluation - tax	(2,123)	-	(2,123)
Currency translation differences: – group	-	16,518	16,518
At September 30	<u>\$ 63,421</u>	<u>(\$ 32,901)</u>	<u>\$ 30,520</u>

(18) Operating revenue

	For the three-month period ended September 30, 2023	For the three-month period ended September 30, 2022
Revenue from Contracts with Customers	<u>\$ 665,873</u>	<u>\$ 1,285,043</u>
	For the nine-month period ended September 30, 2023	For the nine-month period ended September 30, 2022
Revenue from Contracts with Customers	<u>\$ 2,062,033</u>	<u>\$ 3,516,495</u>

A. Disaggregation of revenue from contracts with customers

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

For the three-month period ended September 30, 2023	Taiwan	China	Other	Total
Total segment revenue	\$ 401,762	\$ 157,572	\$ 159,921	\$ 719,255
Inter-segment revenue	(27,700)	(25,651)	(31)	(53,382)
Revenue from external customer contracts	<u>\$ 374,062</u>	<u>\$ 131,921</u>	<u>\$ 159,890</u>	<u>\$ 665,873</u>
Timing of revenue recognition				
At a point in time	\$ 366,275	\$ 131,862	\$ 159,785	\$ 657,922
Over time	<u>7,787</u>	<u>59</u>	<u>105</u>	<u>7,951</u>
	<u>\$ 374,062</u>	<u>\$ 131,921</u>	<u>\$ 159,890</u>	<u>\$ 665,873</u>
For the three-month period ended September 30, 2022	Taiwan	China	Other	Total
Total segment revenue	\$ 832,664	\$ 543,165	\$ 35,213	\$ 1,411,042
Inter-segment revenue	(96,809)	(29,176)	(14)	(125,999)
Revenue from external customer contracts	<u>\$ 735,855</u>	<u>\$ 513,989</u>	<u>\$ 35,199</u>	<u>\$ 1,285,043</u>
Timing of revenue recognition				
At a point in time	\$ 729,302	\$ 513,982	\$ 35,091	\$ 1,278,375
Over time	<u>6,553</u>	<u>7</u>	<u>108</u>	<u>6,668</u>
	<u>\$ 735,855</u>	<u>\$ 513,989</u>	<u>\$ 35,199</u>	<u>\$ 1,285,043</u>
For the nine-month period ended September 30, 2023	Taiwan	China	Other	Total
Total segment revenue	\$ 1,340,461	\$ 466,992	\$ 368,835	\$ 2,176,288
Inter-segment revenue	(53,196)	(61,016)	(43)	(114,255)
Revenue from external customer contracts	<u>\$ 1,287,265</u>	<u>\$ 405,976</u>	<u>\$ 368,792</u>	<u>\$ 2,062,033</u>
Timing of revenue recognition				
At a point in time	\$ 1,266,478	\$ 405,032	\$ 368,390	\$ 2,039,900
Over time	<u>20,787</u>	<u>944</u>	<u>402</u>	<u>22,133</u>
	<u>\$ 1,287,265</u>	<u>\$ 405,976</u>	<u>\$ 368,792</u>	<u>\$ 2,062,033</u>
For the nine-month period ended September 30, 2022	Taiwan	China	Other	Total
Total segment revenue	\$ 2,000,241	\$ 1,802,279	\$ 78,681	\$ 3,881,201
Inter-segment revenue	(246,220)	(118,452)	(34)	(364,706)
Revenue from external customer contracts	<u>\$ 1,754,021</u>	<u>\$ 1,683,827</u>	<u>\$ 78,647</u>	<u>\$ 3,516,495</u>
Timing of revenue recognition				
At a point in time	\$ 1,735,368	\$ 1,683,769	\$ 78,443	\$ 3,497,580
Over time	<u>18,653</u>	<u>58</u>	<u>204</u>	<u>18,915</u>
	<u>\$ 1,754,021</u>	<u>\$ 1,683,827</u>	<u>\$ 78,647</u>	<u>\$ 3,516,495</u>

B. Contract liabilities

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

	September 30, 2023	December 31,2022	September 30, 2022	January 1, 2022
Contract liabilities	<u>\$ 202,023</u>	<u>\$ 341,753</u>	<u>\$ 283,843</u>	<u>\$ 222,518</u>

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

	For the three-month period ended September 30, 2023	For the three-month period ended September 30, 2022
Revenue recognised that was included in the contract liability balance at the beginning of the period	<u>\$ 58,017</u>	<u>\$ 6,278</u>

	For the nine-month period ended September 30, 2023	For the nine-month period ended September 30, 2022
Revenue recognised that was included in the contract liability balance at the beginning of the period	<u>\$ 197,925</u>	<u>\$ 166,566</u>

(19) Interest income

	For the three-month period ended September 30, 2023	For the three-month period ended September 30, 2022
Interest income from bank deposits	<u>\$ 3,822</u>	<u>\$ 2,552</u>

	For the nine-month period ended September 30, 2023	For the nine-month period ended September 30, 2022
Interest income from bank deposits	<u>\$ 17,361</u>	<u>\$ 9,064</u>

(20) Other income

	For the three-month period ended September 30, 2023	For the three-month period ended September 30, 2022
Rental revenue	\$ 5,871	\$ 7,065
Government grants revenue (Note)	7,100	4,803
Dividend income	24,644	51,995
Others	2,034	2,287
Total	<u>\$ 39,649</u>	<u>\$ 66,150</u>

	For the nine-month period ended September 30, 2023	For the nine-month period ended September 30, 2022
Rental revenue	\$ 18,195	\$ 20,746
Government grants revenue (Note)	25,341	13,889
Dividend income	100,945	51,995
Others	9,653	11,561
Total	<u>\$ 154,134</u>	<u>\$ 98,191</u>

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

(21) Other gains and losses

	For the three-month period ended September 30, 2023	For the three-month period ended September 30, 2022
Losses on disposal of property, plant and equipment	\$ 14	\$ -
Gains on lease modification	89	-
Net currency exchange gains	38,650	74,555
Others gains and losses	(1,013)	(1,470)
	<u>\$ 37,740</u>	<u>\$ 73,085</u>
	For the nine-month period ended September 30, 2023	For the nine-month period ended September 30, 2022
Losses on disposal of property, plant and equipment	(\$ 18)	\$ -
Gains on lease modification	89	-
Net currency exchange gains	44,363	150,157
Others gains and losses	(3,261)	(4,622)
	<u>\$ 41,173</u>	<u>\$ 145,535</u>

(22) Finance costs

	For the three-month period ended September 30, 2023	For the three-month period ended September 30, 2022
Interest expense	<u>\$ 12,673</u>	<u>\$ 6,745</u>
	For the nine-month period ended September 30, 2023	For the nine-month period ended September 30, 2022
Interest expense	<u>\$ 32,951</u>	<u>\$ 17,337</u>

(23) Expenses by nature

	For the three-month period ended September 30, 2023	For the three-month period ended September 30, 2022
Employee benefit expense	<u>\$ 210,317</u>	<u>\$ 322,605</u>
Depreciation charges (including right of use assets)	<u>\$ 15,340</u>	<u>\$ 15,014</u>
Amortization charges on intangible assets	<u>\$ 939</u>	<u>\$ 1,731</u>
	For the nine-month period ended September 30, 2023	For the nine-month period ended September 30, 2022
Employee benefit expense	<u>\$ 658,361</u>	<u>\$ 848,992</u>
Depreciation charges (including right of use assets)	<u>\$ 45,155</u>	<u>\$ 44,639</u>
Amortization charges on intangible assets	<u>\$ 3,182</u>	<u>\$ 4,325</u>

(24) Employee benefit expense

	For the three-month period ended September 30, 2023	For the three-month period ended September 30, 2022
Wages and salaries	\$ 173,882	\$ 287,219
Labour and health insurance fees	18,215	16,573
Pension costs	10,778	10,527
Other personnel expenses	7,442	8,286
	<u>\$ 210,317</u>	<u>\$ 322,605</u>

	For the nine-month period ended September 30, 2023	For the nine-month period ended September 30, 2022
Wages and salaries	\$ 549,181	\$ 744,070
Labour and health insurance fees	53,513	49,485
Pension costs	32,935	31,300
Other personnel expenses	22,732	24,137
	<u>\$ 658,361</u>	<u>\$ 848,992</u>

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

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

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

- B. For the three-month periods ended September 30, 2023 and 2022 and for the nine-month periods ended September 30, 2023 and 2022, employees' remuneration was accrued at \$2,579, \$21,024, \$16,897 and \$47,067, respectively; directors' remuneration was accrued at \$437, \$4,205, \$1,064 and \$6,943, respectively.

For the years ended September 30, 2023, employees' compensation and directors' and supervisors' remuneration were accrued based on the profit at 11.95% and 0.75%, respectively.

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

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

(25) Income tax

A. Income tax expense

(a) Components of income tax expense:

	<u>For the three-month period ended September 30, 2023</u>	<u>For the three-month period ended September 30, 2022</u>
Current tax:		
Current tax on profits for the period (\$	5,430)	\$ 8,951
Tax on undistributed surplus earnings	<u>3,153</u>	<u>-</u>
Total current tax	<u>(2,277)</u>	<u>8,951</u>
Deferred tax:		
Origination and reversal of temporary differences	<u>1,400</u>	<u>33,454</u>
Total deferred tax	<u>1,400</u>	<u>33,454</u>
Income tax expense	<u>(\$ 877)</u>	<u>\$ 42,405</u>
	<u>For the nine-month period ended September 30, 2023</u>	<u>For the nine-month period ended September 30, 2022</u>
Current tax:		
Current tax on profits for the period \$	13,129	\$ 68,177
Tax on undistributed surplus earnings	5,032	-
Prior year income tax (over) underestimate	<u>20,876</u>	<u>(1,704)</u>
Total current tax	<u>39,037</u>	<u>66,473</u>
Deferred tax:		
Origination and reversal of temporary differences	<u>(10,807)</u>	<u>60,720</u>
Total deferred tax	<u>(10,807)</u>	<u>60,720</u>
Income tax expense	<u>\$ 28,230</u>	<u>\$ 127,193</u>

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

	<u>For the three-month period ended September 30, 2023</u>	<u>For the three-month period ended September 30, 2022</u>
Changes in fair value of financial assets at fair value through other comprehensive income	<u>(\$ 1,646)</u>	<u>\$ 1,399</u>
	<u>For the nine-month period ended September 30, 2023</u>	<u>For the nine-month period ended September 30, 2022</u>
Changes in fair value of financial assets at fair value through other comprehensive income	<u>\$ 21,405</u>	<u>(\$ 3,130)</u>

B. The Company's income tax returns through 2021 have been assessed and approved by the Tax Authority.

(26) Earnings per share

<u>For the three-month period ended September 30, 2023</u>			
	<u>Amount after tax</u>	<u>Weighted average number of ordinary shares outstanding (share in thousands)</u>	<u>Earnings per share (in dollars)</u>
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	<u>\$ 16,237</u>	163,462	<u>\$ 0.10</u>
<u>Diluted earnings per share</u>			
Assumed conversion of all dilutive potential ordinary shares			
- Employees' bonus	<u>-</u>	554	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 16,237</u>	<u>164,016</u>	<u>\$ 0.10</u>
<u>For the three-month period ended September 30, 2022</u>			
	<u>Amount after tax</u>	<u>Weighted average number of ordinary shares outstanding (share in thousands)</u>	<u>Earnings per share (in dollars)</u>
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	<u>\$ 162,149</u>	162,228	<u>\$ 1.00</u>
<u>Diluted earnings per share</u>			
Assumed conversion of all dilutive potential ordinary shares			
- Employees' bonus	<u>-</u>	1,796	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 162,149</u>	<u>164,024</u>	<u>\$ 0.99</u>
<u>For the nine-month period ended September 30, 2023</u>			
	<u>Amount after tax</u>	<u>Weighted average number of ordinary shares outstanding (share in thousands)</u>	<u>Earnings per share (in dollars)</u>
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	<u>\$ 97,587</u>	163,462	<u>\$ 0.60</u>
<u>Diluted earnings per share</u>			
Assumed conversion of all dilutive potential ordinary shares -			
Employees' bonus	<u>-</u>	950	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 97,587</u>	<u>164,412</u>	<u>\$ 0.59</u>

For the nine-month period ended September 30, 2022			
	Amount after tax	Weighted average number of ordinary shares outstanding (share in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 374,089	161,164	\$ 2.32
<u>Diluted earnings per share</u>			
Assumed conversion of all dilutive potential ordinary shares - Employees' bonus	-	2,083	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 374,089	163,247	\$ 2.29

(27) Supplemental cash flow information

Investing activities with partial cash payments:

	For the nine-month period ended September 30, 2023	For the nine-month period ended September 30, 2022
Purchase of property, plant and equipment	\$ 16,006	\$ 13,911
Add: opening balance of payable on equipment	2,631	11,825
Less: ending balance of payable on equipment	(1,418)	(2,141)
Cash paid during the period	\$ 17,219	\$ 23,595

(28) Changes in liabilities from financing activities

	Short-term borrowings	Long-term borrowings (including current portion)	Guarantee deposits received	Leases liabilities	Dividends payable	Liabilities from financing activities- gross
At January 1, 2023	\$ 1,313,000	\$ 529,357	\$ 4,087	\$ 250,561	\$ -	\$ 2,097,005
Changes in cash flow from financing activities	431,000	34,293	-	(17,963)	(379,768)	67,562
Interest expense	-	-	-	3,471	-	3,471
Payment of interest	-	-	-	(3,471)	-	(3,471)
Changes in other non - cash items	-	-	-	(1,711)	379,768	378,057
Payment of dividends	-	-	-	-	-	-
New lease	-	-	-	4,829	-	4,829
Changes in leases liabilities	-	-	-	(89)	-	(89)
At September 30, 2023	\$ 1,744,000	\$ 563,650	\$ 4,087	\$ 235,627	\$ -	\$ 2,547,364

	Short-term borrowings	Long-term borrowings (including current portion)	Guarantee deposits received	Leases liabilities	Dividends payable	Liabilities from financing activities-gross
At January 1, 2022	\$ 1,000,565	\$ 428,050	\$ 3,614	\$ 263,096	\$ -	\$ 1,695,325
Changes in cash flow from financing activities	199,435	114,543	473	(16,548)	(295,783)	2,120
Interest expense	-	-	-	4,001	-	4,001
Payment of interest	-	-	-	(4,001)	-	(4,001)
Changes in non-cash items	-	-	-	1,002	295,783	296,785
Changes in lease liabilities	-	-	-	9,056	-	9,056
At September 30, 2022	\$ 1,200,000	\$ 542,593	\$ 4,087	\$ 256,606	\$ -	\$ 2,003,286

7. RELATED-PARTY TRANSACTIONS

(1) Names and relationship of related parties

Names of related parties	Relationship with the Company
C SUN Mfg. Ltd.	Associate
C SUN (Guangzhou) Mfg. Ltd.	Associate
Fujian Chengzhe Automation Technology Co. Ltd	Substantive related party
Ohmplus Technology Inc.	Substantive related party
OPXION Tech. Incorporation	Substantive related party

Note : The Group acquired the remaning 40% equity of Gallent Precision Intelligence Technology Co. Ltd from Fujian Chengzhe Automation Technology Co., Ltd in June 2023. Therefore, Fujian Chengzhe Automation Technology Co., Ltd is not substantive related party.

(2) Significant related party transactions

A. Operating revenue:

	For the three-month period ended September 30, 2023	For the three-month period ended September 30, 2022
Sales of goods:		
Associates	\$ 240	\$ 26,710
Substantive related party	-	-
Total	\$ 240	\$ 26,710
	For the nine-month period ended September 30, 2023	For the nine-month period ended September 30, 2022
Sales of goods:		
Associates	\$ 11,250	\$ 26,791
Substantive related party	2,080	-
Total	\$ 13,330	\$ 26,791

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

B. Purchases:

	For the three-month period ended September 30, 2023	For the three-month period ended September 30, 2022
Purchases of goods:		
Substantive related party	\$ -	\$ 241
	For the nine-month period ended September 30, 2023	For the nine-month period ended September 30, 2022
Purchases of goods:		
Substantive related party	\$ 4	\$ 8,835

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:

	September 30, 2023	December 31, 2022	September 30, 2022
Accounts receivable:			
Associates	\$ 7,048	\$ 19,530	\$ 14,740

D. Payables to related parties:

	September 30, 2023	December 31, 2022	September 30, 2022
Accounts payable:			
Substantive related party	\$ -	\$ 66	\$ 272

E. Contract liabilities:

	September 30, 2023	December 31, 2022	September 30, 2022
Contract liabilities:			
Associates	\$ 10,118	\$ 193	\$ -

(3) Key management compensation

	For the three-month period ended September 30, 2023	For the three-month period ended September 30, 2022
Payroll and Salaries and other short-term employee benefits	\$ 18,008	\$ 16,969
Post-employment benefits	222	300
Total	\$ 18,230	\$ 17,269
	For the nine-month period ended September 30, 2023	For the nine-month period ended September 30, 2022
Payroll and Salaries and other short-term employee benefits	\$ 35,464	\$ 33,960
Post-employment benefits	642	1,004
Total	\$ 36,106	\$ 34,964

8. PLEGDED ASSETS

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

Pledged asset	Book value			Purpose
	September 30, 2023	December 31, 2022	September 30, 2022	
Time deposits (shown as “financial assets at amortised cost non-current”)	\$ 21,878	\$ 14,777	\$ 15,076	Exercise guarantee and duty guarantee
Property, plant and equipment	489,662	473,044	476,204	Long-term borrowings
Total	<u>\$ 511,540</u>	<u>\$ 487,821</u>	<u>\$ 491,280</u>	

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

Contingent liabilities

As of September 30, 2023, December 31, 2022 and September 30, 2022, the bank open a guarantee letter for the Group due to business tender and guarantee for construction amounting to \$40,659, \$45,648 and \$9,728, respectively.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

None.

12. OTHERS

(1) Capital management

No significant change was made during the nine-month period ended September 30, 2023. For more information, please refer to note 12 in the Group’s consolidated financial statements for the year ended December 31, 2022.

(2) Financial instruments

A. Financial instruments by category

	September 30, 2023	December 31, 2022	September 30, 2022
<u>Financial assets</u>			
Financial assets measured at fair value through profit or loss			
Financial assets at fair value through other comprehensive income	\$ 1,804,414	\$ 1,151,151	\$ 1,136,323
Financial assets at amortised cost/Loans and receivables			
Cash and cash equivalents	1,026,183	1,345,746	1,018,142
Financial assets at amortised cost	854,522	601,760	549,900
Notes receivables	43,534	35,446	29,926
Accounts receivables (including related party)	1,438,234	2,382,386	2,380,763
Other accounts receivables	11,106	3,431	10,128
Refundable deposits paid	7,917	8,551	9,647
	<u>\$ 5,185,910</u>	<u>\$ 5,528,471</u>	<u>\$ 5,134,829</u>

	September 30, 2023	December 31, 2022	September 30, 2022
<u>Financial liabilities</u>			
Financial liabilities at amortised cost			
Short-term borrowings	\$ 1,744,000	\$ 1,313,000	\$ 1,200,000
Notes payable	882	1,764	650
Accounts payable (including related party)	948,208	1,364,793	1,448,971
Other accounts payable	330,089	498,505	425,931
Long-term borrowings (including current portion)	563,650	529,357	542,593
Guarantee deposits received	4,087	4,087	4,087
	<u>\$ 3,590,916</u>	<u>\$ 3,711,506</u>	<u>\$ 3,622,232</u>
Leases liabilities	<u>\$ 235,627</u>	<u>\$ 250,561</u>	<u>\$ 256,606</u>

B. Financial risk management policies

No significant change was made during the nine-month period ended September 30, 2023. For more information, please refer to note 12 in the Group's consolidated financial statements for the year ended December 31, 2022.

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

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

	September 30, 2023		
	Foreign currency amount (In thousands)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 28,900	32.27	\$ 932,612
JPY:NTD	424,752	0.2162	91,831
RMB:NTD	21,968	4.415	96,989
USD: RMB	2,176	7.3092	70,208
<u>Non-monetary items</u>			
USD:NTD	\$ 8,975	32.27	\$ 289,625
<u>Financial liability</u>			
<u>Monetary items</u>			
USD:NTD	\$ 4,030	32.27	\$ 130,056
JPY:NTD	49,994	0.2162	10,809
RMB:NTD	2,561	4.415	11,306
<u>Non-monetary items: None</u>			

December 31, 2022				
(Foreign currency: functional currency)	Foreign currency amount (In thousands)		Exchange rate	Book value (NTD)
<u>Financial assets</u>				
<u>Monetary items</u>				
USD:NTD	\$	45,611	30.71	\$ 1,400,723
JPY:NTD		173,374	0.2324	40,292
RMB:NTD		61,051	4.408	269,115
USD: RMB		1,576	6.9669	48,396
<u>Non-monetary items</u>				
USD:NTD	\$	5,858	30.71	\$ 179,909
<u>Financial liability</u>				
<u>Monetary items</u>				
USD:NTD	\$	3,665	30.71	\$ 112,547
JPY:NTD		112,370	0.2324	26,115
RMB:NTD		6,671	4.408	29,405
<u>Non-monetary items: None</u>				

September 30, 2022				
(Foreign currency: functional currency)	Foreign currency amount		Exchange rate	Book value (NTD)
	(In thousands)			
<u>Financial assets</u>				
<u>Monetary items</u>				
USD:NTD	\$	43,277	31.75	\$ 1,374,049
JPY:NTD		140,334	0.2201	30,888
RMB:NTD		61,419	4.473	274,728
USD:RMB		1,448	7.098	45,979
<u>Non-monetary items:</u>				
USD:NTD	\$	5,872	31.75	\$ 186,433
<u>Financial liability</u>				
<u>Monetary items</u>				
USD:NTD	\$	16,060	31.75	\$ 509,918
JPY:NTD		76,753	0.2201	16,893
RMB:NTD		6,049	4.473	27,059
Non-monetary items: None				

- ii . The total exchange (loss) and gain, including realized and unrealized arising from significant foreign exchange variation on the monetary items held by the Group for the three-month periods ended September 30, 2023 and 2022 and for the nine-month periods ended September 30, 2023 and 2022, amounted \$38,650, \$74,555, \$44,363 and \$150,157, respectively.

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

For the nine-month period ended September 30, 2023			
Sensitivity analysis			
	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	1%	\$ 9,326	\$ -
JPY:NTD	1%	918	-
RMB:NTD	1%	970	-
USD:RMB	1%	702	-
<u>Non-monetary items</u>			
USD:NTD	1%	-	2,896
<u>Financial liability</u>			
<u>Monetary items</u>			
USD:NTD	1%	(\$ 1,301)	\$ -
JPY:NTD	1%	(108)	-
RMB:NTD	1%	(113)	-

For the nine-month period ended September 30, 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%	\$ 13,740	\$ -
JPY:NTD	1%	309	-
RMB:NTD	1%	2,747	-
USD:RMB	1%	460	-
<u>Non-monetary items</u>			
USD:NTD	1%	-	1,864
<u>Financial liability</u>			
<u>Monetary items</u>			
USD:NTD	1%	(\$ 5,099)	\$ -
JPY:NTD	1%	(169)	-
RMB:NTD	1%	(271)	-

Price risk

- i. The Group's equity securities, which are exposed to price risk, are the held financial assets at fair value through other comprehensive income. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.
- ii. The Group's investments in equity securities comprise listed and unlisted stocks issued by

the domestic and foreign companies. The prices of equity securities would change due to the change of the future value of investee companies. If the prices of these equity securities had increased/decreased by 1% with all other variables held constant, other comprehensive income for the nine-months periods ended September 30, 2023 and 2022 would have increased/decreased by \$18,044 and \$11,363, respectively, as a result of gains/losses on equity securities classified as at fair value through other comprehensive income.

Cash flow and fair value interest rate risk

The Group's interest rate risk arises from short-term and long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash and cash equivalents held at variable rates. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. During the periods ended September 30, 2023 and 2022, the Group's borrowings at variable rate were denominated in the NTD. If the interest rate had increased/decreased by 1%, the amount of cash flow out for the nine-month periods ended September 30, 2023 and 2022 would have increased/decreased by \$7,996 and \$9,626, respectively.

(b) Credit risk

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

- vi. The Group classifies customer's accounts receivable, in accordance with credit rating of customer. The Group applies the simplified approach using provision matrix, loss rate methodology to estimate expected credit loss under the provision matrix basis.
- vii. The Group wrote-off the financial assets, which cannot be reasonably expected to be recovered, after initiating recourse procedures. However, the Group will continue executing the recourse procedures to secure their rights.
- viii. The Group used the future forward-looking consideration to adjust historical and timely information to assess the default possibility of accounts receivable. On September 30, 2023, December 31, 2022 and September 30, 2022, respectively, the provision matrix is as follows:

At September 30, 2023	Not past due	Between 0-90 days past due	Between 91-120 days past due	Over 121 days past due	Total
Expected loss rate	0.00%-0.74%	0.01%-26.71%	0.01%-30.92%	0.01%-100%	
Total book value	\$ 1,189,802	\$ 170,110	\$ 45,358	\$ 339,717	\$1,744,987
Loss allowance	\$ 8,707	\$ 14,152	\$ 5,015	\$ 278,879	\$ 306,753

At December 31, 2022	Not past due	Between 0-90 days past due	Between 91-120 days past due	Over 121 days past due	Total
Expected loss rate	0.00%-0.67%	0.00%-21.3%	0.01%-24.33%	0.02%-100%	
Total book value	\$ 1,906,654	\$ 359,366	\$ 29,146	\$ 381,825	\$2,676,991
Loss allowance	\$ 16,746	\$ 15,411	\$ 2,956	\$ 259,492	\$ 294,605

At September 30, 2022	Not past due	Between 0-90 days past due	Between 91-120 days past due	Over 121 days past due	Total
Expected loss rate	0.00%-0.67%	0.00%-21.30%	0.01%-24.33%	0.02%-100%	
Total book value	\$ 2,022,011	\$ 224,332	\$ 46,702	\$ 375,846	\$2,668,891
Loss allowance	\$ 19,122	\$ 10,242	\$ 8,562	\$ 250,202	\$ 288,128

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

	For the nine-month period ended September 30, 2023
	Accounts receivable
At January 1	\$ 294,605
Provision for impairment loss	12,037
Effect of foreign exchange	111
At September 30	\$ 306,753

	For the nine-month period ended September 30, 2022
	Accounts receivable
At January 1	\$ 207,192
Provision for impairment loss	86,969
Write-offs	(7,013)
Effect of foreign exchange	980
At September 30	\$ 288,128

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

presented below:

September 30, 2023				
	By geography	Lifetime		Total
		Significant increase in credit risk	Impairment of credit	
Financial assets at amortised cost				
Group 1	\$ 309,418	\$ -	\$ -	\$ 309,418
Group 2	528,835	-	-	528,835
Group 3	16,269	-	-	16,269
	<u>\$ 854,522</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 854,522</u>
December 31, 2022				
	By geography	Lifetime		Total
		Significant increase in credit risk	Impairment of credit	
Financial assets at amortised cost				
Group 1	\$ 129,904	\$ -	\$ -	\$ 129,904
Group 2	456,299	-	-	456,299
Group 3	15,557	-	-	15,557
	<u>\$ 601,760</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 601,760</u>
September 30, 2022				
	By geography	Lifetime		Total
		Significant increase in credit risk	Impairment of credit	
Financial assets at amortised cost				
Group 1	\$ 102,707	\$ -	\$ -	\$ 102,707
Group 2	431,177	-	-	431,177
Group 3	16,016	-	-	16,016
	<u>\$ 549,900</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 549,900</u>
Group 1: Taiwan Bank				
Group 2: China Bank				
Group 3: Other regional Bank				

(c) Liquidity risk

- i. Cash flow forecasting is performed in the operating entities of the Group and aggregated by Group treasury. Group treasury monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs.
- ii. Surplus cash held by the operating entities over and above balance required for working capital management are transferred to the Group treasury. Group treasury invests surplus cash in interest-bearing demands deposits and financial assets at amortized cost (the period of time deposits are between 3 and 12 months), choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient head-room as determined by the above-mentioned forecasts. As at September 30, 2023, December 31, 2022 and September 30, 2022,

the Group held money market position of \$1,658,528, \$1,932,433 and \$1,552,667, respectively, that are expected to readily generate cash inflows for managing liquidity risk.

iii. The Company has the following undrawn borrowing facilities:

	September 30, 2023	December 31, 2022	September 30, 2022
Floating rate:			
Expiring within one year	\$ 1,539,406	\$ 1,972,960	\$ 2,076,683
Expiring beyond one year	68,500	3,400	8,500
	<u>\$ 1,607,906</u>	<u>\$ 1,976,360</u>	<u>\$ 2,085,183</u>

The facilities expiring within one year are annual facilities subject to review at various dates during 2023. The other facilities have been arranged to help finance the proposed equipment manufacturing and research and development business activities of the Group. Please refer to note 12.

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

Non-derivative financial liabilities:

September 30, 2023	Less than 3 months	Between 3 months and 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years
Short-term borrowings	\$1,684,000	\$ 60,000	\$ -	\$ -	\$ -
Notes payable	882	-	-	-	-
Accounts payable (including related party)	570,423	188,579	189,206	-	-
Other payables	248,292	81,738	59	-	-
Leases liabilities	7,382	20,502	20,175	29,825	216,338
Long-term borrowings (including current portion)	15,986	146,737	199,528	188,445	36,089

Non-derivative financial liabilities:

December 31, 2022	Less than 3 months	Between 3 months and 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years
Short-term borrowings	\$1,053,000	\$ 260,000	\$ -	\$ -	\$ -
Notes payable	1,764	-	-	-	-
Accounts payable (including related party)	700,829	157,823	506,141	-	-
Other payables	343,209	155,296	-	-	-
Leases liabilities	7,062	20,927	25,138	37,504	222,151
Long-term borrowings (including current portion)	15,334	185,180	157,525	154,669	46,249

Non-derivative financial liabilities:

September 30, 2022	Less than 3 months	Between 3 months and 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years
Short-term borrowings	\$ 820,000	\$ 380,000	\$ -	\$ -	\$ -
Notes payable	650	-	-	-	-
Accounts payable (including related party)	991,849	99,449	357,673	-	-
Other payables	273,573	152,358	-	-	-
Leases liabilities	7,090	21,308	25,781	41,831	224,157
Long-term borrowings (including current portion)	15,137	184,530	157,021	154,066	49,491

(3) Fair value information

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

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

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

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

B. Financial instruments not measured at fair value

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

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

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

September 30, 2023	Level 1	Level 2	Level 3	Total
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through other comprehensive income				
Equity securities	\$1,448,917	\$ -	\$ 355,497	\$1,804,414
December 31, 2022	Level 1	Level 2	Level 3	Total
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through other comprehensive income				
Equity securities	\$ 912,627	\$ -	\$ 238,524	\$1,151,151

September 30, 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>\$ 908,771</u>	<u>\$ -</u>	<u>\$ 227,552</u>	<u>\$1,136,323</u>

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

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

	<u>Listed shares</u>
Market quoted price	Closing price

- i i. Except for financial instruments with active markets, the fair value of other financial instruments is measured by using valuation techniques or by reference to counterparty quotes. The fair value of financial instruments measured by using valuation techniques can be referred to current fair value of instruments with similar terms and characteristics in substance, discounted cash flow method or other valuation methods, including calculated by applying model using market information available at the consolidated balance sheet date (i.e. yield curves on the Taipei Exchange, average commercial paper interest rates quoted from Reuters).
 - iii. When assessing non-standard and low-complexity financial instruments, for example, debt instruments without active market, and options, the Group adopts valuation technique that is widely used by market participants. The inputs used in the valuation method to measure these financial instruments are normally observable in the market.
 - iv. The valuation of derivative financial instruments is based on valuation model widely accepted by market participants, such as present value techniques and option pricing models.
 - v. The output of valuation model is an estimated value and the valuation technique may not be able to capture all relevant factors of the Group's financial and non-financial instruments. Therefore, the estimated value derived using valuation model is adjusted accordingly with additional inputs, for example, model risk or liquidity risk and etc. In accordance with the Group's management policies and relevant control procedures relating to the valuation models used for fair value measurement, management believes adjustment to valuation is necessary in order to reasonably represent the fair value of financial instruments at the consolidated balance sheet. The inputs and pricing information used during valuation are carefully assessed and adjusted based on current market conditions.
 - vi. The Group takes into account adjustments for credit risks to measure the fair value of financial instruments to reflect credit risk of the counterparty and the Group's credit quality.
- D. For the September 30, 2023, December 31, 2022 and September 30, 2022, there was no transfer into or out from Level 3.
- E. The following chart is the financial instruments movement of Level 3 for the nine-month periods ended September 30, 2023 and 2022:

	For the nine-month period ended September 30, 2023	For the nine-month period ended September 30, 2022
	equity instrument	equity instrument
At January 1	\$ 238,524	\$ 229,087
Acquisitions	9,947	15,000
Recognized in other comprehensive income (loss)	107,026 (	16,535)
At September 30	\$ 355,497	\$ 227,552

F. For the nine month periods ended September 30, 2023 and 2022, there was no transfer into or out from Level 3.

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

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

	September 30, 2023	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Derivative equity instrument:					
Unlisted shares	\$ 289,625	Market comparable companies	Price to book ratio multiple ; Price - earnings ratio multiple	6.97~6.95 0.44~0.42	The higher the multiple, the higher the fair value
Unlisted shares	\$ 65,872	Net asset value	Not applicable	-	Not applicable
	December 31, 2022	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Derivative equity instrument:					
Unlisted shares	\$ 179,909	Market comparable companies	Price to book ratio multiple ; Price - earnings ratio multiple	6.53~6.51 1.53~1.51	The higher the multiple, the higher the fair value
Unlisted shares	\$ 58,615	Net asset value	Not applicable	-	Not applicable
	September 30, 2022	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Derivative equity instrument:					
Unlisted shares	\$ 186,433	Market comparable companies	Price to book ratio multiple ; Price - earnings ratio multiple	6.17~6.17 1.53~1.51	The higher the multiple, the higher the fair value
Unlisted shares	\$ 41,119	Net asset value	Not applicable	-	Not applicable

I. The Group has carefully assessed the valuation models and assumptions used to measure fair value; therefore, the fair value measurement is reasonable. However, use of different valuation models or assumptions may result in difference measurement. The following is the effect of profit or loss or of other comprehensive income from financial assets categorized within Level 3 if the inputs used to valuation models have changed:

		September 30, 2023				
			Recognized in profit or loss		Recognized in other comprehensive income	
			Favourable change	Unfavourable change	Favourable change	Unfavourable change
Financial assets	Input	Change				
Equity instrument	Price to book ratio multiple	±1%	\$ -	\$ -	\$ 2,896	(\$ 2,896)

		December 31, 2022				
			Recognized in profit or loss		Recognized in other comprehensive income	
			Favourable change	Unfavourable change	Favourable change	Unfavourable change
Financial assets	Input	Change				
Equity instrument	Price to book ratio multiple	±1%	\$ -	\$ -	\$ 1,799	(\$ 1,799)

		September 30, 2022				
			Recognized in profit or loss		Recognized in other comprehensive income	
			Favourable change	Unfavourable change	Favourable change	Unfavourable change
Financial assets	Input	Change				
Equity instrument	Price to book ratio multiple	±1%	\$ -	\$ -	\$ 1,864	(\$ 1,864)

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

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

J. Significant inter-company transactions during the reporting periods: Please refer to table 4.

(2) Information on investees

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

(3) Information on investments in Mainland China

A. Basic information: Please refer to table 6.

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

(4) Major shareholders information

Major shareholders information: Please refer to table 7.

14. SEGMENT INFORMATION

(1) General information

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

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

(2) Information about segment

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

Nine month ended September 30, 2023

	Gallant Precision Machining Co., Ltd	Gallant-Rapid Corporation Ltd.	Gallant Micro. Machining Co., Ltd.	APEX-I International Co., Ltd.	elimination	Amount
Revenue from external customers	\$ 1,258,281	\$ 56,020	\$ 721,529	\$ 26,203	\$ -	\$ 2,062,033
Inter-segment revenue	\$ 17,508	\$ 17,080	\$ 88,502	\$ -	(\$ 123,090)	\$ -
Segment income	\$ 123,437	(\$ 33,782)	\$ 51,622	\$ 16,913	(\$ 16,006)	\$ 142,184
Total segment assets	\$ 5,279,833	\$ 285,740	\$ 2,724,386	\$ 98,756	(\$ 951,669)	\$ 7,437,046

Nine month ended September 30, 2022

	Gallant Precision Machining Co., Ltd	Gallant-Rapid Corporation Ltd.	Gallant Micro. Machining Co., Ltd.	APEX-I International Co., Ltd.	elimination	Amount
Revenue from external customers	\$ 2,077,968	\$ 91,536	\$ 1,161,152	\$ 185,839	\$ -	\$ 3,516,495
Inter-segment revenue	\$ 33,077	\$ 137,548	\$ 191,233	\$ -	(\$ 361,858)	\$ -
Segment income	\$ 414,186	\$ 11,383	\$ 281,766	\$ 97,498	(\$ 201,318)	\$ 603,515
Total segment assets	\$ 5,663,711	\$ 439,006	\$ 2,635,172	\$ 176,254	(\$ 1,145,250)	\$ 7,768,893

(3) Reconciliation for segment income

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

A reconciliation of reportable segment income or loss to the income/(loss) before tax from continuing operations for the nine-month periods ended September 30, 2023 and 2022 is provided as follows:

	For the nine-month period ended September 30, 2023	For the nine-month period ended September 30, 2022
Reportable segments income/(loss)	\$ 158,190	\$ 804,833
Other	(16,006)	(201,318)
Income/(loss) before tax from continuing operations	<u>\$ 142,184</u>	<u>\$ 603,515</u>

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

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

	September 30, 2023	December 31, 2022	September 30, 2022
Assets of reportable segments	\$ 8,388,715	\$ 8,963,004	\$ 8,914,143
Elimination of intersegment assets	(951,669)	(1,066,643)	(1,145,250)
Total assets	<u>\$ 7,437,046</u>	<u>\$ 7,896,361</u>	<u>\$ 7,768,893</u>

Table 1

GALLANT PRECISION MACHINING CO., LTD. AND SUBSIDIARIES
FINANCINGS PROVIDED
FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 2023

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

No.	Financing Company	Counter-party	Financial Statement Account	Related Party	Maximum Balance for the Period	Ending Balance	Amount Actually Drawn	Interest Rate	Nature for Financing	Transaction Amounts	Reason for Financing	Allowance for Bad Debt	Collateral		Financing Limits for Each Borrowing Company (Note 1)	Financing Company's Total Financing Amount Limits (Note 1)	Footnote
													Item	Value			
1	Gallant Micro Machining Co., Ltd.	Utron Technologies Corp	Other receivables	Y	\$ 50,000	\$ 50,000	\$ -	2.00%	Short-term financing	-	Operating need	-	Promised note	\$ 50,000	\$ 112,724	\$ 225,448	
2	Utron Technologies Corp	U Pin Precision Co., Ltd.	Other receivables	N	1,350	-	-	-	Short-term financing	-	-	-	-	-	9,420	18,841	

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

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

Note2 : Utron Technologies Corp Financings provided:

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

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

Table 1

Table 2

GALLANT PRECISION MACHINING CO., LTD. AND SUBSIDIARIES
ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 2023

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

No.	Endorsement/ Guarantee Provider	Guaranteed Party		Limits on Endorsement/ Guarantee Amount Provided to Each Guaranteed Party	Maximum Balance for the Period Party	Ending Balance	Amount Actually Drawn	Amount of Endorsement/ Guarantee Collateralized by Properties	Ratio of Accumulated Endorsement/ Guarantee to Net Equity per Latest Financial Statements	Maximum Endorsement/ Guarantee Amount Allowable (Note1)	Guarantee Provided by Parent Company	Guarantee Provided by A Subsidiary	Guarantee Provided to Subsidiaries in Mainland China	Footnote
		Name	Nature of Relationship											
0	Gallant Precision Machining Co., Ltd.	APEX-I International Co., Ltd.	Subsidiary	\$ 525,766	\$ 72,270	\$ 72,270	\$ -	\$ -	2.75%	\$ 1,314,416	Y	N	N	
1	Gallant Micro. Machining Co., Ltd.	Utron Technologies Corp	Subsidiary	225,448	80,000	60,000	60,000	-	5.32%	563,621	Y	N	N	

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

- (1) Total endorsement/ guarantee amount limits shall not exceed 50% of the net worth of the Company. The total endorsement/ guarantee amount to a company shall not exceed 20% of the net worth of the Company.
- (2) Total endorsement/ guarantee amount limits shall not exceed 50% of the net worth of the Company and subsidiaries. The total endorsement/ guarantee amount to a company shall not exceed 30% of the net worth of the Company and subsidiaries.

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

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

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

Table 2

Table 3

GALLANT PRECISION MACHINING CO., LTD. AND SUBSIDIARIES
MARKETABLE SECURITIES HELD (NOT INCLUDING SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES)
SEPTEMBER 30, 2023

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

Held Company Name	Marketable Securities Type and Name	Relationship with the company	Financial Statement Account	September 30, 2023				Footnote
				Shares/Units	Carrying Value	Percentage of Ownership	Fair Value	
Gallant Precision Machining Co., Ltd	C SUN Mfg. Ltd.	Associates	Financial assets at fair value through other comprehensive income-non-current	19,957,082	\$ 893,079	12.73	\$ 893,079	
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	365,000	4.37	365,000	
Gallant Precision Machining Co., Ltd	Phoenix Silicon International Corporation	None	Financial assets at fair value through other comprehensive income-non-current	2,580,000	135,450	1.69	135,450	
Gallant Precision Machining Co., Ltd	Ohmplus Technologies Inc.	None	Financial assets at fair value through other comprehensive income-non-current	877,615	15,448	11.29	15,448	
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 Precision Machining Co., Ltd	Fubon Life Insurance Co., Ltd. Subordinated Ordinary Corporate Bonds	None	Financial assets at amortized cost – non-current	-	150,000	-	150,000	
Gallant-Rapid Corporation Ltd.	Phoenix & Corporation	None	Financial assets at fair value through other comprehensive income-non-current	6,694	117	0.59	117	
Gallant-Rapid Corporation Ltd.	Phoenix pioneer technology	None	Financial assets at fair value through other comprehensive income-non-current	1,079,183	17,807	0.36	17,807	
APEX-I International Co., Ltd.	Shinyu Light Co., Ltd.	None	Financial assets at fair value through other comprehensive income-non-current	286,891	-	1.98	-	
Gallant Micro. Machining Co., Ltd.	C SUN Mfg. Ltd.	The company has significant impact on the Group	Financial assets at fair value through other comprehensive income-non-current	1,237,723	55,388	0.79	55,388	
King Mechatronics Co., Ltd.	POWER EVER ENTFRPRISES LIMITED	None	Financial assets at fair value through other comprehensive income-non-current	624,726	289,625	10.15	289,625	
Gallant Micro. Machining Co., Ltd.	Fubon Life Insurance Co., Ltd. Subordinated Ordinary Corporate Bonds	None	Financial assets at amortized cost – non-current	-	50,000	-	50,000	

Table 3

Table 4

GALLANT PRECISION MACHINING CO., LTD. AND SUBSIDIARIES
INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 2023

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

No. (Note 1)	Company Name	Counter Party	Nature of Relationship (Note 2)	Intercompany Transactions			Percentage of Consolidated Net Revenue or Total Assets (Note 3)
				Financial Statements Item	Amount	Terms	
1	Gallant Micro. Machining Co., Ltd.	King Mechatronics Co., Ltd.	1	Sales	\$ 18,119	subject to the terms and conditions agreed upon by both parties	0.88%
1	Gallant Micro. Machining Co., Ltd.	King Mechatronics Co., Ltd.	1	Accounts receivable	50,300	subject to the terms and conditions agreed upon by both parties	0.68%
1	Gallant Micro. Machining Co., Ltd.	Gallant Micro. Machining (Suzhou) Co., Ltd.	1	Sales	36,380	subject to the terms and conditions agreed upon by both parties	1.76%
1	Gallant Micro. Machining Co., Ltd.	Gallant Micro. Machining (Suzhou) Co., Ltd.	1	Accounts receivable	29,573	subject to the terms and conditions agreed upon by both parties	0.40%
2	King Mechatronics Co., Ltd.	Gallant Micro. Machining (Suzhou) Co., Ltd.	3	Purchases	15,904	subject to the terms and conditions agreed upon by both parties	0.77%
2	King Mechatronics Co., Ltd.	Gallant Micro. Machining (Suzhou) Co., Ltd.	3	Accounts payable	16,376	subject to the terms and conditions agreed upon by both parties	0.22%

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

(1) Number 0 represents the Company.

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

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

(1) The Company to the consolidated subsidiaries.

(2) The consolidated subsidiaries to the Company.

(3) The consolidated subsidiaries to another consolidated subsidiaries.

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

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

Table 4

Table 5

GALLANT PRECISION MACHINING CO., LTD. AND SUBSIDIARIES
NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEEES OVER WHICH THE COMPANY EXERCISES
SIGNIFICANT INFLUENCE (EXCLUDING INFORMATION ON INVESTMENT IN MAINLAND CHINA)
FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 2023

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

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of September 30, 2023					Footnote
				September 30, 2023	December 31, 2022	Shares	Percentage of Ownership	Carrying Value	Net Income (Losses) of the Investee (Note1)	Share of Profits/Losses of Investee (Note1)	
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	\$ 219,392	(\$ 24,717)	(\$ 24,717)	
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	88,207	14,136	14,136	
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	641,374	46,488	26,587	
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	1,078,584	12,918	12,918	
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	2,792	68	68	
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	51,279	2,161	1,173	

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

Table 5

Table 6

GALLANT PRECISION MACHINING CO., LTD. AND SUBSIDIARIES
INFORMATION ON INVESTMENT IN MAINLAND CHINA
FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 2023

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

Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital	Method of Investment (Note1)	Accumulated Outflow of Investment from Taiwan as of January 1, 2023	Investment Flows		Accumulated Outflow of Investment from Taiwan as of September 30, 2023	Net Income (Losses) of the Investee Company	Percentage of Ownership	Share of Profits/Losses (Note2(2))	Carrying Amount as of September 30, 2023	Accumulated Inward Remittance of Earnings as of September 30, 2023	Footnote
					Outflow	Inflow							
Gallant Precision Industries (Suzhou) Co., Ltd.	Manufacturing of optoelectronic products equipment, mechanical equipment and related parts	\$ 203,946	Indirectly invest in Mainland China through GRC registered in third region.	\$ 169,127	\$ -	\$ -	\$ 169,127	(\$ 25,569)	100.00	(\$ 25,569)	\$ 179,283	\$ -	Note2- 2.C
Gallant Precision Intelligence Technology Co., Ltd.	Manufacturing of optoelectronic products equipment, mechanical equipment and related parts	44,150	Directly invest by GPI.	-	-	-	-	(19,359)	100.00	(14,795)	98,043	-	Note2- 2.C
Gallant Micro. Machining (Suzhou) Co., Ltd.	Manufacturing and selling of precision mold and related parts	146,829	Indirectly invest in Mainland China through KMC registered in third region.	259,550	-	-	259,550	16,837	100.00	16,837	814,571	-	Note2- 2.B
Kunshan Qihong Electronic Sales Co., Ltd.	Testing and manufacturing of circuit board testing equipment, wire and cable and semiconductor	4,415	Directly invest by GMM.	-	-	-	-	(782)	100.00	(782)	6,737	-	Note2- 2.C Note4
Suzhou Top Creation Machines Co.,Ltd.	PCB / FPC Wet Process Equipments	177,485	Indirectly invest in Mainland China through Power Ever registered in third region .	29,812	-	-	29,812	-	10.15	-	-	8,236	Note5
Nantong 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	322,700	Indirectly invest in Mainland China through Power Ever registered in third region .	-	-	-	-	-	10.15	-	-	-	Note6

Table 6-1

Investee Company	Accumulated Investment in Mainland China as of September 30, 2023	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
Gallant Precision Machining Co., Ltd.	\$ 456,961	\$ 630,703	\$ 1,893,886
Gallant Micro Machining Co., Ltd.	\$ 289,362	\$ 289,362	\$ 703,398

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 nine month period ended September, 2023:

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

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

Note4: The investment was invested by Gallant Micro. Machining (Suzhou) Co., Ltd. There was no cash outflow for the nine month period ended September 30, 2023.

Note5: The Company acquired 10% ownership of Suzhou Top Creation Machines Co.,Ltd. held by C.SUN Mfg. Ltd. through the British Virgin Islands business King Mechatronics Co. Ltd. (BVI) for US\$1,205 thousand.

Thus, the Company indirectly invested in Suzhou Top Creation Machines Co.,Ltd. in the mainland, and then executed the equity conversion according to the relevant terms of the original investment contract.

After the conversion, the Company directed hold Suzhou Top Creation Machines Co.,Ltd. which was shown as "financial assets measured at fair value through other comprehensive income".

Note6: The Company invested in Samoa POWER EVER ENTERPRISES LIMITED through King Mechatronics Co. Ltd. (BVI) of the British Virgin Islands.

Received dividends of US\$1,015 thousand from Suzhou Top Creation Machines Co., Ltd., was reinvested in Nantong Chuangfeng Optoelectronics Equipment Co., Ltd. The investment was shown as "financial assets measured at fair value through other comprehensive income".

Note7: The investment review committee of the Ministry of Economic Affairs verified the amount of investment in investment businesses in the mainland based on the exchange rate USD:NTD=1:32.27 on September 30, 2023

Table 6-2

Table 7

GALLANT PRECISION MACHINING CO., LTD. AND SUBSIDIARIES
INFORMATION OF MAJOR SHAREHLDER
FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 2023

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

Note1: The main shareholder information in this table is calculated by TDCC based on the shareholders hold more than 5% of the common shares and preferred shares of the company that have completed delivery without physical registration (including treasury shares) on the last business day at the end of each quarter. 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 due to the different basis for preparation and calculation.

Note2: For the above-mentioned information is the shareholder transfers the owned shares to the trust, it shall disclose separately based on special trust account opened by the trustor for the trustee. As for the declaration of insider shareholders who hold more than 10% of the shares in accordance with the Securities and Exchange Act, their shareholding includes the shares held by themselves and the shares they have delivered to the trust and have the right to use the trust property, etc. For information on insider shareholder declarations, please refer to Market Observation Post System.