# GALLANT PRECISION MACHINING CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED FINANCIAL STATEMENTS AND REPORT OF INDEPENDENT ACCOUNTANTS

## DECEMBER 31, 2021 AND 2020

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

## REPRESENTATION LETTER

The entities that are required to be included in the combined financial statements of Gallant Precision Machining Co., Ltd. as of and for the year ended December 31, 2021, under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with the International Financial Reporting Standards No. 10, "Consolidated Financial Statements." In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, Gallant Precision Machining Co., Ltd. and Subsidiaries do not prepare a separate set of combined financial statements.

Very truly yours,

GALLANT PRECISION MACHINING CO., LTD.

By

Chairman

March 16, 2022

REPORT OF INDEPENDENT ACCOUNTANTS

To Gallant Precision Machining Co., Ltd.

**Opinion**

We have audited the accompanying consolidated balance sheets of Gallant Precision Machining Co., Ltd. and its subsidiaries (the "Group") as at December 31, 2021 and 2020, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years ended December 31, 2021 and 2020, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the reports of the other independent auditors, as described in the Other matter section of our report, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for the years ended December 31, 2021 and 2020, in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.

**Basis for opinion**

We conducted our audits in accordance with the "Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants" and generally accepted auditing standards in the Republic of China. Our responsibilities under those standards are further described in the independent auditors' responsibilities for the audit of the separate financial statements section of our report. We are independent of Gallant Precision Machining Co., Ltd. in accordance with the Norm of Professional Ethics for Certified Public Accountant in the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. Based on our audits and the reports of the other independent auditors, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Key audit matters**

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

Key audit matters for the Group's consolidated financial statements in the current period are stated as follows:

**Evaluation of inventories**

Description

Gallant Precision Machining Co., Ltd. and its subsidiaries are primarily engaged in the manufacture and sale of flat panel display testing equipment, semiconductor assembly equipment, intelligent automated equipment, and related parts. Inventories are stated at the lower of cost and net realizable value and regarding the accounting policy on the evaluation of inventories are disclosed in Note 4(12) of the consolidated financial statements. The uncertainty of accounting estimations and assumptions for valuation of inventories are disclosed in Note 5(2) of the consolidated financial statements. The inventories and allowance for inventory valuation loss amounting to NT1,022,605 thousand and NT223,206 thousand as of December 31, 2021 are disclosed in Note 6(5) of the consolidated financial statements.

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

**How our audit addressed the matter**

Our audit procedures performed included the following:

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

4. Tested the reasonableness in accrual of the allowance for inventory valuation loss.

**Revenue recognition**

Description

Refer to Note 4(28) and Note 6(19) of the consolidated financial statements for accounting policies on revenue recognition and the description of significant accountings – operating revenue.

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

**How our audit addressed the matter**

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

**Other matter - Reference to the audits of other independent auditors**

We did not audit the financial statements of certain investments accounted for under the equity method. Those financial statements were audited by other independent auditors, whose reports thereon have been furnished to us, and our opinion expressed herein, insofar as it relates to the amounts included in the financial statements was based solely on the reports of the other independent auditors. The balance of investment accounted for under equity method was NT$0 thousand and NT$0 thousand, constituting 0% and 0% of consolidated total assets as of December 31, 2021 and 2020, respectively, and the share of profit (loss) of associates and joint ventures accounted for under equity method was NT$0 thousand

and NT($4,802) thousand, constituting 0% and (2.08%) of consolidated total comprehensive income for the years ended December 31, 2021 and 2020, respectively.

**Other matter - Parent company only financial statements**

We have audited and expressed an unqualified opinion on the parent company only financial statements of Gallant Precision Machining Co., Ltd. as of and for the years ended December 31, 2021 and 2020.

**Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance, including audit committee, are responsible for overseeing the Group’s financial reporting process.

**Independent Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements**

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

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2021 and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

PricewaterhouseCoopers, Taiwan
March 16, 2022

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

GALLANT PRECISION MACHINING CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31
(Expressed in thousands of New Taiwan dollars)

| | Assets | Notes | December 31, 2021 AMOUNT | % | December 31, 2020 AMOUNT | % |
|---|---|---|---|---|---|---|
| | **Current assets** | | | | | |
| 1100 | Cash and cash equivalents | 6(1) | $ 1,221,566 | 18 | $ 1,584,069 | 26 |
| 1136 | Financial assets at amortized cost - current | 6(3) and 8 | 659,218 | 10 | 702,752 | 12 |
| 1150 | Noteds receivable, net | 6(4) | 39,362 | - | 14,411 | - |
| 1170 | Accounts receivable, net | 6(4) | 1,844,643 | 27 | 1,554,642 | 26 |
| 1180 | Accounts receivable to related parties, net | 6(4) and 7 | 45,288 | 1 | 10,605 | - |
| 1200 | Other receivables | | 4,243 | - | 9,431 | - |
| 130X | Inventories, net | 6(5) | 799,399 | 12 | 831,742 | 14 |
| 1410 | Prepayments | | 64,923 | 1 | 77,328 | 1 |
| 1470 | Other current assets | | 8,028 | - | 12,301 | - |
| 11XX | **Current Assets** | | 4,686,670 | 69 | 4,797,281 | 79 |
| | **Non-current assets** | | | | | |
| 1517 | Financial assets at fair value through other comprehensive income - non - current | 6(2) | 935,284 | 14 | 167,966 | 3 |
| 1535 | Financial assets at amortized cost - non-current | 6(3) and 8 | 17,898 | - | 22,615 | - |
| 1600 | Property, plant and equipment, net | 6(7) and 8 | 746,793 | 11 | 720,976 | 12 |
| 1755 | Right-of-use assets | 6(8) | 257,077 | 4 | 258,063 | 4 |
| 1780 | Intangible assets, net | | 13,772 | - | 20,536 | - |
| 1840 | Deferred income tax assets | 6(26) | 130,888 | 2 | 95,922 | 2 |
| 1900 | Other non-current assets | | 8,029 | - | 12,711 | - |
| 15XX | **Non-current assets** | | 2,109,741 | 31 | 1,298,789 | 21 |
| 1XXX | **Total assets** | | $ 6,796,411 | 100 | $ 6,096,070 | 100 |

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GALLANT PRECISION MACHINING CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31
(Expressed in thousands of New Taiwan dollars)

| | | | December 31, 2021 | | December 31, 2020 | |
|---|---|---|---|---|---|---|
| | Liabilities and Equity | Notes | AMOUNT | % | AMOUNT | % |
| | **Current liabilities** | | | | | |
| 2100 | Short-term loans | 6(9) | $ 1,000,565 | 15 | $ 1,054,410 | 17 |
| 2130 | Contract liabilities-current | 6(19) | 222,518 | 3 | 267,883 | 5 |
| 2150 | Notes payable | | 8,683 | - | - | - |
| 2170 | Accounts payable | 6(10) | 1,239,331 | 18 | 1,066,830 | 18 |
| 2180 | Accounts payable - related parties | 7 | 12,039 | - | 34,274 | 1 |
| 2200 | Other payables | 6(11) | 401,251 | 6 | 281,619 | 5 |
| 2220 | Other payables - related parties | 7 | - | - | 470 | - |
| 2230 | Current income tax liabilities | | 37,634 | 1 | 17,824 | - |
| 2250 | Provisions for liabilities-current | | 101,578 | 1 | 126,136 | 2 |
| 2280 | Lease liabilities-current | | 21,622 | - | 19,472 | - |
| 2320 | Long-term loans-current portion | 6(12) and 8 | 38,193 | 1 | 18,693 | - |
| 2399 | Other current liabilities - other | | 9,757 | - | 15,151 | - |
| 21XX | **Current Liabilities** | | 3,093,171 | 45 | 2,902,762 | 48 |
| | **Non-current liabilities** | | | | | |
| 2540 | Long-term loans | 6(12) and 8 | 389,857 | 6 | 128,050 | 2 |
| 2570 | Deferred income tax liabilities | 6(26) | 119,161 | 2 | 98,856 | 1 |
| 2580 | Lease liabilities-non-current | | 241,474 | 3 | 242,838 | 4 |
| 2600 | Other non-current liabilities | | 44,429 | 1 | 51,605 | 1 |
| 25XX | **Non-current liabilities** | | 794,921 | 12 | 521,349 | 8 |
| 2XXX | **Total Liabilities** | | 3,888,092 | 57 | 3,424,111 | 56 |
| | **Equity attributable to owners of parent company** | | | | | |
| | **Share capital** | 6(15) | | | | |
| 3110 | Share capital-common stock | | 1,651,361 | 24 | 1,651,361 | 27 |
| | **Capital surplus** | 6(16) | | | | |
| 3200 | Capital surplus | | 226,704 | 3 | 187,088 | 3 |
| | **Retained earnings** | 6(17) | | | | |
| 3310 | Legal reserve | | 163,550 | 2 | 148,486 | 2 |
| 3320 | Special reserve | | 111,147 | 2 | 132,987 | 2 |
| 3350 | Unappropriated retained earnings | | 310,619 | 5 | 254,070 | 4 |
| | **Other equity interest** | 6(18) | | | | |
| 3400 | Other equity interest | | 60,035 | 1 | ( 48,346) | - |
| 3500 | Treasury share | 6(15) | ( 81,555) | ( 1) | ( 108,425) | ( 2 ) |
| 31XX | **Equity attributable to owners of the parent company** | | 2,441,861 | 36 | 2,217,221 | 36 |
| 36XX | **Non-controlling interest** | | 466,458 | 7 | 454,738 | 8 |
| 3XXX | **Total equity** | | 2,908,319 | 43 | 2,671,959 | 44 |
| | Contingent liabilities and unrecognised contract commitments | 9 | | | | |
| | Significant events after the balance sheet date | 11 | | | | |
| 3X2X | **Total liabilities and equity** | | $ 6,796,411 | 100 | 6,096,070 | 100 |

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

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

| | | | Years ended December 31 | | | |
|---|---|---|---|---|---|---|
| | | | 2021 | | 2020 | |
| | Items | Notes | AMOUNT | % | AMOUNT | % |
| 4000 | **Operating revenue** | 6(19) and 7 | $ 4,811,375 | 100 | $ 3,460,391 | 100 |
| 5000 | **Operating costs** | 6(5)(24)(25) and 7 | (3,662,847) | (76) | (2,639,968) | (76) |
| 5900 | **Net operating margin** | | 1,148,528 | 24 | 820,423 | 24 |
| | **Operating expenses** | 6(24)(25) | | | | |
| 6100 | Selling expenses | | (162,730) | (4) | (133,656) | (4) |
| 6200 | General and administrative expenses | | (346,811) | (7) | (275,168) | (8) |
| 6300 | Research and development expenses | | (314,213) | (7) | (298,701) | (9) |
| 6450 | Expected credit impairment loss (gain) | 12(2) | (7,799) | - | (35,289) | (1) |
| 6000 | **Total operating expenses** | | (831,553) | (18) | (742,814) | (22) |
| 6900 | **Operating profit** | | 316,975 | 6 | 77,609 | 2 |
| | **Non-operating income and expenses** | | | | | |
| 7100 | Interest income | 6(20) | 12,772 | - | 14,002 | 1 |
| 7010 | Other income | 6(21) | 101,679 | 2 | 207,219 | 6 |
| 7020 | Other gains and losses | 6(22) | (62,531) | (1) | (61,823) | (2) |
| 7050 | Finance costs | 6(23) | (18,459) | - | (26,443) | (1) |
| 7060 | Share of profit of associates and joint ventures accounted for under equity method | 6(6) | - | - | (4,802) | - |
| 7000 | **Total non-operating income and expenses** | | 33,461 | 1 | 128,153 | 4 |
| 7900 | **Profit before tax** | | 350,436 | 7 | 205,762 | 6 |
| 7950 | Income tax expense | 6(26) | (29,205) | - | (45,144) | (1) |
| 8200 | **Profit for the year** | | $ 321,231 | 7 | $ 160,618 | 5 |
| | **Other comprehensive income for the year** | | | | | |
| | **Items that will not be reclassified subsequently to profit or loss:** | | | | | |
| 8311 | Loss on remeasurements of defined benefit plan | 6(13) | $ 1,994 | - | $ 1,130 | - |
| 8316 | Unrealized gains (losses) on investments in equity instruments at fair value through other comprehensive income | 6(2)(18) | 108,478 | 2 | 64,504 | 2 |
| 8349 | Income tax related to components of other comprehensive income that will not be reclassified to profit or loss | 6(26) | (11,124) | - | (13,046) | - |
| 8310 | **Items that will not be reclassified subsequently to profit or loss:** | | 99,348 | 2 | 52,588 | 2 |
| | **Items that may be reclassified subsequently to profit or loss:** | | | | | |
| 8361 | Cumulative translation differences of foreign operations | 6(18) | (9,420) | - | 17,639 | - |
| 8360 | **Summary of Components of other comprehensive income that will be reclassified to profit or loss** | | (9,420) | - | 17,639 | - |
| 8300 | **Other comprehensive (loss) income for the year** | | $ 89,928 | 2 | $ 70,227 | 2 |
| 8500 | **Total comprehensive income for the year** | | $ 411,159 | 9 | $ 230,845 | 7 |
| | **Profit attributable to:** | | | | | |
| 8610 | Equity holders of the parent company | | $ 246,089 | 5 | $ 149,511 | 5 |
| 8620 | Non-controlling interest | | 75,142 | 2 | 11,107 | - |
| | **Profit for the year** | | $ 321,231 | 7 | $ 160,618 | 5 |
| | **Total comprehensive income attributable to:** | | | | | |
| 8710 | Equity holders of the parent company | | $ 317,740 | 7 | $ 198,700 | 6 |
| 8720 | Non-controlling interest | | 93,419 | 2 | 32,145 | 1 |
| | **Total comprehensive income for the year** | | $ 411,159 | 9 | $ 230,845 | 7 |
| | **Basic earnings per share** | 6(27) | | | | |
| 9750 | **Profit for the year** | | $ | 1.54 | $ | 0.92 |
| | **Diluted earnings per share** | 6(27) | | | | |
| 9850 | **Profit for the year** | | $ | 1.53 | $ | 0.92 |

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

GALLANT PRECISION MACHINING CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars)

| | | Equity attributable to owners of the parent | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Retained Earnings | | | Other Equity Interest | | | | | |
| | Notes | Share capital-common stock | Capital surplus | Legal reserve | Special reserve | Unappropriated retained earnings | Cumulative translation differences of foreign operations | Unrealized gain(loss) on financial assets at fair value through other comprehensive income | Treasury share | Total | Non-controlling interest | Total equity |
| For the year ended December 31, 2020 | | | | | | | | | | | | |
| Balance at January 1, 2020 | | $ 1,651,361 | $ 199,091 | $ 123,722 | $ 132,987 | $ 375,897 | ($ 99,700) | $ 3,295 | $ - | $ 2,386,653 | $ 433,783 | $ 2,820,436 |
| Profit for the year | | - | - | - | - | 149,511 | - | - | - | 149,511 | 11,107 | 160,618 |
| Other comprehensive income for the year | 6(18) | - | - | - | - | 1,130 | 19,126 | 28,933 | - | 49,189 | 21,038 | 70,227 |
| Total comprehensive income for the year | | - | - | - | - | 150,641 | 19,126 | 28,933 | - | 198,700 | 32,145 | 230,845 |
| Distribution of 2019 earnings: | 6(17) | | | | | | | | | | | |
| Legal reserve | | - | - | 24,764 | - | (24,764) | - | - | - | - | - | - |
| Cash dividends | | - | - | - | - | (247,704) | - | - | - | (247,704) | - | (247,704) |
| Recognition of changes in equities of associates | | - | (12,003) | - | - | - | - | - | - | (12,003) | - | (12,003) |
| Treasure stock acquired | 6(15) | - | - | - | - | - | - | - | (108,425) | (108,425) | - | (108,425) |
| Changes in non-controlling interest | | - | - | - | - | - | - | - | - | - | (11,190) | (11,190) |
| Balance at December 31, 2020 | | $ 1,651,361 | $ 187,088 | $ 148,486 | $ 132,987 | $ 254,070 | ($ 80,574) | $ 32,228 | ($ 108,425) | $ 2,217,221 | $ 454,738 | $ 2,671,959 |
| For the year ended December 31, 2021 | | | | | | | | | | | | |
| Balance at January 1, 2021 | | $ 1,651,361 | $ 187,088 | $ 148,486 | $ 132,987 | $ 254,070 | ($ 80,574) | $ 32,228 | ($ 108,425) | $ 2,217,221 | $ 454,738 | $ 2,671,959 |
| Profit for the year | | - | - | - | - | 246,089 | - | - | - | 246,089 | 75,142 | 321,231 |
| Other comprehensive income for the year | 6(18) | - | - | - | - | 1,994 | (7,569) | 77,226 | - | 71,651 | 18,277 | 89,928 |
| Total comprehensive income for the year | | - | - | - | - | 248,083 | (7,569) | 77,226 | - | 317,740 | 93,419 | 411,159 |
| Distribution of 2020 earnings: | 6(17) | | | | | | | | | | | |
| Legal reserve | | - | - | 15,064 | - | (15,064) | - | - | - | - | - | - |
| Cash dividends | | - | - | - | - | (159,136) | - | - | - | (159,136) | - | (159,136) |
| Reversal of special reserve | | - | - | - | (21,840) | 21,840 | - | - | - | - | - | - |
| Difference between consideration and carrying amount of subsidiaries acquired or disposed | | - | - | - | - | - | 38,724 | - | - | 38,724 | - | 38,724 |
| Recognition of changes in ownership interest in subsidiaries | 6(28) | - | 16,969 | - | - | (39,174) | - | - | - | (22,205) | - | (22,205) |
| Changes in non-controlling interest | 6(28) | - | - | - | - | - | - | - | - | - | (81,699) | (81,699) |
| Treasury stock transferred | 6(15) | - | 22,647 | - | - | - | - | - | 26,870 | 49,517 | - | 49,517 |
| Balance at December 31, 2021 | | $ 1,651,361 | $ 226,704 | $ 163,550 | $ 111,147 | $ 310,619 | ($ 49,419) | $ 109,454 | ($ 81,555) | $ 2,441,861 | $ 466,458 | $ 2,908,319 |

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

GALLANT PRECISION MACHINING CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars)

| | Notes | 2021 | 2020 |
|---|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Consolidated profit before tax for the year | | $ 350,436 | $ 205,762 |
| Adjustments | | | |
| Income and expenses having no effect on cash flow | | | |
| Depreciation | 6(24) | 57,380 | 53,330 |
| Amortization | 6(24) | 9,778 | 14,791 |
| Expected credit impairment loss (gain) | 12(2) | 7,799 | 35,289 |
| Gain on financial assets at fair value through profit or loss, net | 6(22) | - | ( 60 ) |
| Interest expense | 6(23) | 18,459 | 26,443 |
| Interest income | 6(20) | ( 12,772 ) | ( 14,002 ) |
| Dividend income | 6(21) | ( 21,266 ) | ( 1,880 ) |
| Share of profit of associates and joint ventures accounted for using equity method | 6(6) | - | 4,802 |
| (Gain)/loss on disposal of property, plant and equipment, net | 6(22) | 101 | 1,312 |
| Loss (gain) on disposal of investments accounted for using equity method | 6(22) | 33,482 | ( 20,221 ) |
| Gain on lease modification | 6(22) | ( 110 ) | ( 322 ) |
| Gain recognized in bargain purchase transaction | 6(21) | - | ( 30,893 ) |
| Compensation cost from treasury stock transferred to employees | 6(14) | 33,039 | - |
| Changes in assets/liabilities relating to operating activities | | | |
| Net changes in assets relating to operating activities | | | |
| Financial assets at fair value through profit or loss - current | | - | 120,413 |
| Notes receivable | | ( 25,035 ) | 37,286 |
| Accounts receivable | | ( 299,047 ) | 808,197 |
| Accounts receivable - related parties | | ( 35,445 ) | ( 10,605 ) |
| Other receivables | | 6,174 | ( 4,065 ) |
| Other receivables - related parties | | - | 178 |
| Inventories | | 33,571 | 138,712 |
| Prepayments | | 12,235 | ( 24,010 ) |
| Other current assets | | 4,254 | ( 767 ) |
| Other non-current assets | | ( 919 ) | 132 |
| Net changes in liabilities relating to operating activities | | | |
| Contract liabilities | | ( 45,315 ) | 121,581 |
| Notes payable | | 8,683 | - |
| Accounts payable | | 167,188 | 84,344 |
| Accounts payable - related parties | | ( 21,923 ) | 6,067 |
| Other payables | | 107,477 | ( 51,091 ) |
| Other payables - related parties | | ( 470 ) | 470 |
| Provisions for liabilities | | ( 24,501 ) | ( 18,121 ) |
| Unearned receipts | | ( 3,596 ) | 4,927 |
| Other current liabilities | | ( 1,772 ) | 3,566 |
| Net defined benefit liabilities | | ( 5,075 ) | ( 21,688 ) |
| Cash generated from operations | | 352,810 | 1,469,877 |
| Interest received | | 12,228 | 27,227 |
| Dividends received | | 21,084 | 1,675 |
| Interest paid | | ( 18,534 ) | ( 28,966 ) |
| Income tax paid | | ( 34,589 ) | ( 56,157 ) |
| Net cash provided by (used in) operating activities | | 332,999 | 1,413,656 |

(Continued)

GALLANT PRECISION MACHINING CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars)

| | Notes | 2021 | 2020 |
|---|---|---|---|
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Acquisition of financial assets at fair value through other comprehensive income | 6(2) | ($ 658,840 ) | $ - |
| Acquisition of financial assets at amortized cost | | ( 732,047 ) | - |
| Proceeds from disposal of financial assets at amortized cost | | 776,095 | 131,897 |
| Acquisition of subsidiaries (after deduction of cash received) | 6(29) | - | ( 5,262 ) |
| Proceeds from disposal of investments accounted for under equity method | 6(6) | - | 42,879 |
| Acquisition of property, plant and equipment | 6(30) | ( 51,710 ) | ( 48,704 ) |
| Proceeds from disposal of property, plant and equipment | | 29 | - |
| Acquisition of intangible assets | | ( 3,064 ) | ( 9,861 ) |
| Refundable deposits paid | | - | ( 6,511 ) |
| Refundable deposits refunded | | 5,560 | - |
| Net cash provided by (used in) investing activities | | ( 663,977 ) | 104,438 |
| CASH FLOWS FROM FINANCING ACTIVITY | | | |
| Proceeds from short-term loan | 6(31) | 2,614,787 | 2,533,946 |
| Repayment of short-term loan | 6(31) | ( 2,668,632 ) | ( 2,666,523 ) |
| Proceeds from long-term loan | 6(31) | 300,000 | 68,000 |
| Repayment of long-term loan | 6(31) | ( 18,693 ) | ( 394,696 ) |
| Repayment of the principal portion of lease liabilities | 6(31) | ( 20,206 ) | ( 19,516 ) |
| Guarantee deposits paid | | 83 | 1,195 |
| Treasure stock acquired | 6(15) | - | ( 108,425 ) |
| Treasure stock acquired - subsidiaries | 6(28) | ( 151,112 ) | - |
| Treasury stock transferred to employees | 6(15) | 94,001 | - |
| Cash dividends paid | 6(17) | ( 189,450 ) | ( 284,019 ) |
| Decrease in non-controlling interests | | - | ( 605 ) |
| Net cash provided by (used in) financing activities | | ( 39,222 ) | ( 870,643 ) |
| Effect of fluctuations in exchange rate | | 7,697 | 6,906 |
| Net increase (decrease) in cash and cash equivalents | | ( 362,503 ) | 654,357 |
| Cash and cash equivalents at beginning of year | 6(1) | 1,584,069 | 929,712 |
| Cash and cash equivalents at end of year | 6(1) | $ 1,221,566 | $ 1,584,069 |

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

GALLANT PRECISION MACHINING CO., LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

## 1. HISTORY AND ORGANIZATION

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

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

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

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

These consolidated financial statements were authorized for issuance by the Board of Directors on March 16, 2022.

## 3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

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

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

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

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

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

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

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

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

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

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

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

| New Standards, Interpretations and Amendments | Effective Date by International Accounting Standards Board |
|---|---|
| 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 1 "Classification of Liabilities as Current or Non-current" | January 1, 2023 |

| | |
|---|---|
| Amendments to IAS 1 “Disclosure of Accounting Policies” | January 1, 2023 |
| Amendments to IAS 8 “Definition of Accounting Estimates” | January 1, 2023 |
| Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction” | January 1, 2023 |

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

The consolidated financial statements of the Group have been prepared in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the “IFRSs”）.

(2) Basis of preparation

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

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

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

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

(3) Basis of consolidation

A. Basis for preparation of consolidated financial statements:

(a) All subsidiaries are included in the Group’s consolidated financial statements. Subsidiaries are all entities (including structured entities) controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries.

(b) Inter-company transactions, balances and unrealized gains or losses on transactions between companies within the Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.

(c) Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

(d) Changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are accounted for as equity transactions, i.e. transactions with owners in their capacity as owners. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity.

(e) When the Group loses control of a subsidiary, the Group remeasures any investment retained in the former subsidiary at its fair value. That fair value is regarded as the fair value on initial recognition of a financial asset or the cost on initial recognition of the associate or joint venture. Any difference between fair value and carrying amount is recognized in profit or loss. All amounts previously recognized in other comprehensive income in relation to the subsidiary are reclassified to profit or loss, on the same basis as would be required if the related assets or liabilities were disposed of. That is, when the Group loses control of a subsidiary, all gains or losses previously recognized in other comprehensive income in relation to the subsidiary should be reclassified from equity to profit or loss, if such gains or losses would be reclassified to profit or loss when the related assets or liabilities are disposed of.

B. Subsidiaries included in the consolidated financial statements:

| Name of Investor | Name of subsidiary | Main Business Activities | Percentage of Ownership December 31, 2021 | Percentage of Ownership December 31, 2020 | Note |
|---|---|---|---|---|---|
| Gallant Precision Machining Co., Ltd. | Gallant Micro. Machining Co., Ltd. | Manufacturing and selling of semiconductor related equipment and parts | 59.58 | 57.19 | |
| Gallant Precision Machining Co., Ltd. | Gallant-Rapid Corporation Ltd. | Investing in Gallant Precision Industries (Suzhou) Co., Ltd. | 100 | 100 | |
| Gallant Precision Machining Co., Ltd. | Gallant Precision Machinery (BVI) Ltd. | Investing in Gallant Precision Machinery (Xiamen) Co., Ltd. | - | 100 | Note 6 |
| Gallant Precision Machining Co., Ltd. | APEX-I International Co., Ltd. | Marketing and selling of process equipment of LCD and related parts. | 100 | 100 | |
| Gallant Precision Machining Co., Ltd. | Chun-Zhun Enterprise Corporation Ltd. | Investing in Gallant Technology (Shenzhen) Co., Ltd. | - | - | Note 1 |
| Gallant Micro. Machining Co., Ltd. | King Mechatronics Co., Ltd. | Investing in Gallant Micro. Machining (Suzhou) Co., Ltd. | 100 | 100 | |
| Gallant Micro. Machining Co., Ltd. | Gallant Micro Machining (Malaysia) Sdn. Bhd. | Engaged in the import and export and trading business of semiconductor substrate machines and related parts | 100 | 100 | |
| Gallant Micro. Machining Co., Ltd. | Utron Technologies Corp | Testing of wire and tools and testing equipment of PBC and related systems | 76.02 | 76.02 | Note 2 |
| Gallant-Rapid Corporation Ltd. | Gallant Precision Industries (Suzhou) Co., Ltd. | Manufacturing of optoelectronic products equipment, mechanical equipment and related parts | 100 | 100 | |
| King Mechatronics Co., Ltd. | Gallant Micro. Machining (Suzhou) Co., Ltd. | Manufacturing and selling of precision mold and related parts | 100 | 100 | |
| Gallant Precision Machinery (BVI) Ltd. | Gallant Precision Machinery (Xiamen) Co., Ltd. | Manufacturing of optoelectronic products equipment, mechanical equipment and related parts | - | 100 | Note 6 |
| Chun-Zhun Enterprise Corporation Ltd. | Gallant Technology (Shenzhen) Co., Ltd. | Manufacturing of medical and mechanical related equipment | - | - | Note 1 |
| Gallant Precision Industries (Suzhou) Co., Ltd. | Gallant International Trading Co., Ltd. | Engaged in selling of mechanical equipment | - | 100 | Note 5 |
| Gallant Precision Industries (Suzhou) Co., Ltd. | Gallant Precision Intelligence Technology Co.,Ltd. | Manufacturing of optoelectronic products equipment, mechanical equipment and related parts | 60 | 60 | |
| Gallant International Trading Co., Ltd. | Suzhou Jianmeifu Optical Co., Ltd. | Engaged in wholesale and retail of contact lenses and related care products | - | - | Note 4 |
| 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 | - | Note 7 |
| Utron Technologies Corp | U Pin Precision Co., Ltd. | Planning, development, design and manufacturing of electrical logging fixture | - | - | Note 2<br>Note 3 |

Note1: The subsidiary has been completed the dissolution and liquidation procedures in June 30, 2020. The Group recognized loss on disposal of investment amounted to $1,632.

Note2: The Group acquired share of Utron Technologies Corp in January 2020. As the Group has substantial control over the company, the investment has been included in the consolidated financial statement.

Note3: The Group disposed of all the shares of U PIN PRECISION CO., LTD. in May 2020, the investment has not been included in the consolidated financial statement.

Note4: The subsidiary has been completed the dissolution and liquidation procedures in October 2020.

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

Note6: The subsidiary has been completed the dissolution and liquidation procedures in May 2021.

Note7: The Group acquired all of share of Kunshan Qihong Electronic Sales Co., Ltd. in May 2021. Consolidation of subsidiaries begins from the date the Group obtains control of the subsidiaries.

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

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

E. Significant restrictions: None.

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

As of December 31, 2021 and 2020, the non-controlling interest amounted to $466,458 and $454,738, respectively. The information of non-controlling interest and respective subsidiaries is as follows:

| | | Non-controlling interest | | | |
|---|---|---|---|---|---|
| | | December 31, 2021 | | December 31, 2020 | |
| Name of subsidiary | Principal place of business | Amount | Ownership (%) | Amount | Ownership(%) |
| Gallant Micro. Machining Co., Ltd. | Taiwan | $400,440 | 40.42 | $401,998 | 42.81 |

Summarised financial information of the subsidiaries:

<u>Balance sheets</u>

| | Gallant Micro. Machining Co., Ltd. and its subsidiary | |
|---|---|---|
| | December 31, 2021 | December 31, 2020 |
| Current assets | $ 1,778,250 | $ 1,364,254 |
| Non-current assets | 696,990 | 587,931 |
| Current liabilities | ( 1,201,807) | ( 732,326) |
| Non-current liabilities | ( 267,466) | ( 264,964) |
| Total net assets | $ 1,005,967 | $ 954,895 |

Statements of comprehensive income

| | Gallant Micro. Machining Co., Ltd. and its subsidiary | |
|---|---|---|
| | Year ended December 31, 2021 | Year ended December 31, 2020 |
| Revenue | $ 1,482,315 | $ 877,331 |
| Profit before income tax | $ 200,128 | $ 58,453 |
| Income tax expense | ( 43,224) | ( 23,185) |
| Profit for the year from continuing operations | 156,904 | 35,268 |
| Profit for the year | 156,904 | 35,268 |
| Other comprehensive income, net of tax | 46,586 | 63,405 |
| Total comprehensive income for the year | $ 203,490 | $ 98,673 |
| Comprehensive income attributable to non-controlling interest | $ 80,140 | $ 46,204 |
| Dividends paid to non-contronlling interest | $ 30,314 | $ 36,314 |

Statements of cash flows

| | Gallant Micro. Machining Co., Ltd. and its subsidiary | |
|---|---|---|
| | Year ended December 31, 2021 | Year ended December 31, 2020 |
| Net cash provided by (used in) operating activities | $ 71,162 | $ 91,010 |
| Net cash provided by (used in) investing activities | 30,970 | ( 228,400) |
| Net cash provided by (used in) financing activities | 55,590 | ( 42,414) |
| Effect of exchange rates on cash and cash equivalents | 1,523 | 1,263 |
| Increase (decrease) in cash and cash equivalents | 159,245 | ( 178,541) |
| Cash and cash equivalents, beginning of year | 356,779 | 535,320 |
| Cash and cash equivalents, end of year | $ 516,024 | $ 356,779 |

(4) Foreign currency translation

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

A. Foreign currency transactions and balances

(a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognized in profit or loss in the period in which they arise.

(b) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognized in profit or loss.

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

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

B. Translation of foreign operations

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

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

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

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

(5) Classification of current and non-current items

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

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

(b) Assets held mainly for trading purposes;

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

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

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

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

(b) Liabilities arising mainly from trading activities;

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

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

(6) <u>Financial assets at fair value through profit or loss</u>

A. Financial assets at fair value through profit or loss are financial assets that are not measured at amortised cost or fair value through other comprehensive income. Financial assets at amortised cost or fair value through other comprehensive income are designated as at fair value through profit or loss at initial recognition when they eliminate or significantly reduce a measurement or recognition inconsistency.

B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognized and derecognized using trade date accounting.

C. The Group's related transaction costs are expensed in profit or loss. These financial assets are subsequently remeasured and stated at fair value, and any changes in the fair value of these financial assets are recognized in profit or loss.

(7) <u>Financial assets at fair value through other comprehensive income</u>

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

(a) The objective of the Group's business model is achieved both by collecting contractual cash flows and selling financial assets; and

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

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

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

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

(8) <u>Financial assets at amortised cost</u>

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

(a) The objective of the Group's business model is achieved by collecting contractual cash flows.
(b) The assets' contractual cash flows represent solely payments of principal and interest.

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

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

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

(9) <u>Accounts and notes receivable</u>

A. Accounts and notes receivable entitle the Group a legal right to receive consideration in exchange for transferred goods or rendered services.

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

(10) <u>Impairment of financial assets</u>

For debt instruments measured at fair value through other comprehensive income and financial assets at amortised cost, at each reporting date, the Group recognises the impairment provision for 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition or recognises the impairment provision for the lifetime expected credit losses

(ECLs) if such credit risk has increased since initial recognition after taking into consideration all reasonable and verifiable information that includes forecasts. On the other hand, for accounts receivable or contract assets that do not contain a significant financing component, the Group recognises the impairment provision for lifetime ECLs.

(11) Derecognition of financial assets

The Group derecognises a financial asset when the contractual rights to receive the cash flows from the financial asset expire.

(12) Inventories

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

(13) Investments accounted for using equity method / associates

A. Associates are all entities over which the Group has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20 per cent or more of the voting power of the investee. Investments in associates are accounted for using the equity method and are initially recognized at cost.

B. The Group’s share of its associates’ post-acquisition profits or losses is recognized in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income. When the Group’s share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

C. When changes in an associate’s equity that are not recognized in profit or loss or other comprehensive income of the associate and such changes not affecting the Group’s ownership percentage of the associate, the Group recognizes the Group’s share of change in equity of the associate in ‘capital surplus’ in proportion to its ownership.

D. Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group’s interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted by the Group.

E. In the case that an associate issues new shares and the Group does not subscribe or acquire new shares proportionately, which results in a change in the Group's ownership percentage of the associate but maintains significant influence on the associate, then 'capital surplus' and 'investments accounted for under the equity method' shall be adjusted for the increase or decrease of its share of equity interest. If the above condition causes a decrease in the Group's ownership percentage of the associate, in addition to the above adjustment, the amounts previously recognized in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately on the same basis as would be required if the relevant assets or liabilities were disposed of.

F. Upon loss of significant influence over an associate, the Group remeasures any investment retained in the former associate at its fair value. Any difference between fair value and carrying amount is recognized in profit or loss.

G. When the Group disposes its investment in an associate, if it loses significant influence over this associate, the amounts previously recognized in other comprehensive income in relation to the associate, are reclassified to profit or loss, on the same basis as would be required if the relevant assets or liabilities were disposed of. If it still retains significant influence over this associate, then the amounts previously recognized in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately in accordance with the aforementioned approach.

H. When the Group disposes its investment in an associate, if it loses significant influence over this associate, the amounts previously recognized as capital surplus in relation to the associate are transferred to profit or loss. If it still retains significant influence over this associate, then the amounts previously recognized as capital surplus in relation to the associate are transferred to profit or loss proportionately.

(14) <u>Property, plant and equipment</u>

A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalized.

B. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

C. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives.

Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.

D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

| | |
|---|---|
| Buildings and structures | 10 ~ 50 years |
| Machinery and equipment | 3 ~ 20 years |
| Furniture and fixtures | 1 ~ 10 years |
| Other equipment | 2 ~ 15 years |

(15) Leased assets/ leases (lessee)

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

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

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

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

Fixed payments, less any lease incentives receivable;

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

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

a. The amount of the initial measurement of lease liability;

b. Any initial direct costs incurred by the lessee;

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

(17) Intangible assets

A. Computer software

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

B. Other intangible assets

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

(18) Impairment of non-financial assets

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

(19) Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in profit or loss over the period of the borrowings using the effective interest method.

(20) Notes and accounts payable

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

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

(21) Derecognition of financial liabilities

A financial liability is derecognised when the obligation specified in the contract is either discharged or cancelled or expires.

(22) Provisions

Provisions (including warranties, after-sales service ) are recognized when the Group has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be reliably estimated. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation on the balance sheet date, which is discounted using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the obligation. When discounting is used, the increase in the provision due to passage of time is recognized as interest expense. Provisions are not recognized for future operating losses.

(23) Employee benefits

A. Short-term employee benefits

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

B. Pensions

(a) Defined contribution plans

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

(b) Defined benefit plans

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

ii . Remeasurements arising on defined benefit plans are recognized in other comprehensive income in the period in which they arise and are recorded as retained earnings.

iii. Past service costs are recognized immediately in profit or loss.

C. Termination benefits

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

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

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

(24) Employee share-based payment

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

(25) Income tax

A. The tax expense for the period comprises current and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or items recognized directly in equity, in which cases the tax is recognized in other comprehensive income or equity.

B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional 10% tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.

C. Deferred tax is recognized, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet. However, the deferred tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realized or the deferred tax liability is settled.

D. Deferred tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. At each balance sheet date, unrecognized and recognized deferred tax assets are reassessed.

E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. Deferred tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realize the asset and settle the liability simultaneously.

F. A deferred tax asset shall be recognised for the carryforward of unused tax credits resulting from acquisitions of equipment or technology, research and development expenditures and equity investments to the extent that it is possible that future taxable profit will be available against which the unused tax credits can be utilised.

(26) Share capital

A. Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or stock options are shown in equity as a deduction, net of tax, from the proceeds.

B. Where the Company repurchases the Company's equity share capital that has been issued, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders. Where such shares are subsequently reissued, the difference between their book value and any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

(27) Dividends

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

(28) Revenue recognition

A. Sales of goods

(a) The Group provides manufacturing and sales of Flat display manufacturing inspection equipment, Semiconductor packaging equipment, Intelligent automation equipment and parts products. Sales are recognised when control of the products has transferred, being when the products are delivered to the customer, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, or the Group has objective evidence that all criteria for acceptance have been satisfied.

(b) Sales are recognised based on the price specified in the contract.

(c) A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due. As the time interval between the transfer of committed goods or service and the payment of customer does not exceed one year, the Group does not adjust the transaction price to reflect the time value of money.

B. Sales of services

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

(29) Government grants

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

(30) Business combinations

A. The Group uses the acquisition method to account for business combinations. The consideration transferred for an acquisition is measured as the fair value of the assets transferred, liabilities incurred or assumed and equity instruments issued at the acquisition date, plus the fair value of any assets and liabilities resulting from a contingent consideration arrangement. All acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. For each business combination, the Group measures at the acquisition date components of non-controlling interests in the acquiree that are present ownership interests and entitle their holders to the proportionate share of the entity's net assets in the event of liquidation at either fair value or the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other non-controlling interests should be measured at the acquisition-date fair value.

B. The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of any previous equity interest in the acquiree over the fair value of the identifiable assets acquired and the liabilities assumed is recorded as goodwill at the acquisition date. If the total of consideration transferred, non-controlling interest in the acquiree recognised and the fair value of previously held equity interest in the acquiree is less than the fair value of the identifiable assets acquired and the liabilities assumed, the difference is recognised directly in profit or loss on the acquisition date.

(31) Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The Group's chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the chairmen of Board that makes strategic decisions.

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

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

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

None.

(2) Critical accounting estimates and assumptions

Evaluation of inventories

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

As of December 31, 2021, the carrying amount of inventories was $799,399.

## 6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

| | December 31, 2021 | December 31, 2020 |
|---|---|---|
| Cash on hand and revolving funds | $ 289 | $ 302 |
| Checking accounts | 27 | 26 |
| Demand deposits | 1,221,250 | 1,583,741 |
| Total | $ 1,221,566 | $ 1,584,069 |

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

B. As of December 31, 2021 and 2020, cash and cash equivalents pledged to Customs and others as collateral were classified as financial assets at amortised cost-non-current. Please refer to note 8.

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

| Items | December 31, 2021 | December 31, 2020 |
|---|---|---|
| Non-current items: | | |
| Listed stocks | $ 653,340 | $ - |
| Non-Listed and non-otc stocks | 79,407 | 73,907 |
| Valuation adjustment | 202,537 | 94,059 |
| Total | $ 935,284 | $ 167,966 |

A. The Group has elected to classify investments that are considered to be strategic investments as financial assets at fair value through other comprehensive income. As at December 31, 2021 and

2020, the fair value of such investments amounted to $935,284 and $167,966, respectively.

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

| | Year ended December 31, 2021 | Year ended December 31, 2020 |
|---|---|---|
| Equity instruments at fair value through other comprehensive income: | | |
| Fair value change recognised in other comprehensive income | $ 108,478 | $ 64,504 |
| Dividend income recognized in profit or loss held at end of period | $ 21,266 | $ 1,880 |

(3) Financial assets at amortized cost

| Items | December 31, 2021 | December 31, 2020 |
|---|---|---|
| Current items: | | |
| Time deposits | $ 659,218 | $ 702,752 |
| Non-current items: | | |
| Time deposits | 17,898 | 22,615 |
| Total | $ 677,116 | $ 725,367 |

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

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

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

(4) Notes and accounts receivable

| | December 31, 2021 | December 31, 2020 |
|---|---|---|
| Notes receivable | $ 39,362 | $ 14,411 |
| Accounts receivable | $ 2,051,835 | $ 1,754,150 |
| Accounts receivable - related parties | 45,288 | 10,605 |
| Less: allowance for bad debts | ( 207,192) | ( 199,508) |
| | $ 1,889,931 | $ 1,565,247 |

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

| | December 31, 2021 | | December 31, 2020 | |
|---|---|---|---|---|
| | Accounts receivable | Notes receivable | Accounts receivable | Notes receivable |
| Not past due | $ 1,676,605 | $ 39,362 | $ 1,456,763 | $ 14,411 |
| Up to 90 days | 164,424 | - | 74,216 | - |
| 91 to 120 days | 41,906 | - | 18,705 | - |
| Over 120 days | 214,188 | - | 215,071 | - |
| | $ 2,097,123 | $ 39,362 | $ 1,764,755 | $ 14,411 |

The above ageing analysis was based on past due date.

B. For the years ended December 31, 2021 and 2020, and January 1, 2020, the balances of receivables from contracts with customers amounted to $2,136,485, $1,779,166 and $2,551,606, respectively.

C. As at December 31, 2021 and 2020, 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 $39,362 and $14,411, $1,889,931 and $1,565,247, respectively.

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

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

(5) Inventories

| | December 31, 2021 | | |
|---|---|---|---|
| | Cost | Allowance for valuation loss | Book value |
| Raw materials | $ 174,788 | ($ 28,302) | $ 146,486 |
| Work in progress | 652,987 | ( 107,443) | 545,544 |
| Finished goods | 184,255 | ( 87,461) | 96,794 |
| Inventory in transit | 10,575 | - | 10,575 |
| Total | $ 1,022,605 | ($ 223,206) | $ 799,399 |

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

The cost of inventories recognized as expense for the year:

| | Year ended December 31, 2021 | Year ended December 31, 2020 |
|---|---|---|
| Cost of goods sold | $ 3,615,861 | $ 2,610,936 |
| (Gain on reversal of decline) loss on decline in market value | 46,986 | 27,952 |
| Loss on disposal inventory | - | 1,080 |
| | $ 3,662,847 | $ 2,639,968 |

(6) Investments accounted for using equity method

| | December 31, 2021 | December 31, 2020 |
|---|---|---|
| Associates | | |
| Gallant Biotech (Suzhou) Co., Ltd. | $ - | $ - |
| Sunengine Co., Ltd. | - | - |
| Total | $ - | $ - |

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

B. The Group sold all of the shares of Sunengine Co., Ltd. in August 2020, with a sale price of $21,505 and recognized loss on disposal of investment amounting to $1,497.

C. Associates

The carrying amount of the Group's interests in all individually immaterial associates and the Group's share of the operating results:

As at December 31, 2020 , the carrying amount of the Group's individually immaterial associates amounted to $0.

| | Year ended December 31, 2020 |
|---|---|
| Profit for the period from continuing operations | $ 16,052 |
| Total comprehensive income | $ 16,052 |

## (7) Property, plant and equipment

| | Land | Buildings | Machinery and equipment | Office equipment | Leased assets | Others | Total |
|---|---|---|---|---|---|---|---|
| At January 1, 2021 | | | | | | | |
| Cost | $ 134,686 | $ 604,467 | $ 112,531 | $ 32,802 | $ 65,682 | $ 71,388 | $ 1,021,556 |
| Accumulated depreciation and impairment | - | ( 156,763) | ( 85,880) | ( 19,061) | ( 17,644) | ( 21,232) | ( 300,580) |
| | $ 134,686 | $ 447,704 | $ 26,651 | $ 13,741 | $ 48,038 | $ 50,156 | $ 720,976 |
| 2021 | | | | | | | |
| Opening net book amount as at January 1 | $ 134,686 | $ 447,704 | $ 26,651 | $ 13,741 | $ 48,038 | $ 50,156 | $ 720,976 |
| Additions | - | - | 54,507 | 5,333 | - | 3,310 | 63,150 |
| Additions - acquired through business combinations | - | - | - | 28 | - | 43 | 71 |
| Disposals | - | - | ( 30) | ( 86) | - | ( 14) | ( 130) |
| Reclassifications | - | - | - | 539 | 5,080 | ( 7,121) | ( 1,502) |
| Depreciation charge | - | ( 12,202) | ( 7,565) | ( 6,005) | ( 2,304) | ( 7,216) | ( 35,292) |
| Net exchange differences | - | ( 78) | ( 101) | ( 34) | - | ( 267) | ( 480) |
| Closing net book amount as at December 31 | $ 134,686 | $ 435,424 | $ 73,462 | $ 13,516 | $ 50,814 | $ 38,891 | $ 746,793 |
| At December, 31, 2021 | | | | | | | |
| Cost | $ 134,686 | $ 604,358 | $ 164,309 | $ 35,025 | $ 70,762 | $ 65,970 | $ 1,075,110 |
| Accumulated depreciation and impairment | - | ( 168,934) | ( 90,847) | ( 21,509) | ( 19,948) | ( 27,079) | ( 328,317) |
| | $ 134,686 | $ 435,424 | $ 73,462 | $ 13,516 | $ 50,814 | $ 38,891 | $ 746,793 |

| | Land | Buildings | Machinery and equipment | Office equipment | Leased assets | Others | Total |
|---|---|---|---|---|---|---|---|
| At January 1, 2020 | | | | | | | |
| Cost | $ 39,130 | $ 593,791 | $ 116,026 | $ 33,504 | $ 65,682 | $ 28,964 | $ 877,097 |
| Accumulated depreciation and impairment | - | ( 144,453) | ( 90,884) | ( 19,285) | ( 16,356) | ( 17,491) | ( 288,469) |
| | $ 39,130 | $ 449,338 | $ 25,142 | $ 14,219 | $ 49,326 | $ 11,473 | $ 588,628 |
| 2020 | | | | | | | |
| Opening net book amount as at January 1 | $ 39,130 | $ 449,338 | $ 25,142 | $ 14,219 | $ 49,326 | $ 11,473 | $ 588,628 |
| Additions | - | - | 7,352 | 5,095 | - | 35,558 | 48,005 |
| Additions - acquired through business combinations | 95,556 | 10,736 | 4,001 | 386 | - | 4,108 | 114,787 |
| Disposals | - | - | ( 1,228) | ( 81) | - | ( 3) | ( 1,312) |
| Reclassifications | - | - | - | - | - | 5,081 | 5,081 |
| Depreciation charge | - | ( 12,326) | ( 5,303) | ( 5,851) | ( 1,288) | ( 6,646) | ( 31,414) |
| Transferred out due to disposal of subsidiaries | - | - | ( 3,517) | ( 99) | - | ( 173) | ( 3,789) |
| Net exchange differences | - | ( 44) | 204 | 72 | - | 758 | 990 |
| Closing net book amount as at December 31 | $ 134,686 | $ 447,704 | $ 26,651 | $ 13,741 | $ 48,038 | $ 50,156 | $ 720,976 |
| At December, 31, 2020 | | | | | | | |
| Cost | $ 134,686 | $ 604,467 | $ 112,531 | $ 32,802 | $ 65,682 | $ 71,388 | $ 1,021,556 |
| Accumulated depreciation and impairment | - | ( 156,763) | ( 85,880) | ( 19,061) | ( 17,644) | ( 21,232) | ( 300,580) |
| | $ 134,686 | $ 447,704 | $ 26,651 | $ 13,741 | $ 48,038 | $ 50,156 | $ 720,976 |

A. Amount of borrowing costs capitalized as part of property, plant and equipment were $0 and $0 for the years ended December 31, 2021 and 2020, respectively.

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

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

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

(8) Leasing arrangements－lessee

A. The Group leases various assets including land, buildings, business vehicles, multifunction printers. Rental contracts are typically made for periods of 1 to 38 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants, but leased assets may not be used as security for borrowing purposes.

B. Short-term leases with a lease term of 12 months or less comprise Buildings. Low-value assets comprise office equipment (multifunction printers).

C. The carrying amount of right-of-use assets and the depreciation charge are as follows:

| | December 31, 2021 | December 31, 2020 |
| --- | --- | --- |
| | Carrying amount | Carrying amount |
| Land | $ 200,030 | $ 205,986 |
| Buildings | 57,047 | 52,045 |
| Office equipment (multifunction printers) | - | 32 |
| | $ 257,077 | $ 258,063 |

| | Year ended December 31, 2021 | Year ended December 31, 2020 |
| --- | --- | --- |
| | Depreciation charge | Depreciation charge |
| Land | $ 5,956 | $ 5,973 |
| Buildings | 16,100 | 15,723 |
| Office equipment (multifunction printers) | 32 | 220 |
| | $ 22,088 | $ 21,916 |

D. For the years ended December 31, 2021 and 2020, the additions to right-of-use assets were $21,394 and $51,278, respectively.

E. The information on income and expense accounts relating to lease contracts is as follows:

| | Year ended December 31, 2021 | Year ended December 31, 2020 |
| --- | --- | --- |
| Items affecting profit or loss | | |
| Interest expense on lease liabilities | $ 5,632 | $ 6,121 |
| Expense on short-term lease contracts | 14,453 | 14,799 |
| Expense on leases of low-value assets | 269 | 187 |

F. For the years ended December 31, 2021 and 2020, the Group's total cash outflow for leases were $40,560 and $40,623, respectively.

G. Extension and termination options

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

(9) Short-term borrowings

| Type of borrowings | December 31, 2021 | Interest rate range | Collateral |
|---|---|---|---|
| Unsecured Banking Loan | $ 1,000,565 | 0.7%~1.23% | None |

| Type of borrowings | December 31, 2020 | Interest rate range | Collateral |
|---|---|---|---|
| Unsecured Banking Loan | $ 1,054,410 | 0.63%~1.34% | None |

(10) Accounts payable

| | December 31, 2021 | December 31, 2020 |
|---|---|---|
| Accounts payable | $ 1,101,914 | $ 938,932 |
| Accrued accounts payable | 137,417 | 127,898 |
| | $ 1,239,331 | $ 1,066,830 |

(11) Others accounts payable

| | December 31, 2021 | December 31, 2020 |
|---|---|---|
| Accrued salaries | $ 200,874 | $ 154,203 |
| Accrued employees' bonuses and directors' remuneration | 74,158 | 49,028 |
| Payables on equipment - Fixed assets | 11,825 | 385 |
| Payables on equipment - Intangible assets | - | 50 |
| Others | 114,394 | 77,953 |
| | $ 401,251 | $ 281,619 |

(12) Long-term borrowings

| Type of borrowings | Borrowing period and repayment term | Interest rate range | Collateral | December 31, 2021 |
|---|---|---|---|---|
| Mortgage borrowings | Borrowing period is from July 1, 2021 to July 1, 2026, non-revolving instalments, with monthly interest payment, principal is repayable every 3 months with 5% of principal from July 1, 2022, and the rest of principal shall be paid off on the maturity date. | 0.98% | Note | $ 200,000 |
| Mortgage borrowings | Borrowing period is from June 14, 2017 to June 14, 2032; interest is repayable monthly and principal is repayable monthly through June, 2018 to June, 2032. | 1.18% | Note | 64,500 |
| Mortgage borrowings | Borrowing period is from July 13, 2017 to July 13, 2022; The principal is repayable every 6 months in 8 installments. | 1.05% | Note | 5,750 |
| Mortgage borrowings | The mortgage borrowings is recyclable from November 24, 2022 to March 31, 2024, with monthly interest payment and the principal shall be paid off on the maturity date (the actual borrowings period is less than 3 years, because the factory contract period is from March 31, 2022 to March 31, 2024, the principal shall be paid off on the maturity date). | 0.94% | Note | 100,000 |
| Mortgage borrowings | Borrowing period is from June 08, 2020 to June 08, 2030; The principal is repayable every 3 months in 40 installments. | 1.27% | Note | 57,800 |
| | | | | 428,050 |
| Less: current portion | | | | ( 38,193) |
| | | | | $ 389,857 |

| Type of borrowings | Borrowing period and repayment term | Interest rate range | Collateral | December 31, 2020 |
|---|---|---|---|---|
| Mortgage borrowings | Borrowing period is from June 14, 2017 to June 14, 2032; interest is repayable monthly and principal is repayable monthly through June, 2018 to June, 2032. | 1.18% | Note | $ 70,643 |
| Mortgage borrowings | Borrowing period is from July 13, 2017 to July 13, 2022; The principal is repayable every 6 months in 8 installments. | 1.05% | Note | 11,500 |
| Mortgage borrowings | Borrowing period is from June 08, 2020 to June 08, 2030; The principal is repayable every 3 months in 40 installments. | 1.27% | Note | 64,600 |
| | | | | 146,743 |
| Less: current portion | | | | ( 18,693) |
| | | | | $ 128,050 |

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

(13) Pensions

A. (a) The Company and its domestic subsidiaries have a defined benefit pension plan in accordance with the Labor Standards Law, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Law. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company and its domestic subsidiaries contributes monthly an amount equal to 2% and 7% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Company and its domestic subsidiaries would assess the balance in the aforementioned labor pension reserve account by the end of December 31, every year. If the account balance is not enough to pay the pension calculated by the aforementioned method, to the labors expected to be qualified for retirement next year, the Company and its domestic subsidiaries will make contribution for the deficit by next March.

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

| | December 31, 2021 | December 31, 2020 |
|---|---|---|
| Present value of defined benefit obligations | ($ 57,102) | ($ 59,040) |
| Fair value of plan assets | 41,653 | 36,522 |
| Net defined benefit liability | ($ 15,449) | ($ 22,518) |

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

| | Present value of defined benefit obligations | Fair value of plan assets | Net defined benefit liability |
|---|---|---|---|
| Year ended December 31, 2021 | | | |
| Balance at January 1 | ($ 59,040) | $ 36,522 | ($ 22,518) |
| Current service cost | ( 478) | - | ( 478) |
| Interest (expense) income | ( 205) | 138 | ( 67) |
| | ( 59,723) | 36,660 | ( 23,063) |
| Remeasurements: | | | |
| Return on plan asset (excluding amounts included in interest income or expense) | - | 506 | 506 |
| Change in demographic assumptions | ( 138) | - | ( 138) |
| Change in financial assumptions | 2,320 | - | 2,320 |
| Experience adjustments | ( 694) | - | ( 694) |
| | 1,488 | 506 | 1,994 |
| Pension fund contribution | - | 6,108 | 6,108 |
| Paid pension | 1,133 | ( 1,133) | - |
| Pension fund return | - | ( 488) | ( 488) |
| Balance at December 31 | ($ 57,102) | $ 41,653 | ($ 15,449) |

| | Present value of defined benefit obligations | Fair value of plan assets | Net defined benefit liability |
|---|---|---|---|
| Year ended December 31, 2020 | | | |
| Balance at January 1 | ($ 78,079) | $ 32,742 | ($ 45,337) |
| Current service cost | ( 381) | - | ( 381) |
| Interest (expense) income | ( 521) | 210 | ( 311) |
| Past service cost | - | - | - |
| | ( 78,981) | 32,952 | ( 46,029) |
| Remeasurements: | | | |
| Return on plan asset (excluding amounts included in interest income or expense) | - | 1,019 | 1,019 |
| Change in demographic assumptions | ( 119) | - | ( 119) |
| Change in financial assumptions | ( 2,723) | - | ( 2,723) |
| Experience adjustments | 2,953 | - | 2,953 |
| | 111 | 1,019 | 1,130 |
| Pension fund contribution | - | 6,379 | 6,379 |
| Paid pension | 19,830 | ( 3,828) | 16,002 |
| Balance at December 31 | ($ 59,040) | $ 36,522 | ($ 22,518) |

(d) The Bank of Taiwan was commissioned to manage the Fund of the Company's and domestic subsidiaries' defined benefit pension plan in accordance with the Fund's annual investment and utilization plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund" (Article 6: The scope of utilization for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regard to the utilization of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authorized by the Regulator. The Company has no right to participate in managing and operating that fund and hence the Company is unable to disclose the classification of plan assets fair value in accordance with IAS19 paragraph 142. The composition of fair value of plan assets as of December 31, 2021 and 2020 is given in the Annual Labor Retirement Fund Utilization Report announced by the government.

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

| | Year ended December 31, 2021 | Year ended December 31, 2020 |
|---|---|---|
| Discount rate | 0.7% | 0.35% |
| Future salary increases | 2.00% | 2.00% |

Assumptions regarding future mortality experience are set based on actuarial advice in accordance with published statistics and experience in each territory.

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

| | Discount rate | | Future salary increases | |
|---|---|---|---|---|
| | Increase 0.25% | Decrease 0.25% | Increase 0.25% | Decrease 0.25% |
| December 31,2021 | | | | |
| Effect on present value of defined benefit obligation | ($ 1,601) | $ 1,667 | $ 1,642 | ($ 1,585) |
| December 31,2020 | | | | |
| Effect on present value of defined benefit obligation | ($ 1,731) | $ 1,805 | $ 1,771 | ($ 1,708) |

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

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

(f) Expected contributions to the defined benefit pension plans of the Group in the year ended December 31, 2022 amount to $7,135.

(g) As of December 31, 2021, the weighted average duration of that retirement plan is 11 year. The analysis of timing of the future pension payment was as follows:

| | | |
|---|---|---|
| Within 1 year | $ | 1,287 |
| 1-2 year(s) | | 2,291 |
| 2-5 years | | 7,334 |
| Over 5 years | | 50,516 |
| | $ | 61,428 |

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

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

(c) The pension costs under defined contribution pension plans of the Group for the years ended December 31, 2021 and 2020 were $39,341 and $27,647, respectively.

(d) From February to December 2020, due to the impact of COVID-19, the Ministry of Human Resources and Social Security of China announced that part of the pension insurance fund was exempted, which was amounting to $5,159.

(14) Share-based payment

A. For the years ended December 31,2021, the Group's share-based payment arrangements were as follows:

| Type of arrangement | Grant date | Quantity granted | Contract period | Vesting contiditions |
|---|---|---|---|---|
| Treasury stock transferred to employees | 2021.11.5 | 1,479,000 | - | Immediately |
| Treasury stock transferred to employees | 2021.11.3 | 805,000 | - | Immediately |

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

| Type of arrangement | Grant date | Stock price | Exercise price | Compensation cost per unit |
|---|---|---|---|---|
| Treasury stock transferred to employees | 2021.11.5 | 33.30 | 18.07 | 15.23 |
| Treasury stock transferred to employees | 2021.11.3 | 91.00 | 78.09 | 12.91 |

C. Share-based payment

| | Year ended December 31, 2021 | Year ended December 31, 2020 |
|---|---|---|
| Equity settled | $ 32,917 | - |

(15) Share capital

A. As of December 31, 2021, the Company's authorized capital was $2,500,000, consisting of 250,000 thousand shares of ordinary stock, and the paid-in capital was $1,651,361 with a par value of $10 (in dollars) per share. All proceeds from shares issued have been collected.

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

Unit: shares in thousands

| | Year ended December 31, 2021 | Year ended December 31, 2020 |
|---|---|---|
| At January 1 | 159,136 | 165,136 |
| Treasury share acquired | - | ( 6,000) |
| Treasury stock transferred to employees | 1,487 | - |
| At December 31 | 160,623 | 159,136 |

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

C. Treasury shares

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

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

| | | December 31, 2020 | |
|---|---|---|---|
| Name of company holding the shares | Reason for reacquisition | Number of shares | Carrying amount |
| The Company | To be reissued to employees | 6,000 | $ 108,425 |

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

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

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

(e) For the year ended, 2021, the number of treasury shares transferred to employees of the Company was 1,479,000 shares. The cost of employee compensation and the transfer amount were $22,525 and $26,726, respectively. For the year ended, 2021, the number of shares transferred to the employees of the subsidiary is 8,000 shares, and the compensation cost and transfer amount are $122 and $144, respectively. As the aforesaid amount is higher than the carrying amount of treasury shares, the difference amount arising from transaction of treasury shares was recognized as the capital surplus.

(16) Capital surplus

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

B. Details of Capital surplus:

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

| | Share premium | Treasury share transactions | Difference between consideration and carrying amount of subsidiaries acquired or disposed | Net change in equity of associates | Net change in equity of subsidiaries | Employee stock option | Total |
|---|---|---|---|---|---|---|---|
| At January 1, 2020 | $ 127,167 | $ 31,399 | $ 11,750 | $ 12,003 | $ 12,326 | $ 4,446 | $ 199,091 |
| Disposals investment of associates | - | - | - | ( 12,003) | - | - | ( 12,003) |
| At December 31, 2020 | $ 127,167 | $ 31,399 | $ 11,750 | $ - | $ 12,326 | $ 4,446 | $ 187,088 |

(17) Retained earnings

A. Under the Company's Articles of Incorporation, the current year's earnings, if any, shall first be used to pay all taxes and offset prior years' operating losses and then 10% of the remaining amount shall be set aside as legal reserve and set aside a special reserve in accordance with applicable legal and regulatory requirement. Distributing the remaining amount plus prior year's retained earnings in the following order, but the ratios of the distribution of the aforementioned retained earnings and the cash dividend distribution shall be proposed by the Board of Directors based on the actual profit and capital situation of the current year, and proposed to the shareholders' meeting for resolution:

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

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

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

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

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

D. On July 5, 2021 and June 17, 2020, respectively, the shareholders resolved that total dividends for the distribution of earnings for the year of 2020 and 2019 were as following:

| | 2020 | | 2019 | |
|---|---|---|---|---|
| | Amount | Earnings per share(In dollars) | Amount | Earnings per share(In dollars) |
| Legal reserve | $ 15,064 | $ - | $ 24,764 | $ - |
| Cash dividends | 159,136 | 1.000 | 247,704 | 1.556 |
| Total | $ 174,200 | $ 1.000 | $ 272,468 | $ 1.556 |

E. On March 16, 2022, the Board of Directors had proposed the distribution of cash dividends for the year of 2021 earnings amounting to $224,872 ($1.40 (in dollars) per share) and the distribution of cash from capital surplus amounting to $16,062 ($0.10 (in dollars) per share). The appropriations of 2021 earnings stated above has not been resolved by the shareholders.

(18) Other equity items

| | Year ended December 31, 2021 | | |
|---|---|---|---|
| | Unrealized gains (losses) on valuation | Currency translation | Total |
| At January 1 | $ 32,228 | ($ 80,574) | ($ 48,346) |
| Revaluation - group | 77,168 | - | 77,168 |
| Revaluation - tax | 58 | - | 58 |
| Disposal transferred | - | 38,724 | 38,724 |
| Currency translation differences:–group | - | ( 7,569) | ( 7,569) |
| At December 31 | $ 109,454 | ($ 49,419) | $ 60,035 |

| | Year ended December 31, 2020 | | |
|---|---|---|---|
| | Unrealized gains (losses) on valuation | Currency translation | Total |
| At January 1 | $ 3,295 | ($ 99,700) | ($ 96,405) |
| Revaluation - group | 28,825 | - | 28,825 |
| Revaluation - tax | 108 | - | 108 |
| Revaluation transferred to profit and loss – liquidation of subsidiary | - | 1,360 | 1,360 |
| Currency translation differences:–group | - | 17,766 | 17,766 |
| At December 31 | $ 32,228 | ($ 80,574) | ($ 48,346) |

(19) Operating revenue

| | Year ended December 31, 2021 | Year ended December 31, 2020 |
|---|---|---|
| Revenue from Contracts with Customers | $ 4,811,375 | $ 3,460,391 |

A. Disaggregation of revenue from contracts with customers

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

| Year ended December 31, 2021 | Taiwan | China | Other | Total |
|---|---|---|---|---|
| Total segment revenue | $ 2,680,672 | $ 2,604,242 | $ 97,736 | $ 5,382,650 |
| Inter-segment revenue | ( 410,857 ) | ( 160,352 ) | ( 66 ) | ( 571,275) |
| Revenue from external customer contracts | $ 2,269,815 | $ 2,443,890 | $ 97,670 | $ 4,811,375 |
| Timing of revenue recognition | | | | |
| At a point in time | $ 2,248,186 | $ 2,439,108 | $ 96,395 | $ 4,783,689 |
| Over time | 21,629 | 4,782 | 1,275 | 27,686 |
| | $ 2,269,815 | $ 2,443,890 | $ 97,670 | $ 4,811,375 |

| Year ended December 31, 2020 | Taiwan | China | Other | Total |
|---|---|---|---|---|
| Total segment revenue | $ 1,498,505 | $ 2,331,388 | $ 81,325 | $ 3,911,218 |
| Inter-segment revenue | ( 374,156 ) | ( 76,671 ) | - | ( 450,827) |
| Revenue from external customer contracts | $ 1,124,349 | $ 2,254,717 | $ 81,325 | $ 3,460,391 |
| Timing of revenue recognition | | | | |
| At a point in time | $ 1,102,631 | $ 2,245,754 | $ 79,802 | $ 3,428,187 |
| Over time | 21,718 | 8,963 | 1,523 | 32,204 |
| | $ 1,124,349 | $ 2,254,717 | $ 81,325 | $ 3,460,391 |

B. Contract liabilities

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

| | December 31, 2021 | December 31, 2020 | January 1, 2020 |
|---|---|---|---|
| Contract liabilities | $ 222,518 | $ 267,883 | $ 144,695 |

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

| | Year ended December 31, 2021 | Year ended December 31, 2020 |
|---|---|---|
| Revenue recognised that was included in the contract liability balance at the beginning of the period | $ 254,589 | $ 89,164 |

(20) Interest income

| | Year ended December 31, 2021 | Year ended December 31, 2020 |
|---|---|---|
| Interest income from bank deposits | $ 12,772 | $ 14,002 |

(21) Other income

| | Year ended December 31, 2021 | Year ended December 31, 2020 |
|---|---|---|
| Rental revenue | $ 26,621 | $ 18,526 |
| Government subsidy income | 42,646 | 110,381 |
| Dividends income | 21,266 | 1,880 |
| Gain recognized in bargain purchase transaction | - | 30,893 |
| Others income | 11,146 | 45,539 |
| | $ 101,679 | $ 207,219 |

Note: Government subsidy income were the salary and working capital subsidy of the Ministry of Economic Affairs for the manufacturing and technical service industries that are affected by COVID-19, as well as the income of scientific and technical subsidies.

(22) Other gains and losses

| | Year ended December 31, 2021 | Year ended December 31, 2020 |
|---|---|---|
| Losses on disposal of property, plant and equipment | ($ 101) | ($ 1,312) |
| Gains (loss) on disposal of investments | ( 33,482) | 20,221 |
| Gains arising from lease modifications | 110 | 322 |
| Net gains on financial assets and liabilities at fair value through profit or loss | - | 60 |
| Net currency exchange gains | ( 24,381) | ( 80,717) |
| Other gains and losses | ( 4,677) | ( 397) |
| Total | ($ 62,531) | ($ 61,823) |

(23) Finance costs

| | Year ended December 31, 2021 | Year ended December 31, 2020 |
|---|---|---|
| Interest expense | $ 18,459 | $ 26,443 |

(24) Expenses by nature

| | Year ended December 31, 2021 | Year ended December 31, 2020 |
|---|---|---|
| Employee benefit expense | $ 958,572 | $ 809,170 |
| Depreciation expense (including right-of-use assets) | $ 57,380 | $ 53,330 |
| Amortization charges on intangible assets | $ 9,778 | $ 14,791 |

(25) Employee benefit expense

| | Year ended December 31, 2021 | Year ended December 31, 2020 |
|---|---|---|
| Wages and salaries | $ 827,177 | $ 694,651 |
| Labour and health insurance fees | 64,388 | 59,331 |
| Pension costs | 39,886 | 28,339 |
| Other personnel expenses | 27,121 | 26,849 |
| | $ 958,572 | $ 809,170 |

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

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

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

B. For the years ended December 31, 2021 and 2020, employees' compensation was accrued at $30,045 and $22,139, respectively; while directors' and supervisors' remuneration was accrued at $5,092 and $3,752, respectively. The aforementioned amounts were recognized in salary expenses.

The employees' compensation and directors' and supervisors' remuneration were estimated and accrued based on 11.85% and 2.01% of distributable profit of current year for the year ended December 31, 2021. The employees' compensation and directors' and supervisors' remuneration resolved by the Board of Directors were $30,045 and $5,092, and the employees' compensation will be distributed in the form of cash.

The employees' compensation and directors' and supervisors' remuneration for 2020 amounting to $22,139 and $3,752, respectively, as resolved by the Board of Directors on March 16, 2021 which were in agreement with those amounts recognized in the 2020 financial statements.

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

(26) Income tax

A. Income tax expense

(a) Components of income tax expense:

| | Year ended December 31, 2021 | Year ended December 31, 2020 |
|---|---|---|
| Current tax: | | |
| Current tax on profits for the period | $ 56,975 | $ 40,491 |
| Tax on undistributed surplus earnings | 64 | - |
| Prior year income tax (over) underestimation | ( 2,049 ) | ( 4,841 ) |
| Total current tax | 54,990 | 35,650 |
| Deferred tax: | | |
| Origination and reversal of temporary differences | ( 25,785 ) | 9,494 |
| Total deferred tax | ( 25,785 ) | 9,494 |
| Income tax expense | $ 29,205 | $ 45,144 |

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

| | Year ended December 31, 2021 | Year ended December 31, 2020 |
|---|---|---|
| Changes in fair value of financial assets at fair value through other comprehensive income | ($ 11,124) | ($ 13,046) |

B. Reconciliation between income tax expense and accounting profit

| | Year ended December 31, 2021 | Year ended December 31, 2020 |
|---|---|---|
| Tax calculated based on profit before tax and statutory tax rate | $ 103,829 | $ 59,398 |
| Tax exempt income by tax regulation | ( 18,388 ) | 8,955 |
| Prior year income tax (over) underestimation | ( 2,049 ) | ( 4,841 ) |
| Income tax paid derived of mainland China source income | ( 173 ) | ( 190 ) |
| Change in assessment of realisation of deferred tax assets | ( 54,078 ) | ( 19,211 ) |
| Temporary difference not recognized as deferred tax assets | - | 1,033 |
| Tax on undistributed earnings | 64 | - |
| Tax expenses | $ 29,205 | $ 45,144 |

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

| | Year ended December 31, 2021 | | | |
|---|---|---|---|---|
| | January 1 | Recognized in profit or loss | Recognized in other comprehensive income | December 31 |
| Temporary differences: | | | | |
| Deferred tax assets: | | | | |
| Allowance for bad debt | $ 29,046 | ($ 982) | $ - | $ 28,064 |
| Inventory obsolescence and market price decline | 28,307 | 8,588 | - | 36,895 |
| Warranty provision | 23,756 | ( 4,511) | - | 19,245 |
| Net defined benefit liabilities | 2,836 | ( 1,084) | - | 1,752 |
| Unrealized exchange loss | 8,543 | ( 4,341) | - | 4,202 |
| Unrealized gain of financial assets at fair value through other comprehensive income | 3,938 | - | 58 | 3,996 |
| Others | ( 504) | 37,238 | - | 36,734 |
| Subtotal | 95,922 | 34,908 | 58 | 130,888 |
| Deferred tax liabilities: | | | | |
| Foreign investment income using equity method | ( 62,635) | ( 9,123) | - | ( 71,758) |
| Gain recognized in bargain purchase transaction | ( 6,179) | - | - | ( 6,179) |
| Unrealized gain of financial assets at fair value through other comprehensive income | ( 24,249) | - | ( 11,182) | ( 35,431) |
| Land value increment tax | ( 5,793) | - | - | ( 5,793) |
| Subtotal | ( 98,856) | ( 9,123) | ( 11,182) | ( 119,161) |
| Total | ($ 2,934) | $ 25,785 | ($ 11,124) | $ 11,727 |

| | Year ended December 31, 2020 | | | | |
|---|---|---|---|---|---|
| | January 1 | Recognized in profit or loss | Recognized in other comprehensive income | Business combination | December 31 |
| Temporary differences: | | | | | |
| Deferred tax assets: | | | | | |
| Allowance for bad debt | $ 24,530 | $ 4,516 | $ - | $ - | $ 29,046 |
| Inventory obsolescence and market price decline | 26,667 | 1,640 | - | - | 28,307 |
| Warranty provision | 27,454 | ( 3,698) | - | - | 23,756 |
| Net defined benefit liabilities | 3,970 | ( 1,134) | - | - | 2,836 |

| | January 1 | Recognized in profit or loss | Recognized in other comprehensive income | Business combination | December 31 |
|---|---|---|---|---|---|
| Unrealized exchange loss | 7,802 | 741 | - | - | 8,543 |
| Unrealized gain of financial assets at fair value through other comprehensive income | 3,830 | - | 108 | - | 3,938 |
| Others | 778 | ( 1,282) | - | - | ( 504) |
| Subtotal | 95,031 | 783 | 108 | - | 95,922 |
| Deferred tax liabilities: | | | | | |
| Foreign investment income using equity method | ( 58,538) | ( 4,098) | - | - | ( 62,636) |
| Gain recognized in bargain purchase transaction | - | ( 6,179) | - | - | ( 6,179) |
| Unrealized gain of financial assets at fair value through other comprehensive income | ( 11,094) | - | ( 13,154) | - | ( 24,248) |
| Land value increment tax | - | - | - | ( 5,793) | ( 5,793) |
| Subtotal | ( 69,632) | ( 10,277) | ( 13,154) | ( 5,793) | ( 98,856) |
| Total | $ 25,399 | ($ 9,494) | ($ 13,046) | ($ 5,793) | ($ 2,934) |

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

(27) Earnings per share

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

| | Year ended December 31, 2020 | | |
|---|---|---|---|
| | Amount after tax | Weighted average number of ordinary shares outstanding (share in thousands) | Earnings per share (in dollars) |
| Basic earnings per share | | | |
| Profit attributable to ordinary shareholders of the parent | $ 149,511 | 160,989 | $ 0.93 |
| Diluted earnings per share | | | |
| Assumed conversion of all dilutive potential ordinary shares Employees' bonus | - | 1,258 | |
| Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares | $ 149,511 | 162,247 | $ 0.92 |

(28) Transactions with non-controlling interest

Subsidiary purchases treasury shares

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

| | Year ended December 31, 2021 |
|---|---|
| Cash | $ 151,112 |
| Decrease in the carrying amount of non-controlling interest | ( 99,612 ) |
| Capital surplus (unappropriated retained earnings) -difference between proceeds on actual acquisition of or disposal of equity interest in a subsidiary and its carrying amount | $ 51,500 |

(29) Business combinations

A. On January 3, 2020, the Group paid $23,672 by cash to acquired 33.82% ordinary share of Utron Technologies Corp and held of 76.02% of the equity as of December 31, 2020, and obtained the control over Utron Technologies Corp. The company's main business are on sales of wire and fixture testing, printed circuit board testing equipment and systems . As a result of the acquisition, the Group is expected to increase its presence in these markets. It also expects to reduce costs through economies of scale.

B. The following table summarises the consideration paid for Utron Technologies Corp and the fair values of the assets acquired and liabilities assumed at the acquisition date, as well as the fair value of the non-controlling interest at the acquisition date:

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

C. Non-controlling interests was measured by the identifiable assets acquired based on the proportion of non-controlling interests.

D. The Group recognized gain in bargain purchase transaction amounting to $30,893 due to the fair value of real estate and plant of the acquired company exceeded its book value. In addition, the Group considered the consistency of the financial report readers and do not modify the presentation of the financial statement for comparative information in the previous period.

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

(30) Supplemental cash flow information

Investing activities with partial cash payments

| | December 31, 2021 | December 31, 2020 |
|---|---|---|
| Purchase of property, plant and equipment | $ 63,150 | $ 48,005 |
| Add: opening balance of payable on equipment | 385 | 1,084 |
| Less: ending balance of payable on equipment | ( 11,825) | ( 385) |
| Cash paid during the year | $ 51,710 | $ 48,704 |

(31) Changes in liabilities from financing activities

| | Short-term borrowings | Long-term borrowings | Guarantee deposits received | Leases liabilities | Liabilities from financing activities-gross |
|---|---|---|---|---|---|
| At January 1, 2021 | $ 1,054,410 | $ 146,743 | $ 3,531 | $ 262,310 | $ 1,466,994 |
| Changes in cash flow from financing activities | ( 53,845) | 281,307 | 83 | ( 20,206) | 207,339 |
| Interest expense | - | - | - | 5,632 | 5,632 |
| Payment of interest | - | - | - | ( 5,632) | ( 5,632) |
| Changes in other non-cash items | - | - | - | ( 292) | ( 292) |
| Gain on lease modification | - | - | - | ( 110) | ( 110) |
| Changes in leases liabilities | - | - | - | 21,394 | 21,394 |
| At December 31, 2021 | $ 1,000,565 | $ 428,050 | $ 3,614 | $ 263,096 | $ 1,695,325 |

| | Short-term borrowings | Long-term borrowings | Guarantee deposits received | Leases liabilities | Liabilities from financing activities-gross |
|---|---|---|---|---|---|
| At January 1, 2020 | $ 1,118,987 | $ 473,439 | $ 2,336 | $ 246,481 | $ 1,841,243 |
| Changes in cash flow from financing activities | ( 132,577) | ( 326,696) | 1,195 | ( 19,516) | ( 477,594) |
| Interest expense | - | - | - | 6,121 | 6,121 |
| Payment of interest | - | - | - | ( 6,121) | ( 6,121) |
| Changes in acquisition of subsidiaries | 76,000 | - | - | - | 76,000 |
| Changes in loss of control in subsidiaries | ( 8,000) | - | - | - | ( 8,000) |
| Changes in other non-cash items | - | - | - | 941 | 941 |
| Charges in lease liabilities | - | - | - | 34,404 | 34,404 |
| At December 31, 2020 | $ 1,054,410 | $ 146,743 | $ 3,531 | $ 262,310 | $ 1,466,994 |

## 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 |
| Sunengine Co., Ltd. | Associate (Note) |
| Fujian Chengzhe Automation Technology Co., Ltd | Substantive related party |
| Ohmplus Technology Inc. | Substantive related party |

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

(2) Significant related party transactions

A. Operating revenue:

| | Year ended December 31, 2021 | Year ended December 31, 2020 |
|---|---|---|
| Sales of goods: | | |
| Associate | $ 61,278 | $ 13,662 |
| Substantive related party | 1,080 | - |
| | $ 62,358 | $ 13,662 |

B. Purchases:

| | Year ended December 31, 2021 | Year ended December 31, 2020 |
|---|---|---|
| Purchases of goods: | | |
| Substantive related party | $ 111,017 | $ 123,256 |
| Associate | 415 | - |
| | $ 111,432 | $ 123,256 |

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

C. Receivables from related parties:

| | December 31, 2021 | December 31, 2020 |
|---|---|---|
| Accounts receivables : | | |
| Associate | $ 44,154 | $ 10,605 |
| Substantive related party | 1,134 | - |
| | $ 45,288 | $ 10,605 |

D. Payables to related parties:

| | December 31, 2021 | December 31, 2020 |
|---|---|---|
| Accounts payable: | | |
| Associate | $ 436 | $ - |
| Substantive related party | 11,603 | 34,274 |
| Subtotal | 12,039 | 34,274 |
| Other accounts payable: | | |
| Associate | $ - | $ 470 |

E. Other transactions:

| | Years ended December 31, 2021 | | Years ended December 31, 2020 | |
|---|---|---|---|---|
| | Items | Amount | Items | Amount |
| Associates | rental expenses | $ - | rental expenses | $ 40 |

(3) Key management compensation

| | Year ended December 31, 2021 | Year ended December 31, 2020 |
|---|---|---|
| Salaries and other short-term employee benefits | $ 78,752 | $ 44,739 |
| Post-employment benefits | 1,394 | 17,398 |
| Total | $ 80,146 | $ 62,137 |

8. PLEDGED ASSETS

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

| | Book value | | |
|---|---|---|---|
| Pledged asset | December 31, 2021 | December 31, 2020 | Purpose |
| Time deposits (shown as "financial assets at amortised cost-current") | $ - | $ 5,690 | Exercise guarantee for construction |
| Time deposits (shown as "financial assets at amortised cost non-current") | 17,898 | 22,615 | Exercise guarantee for construction and customs deposit |
| Property, plant and equipment | 512,556 | 517,628 | Long-term borrowings |
| | $ 530,454 | $ 545,933 | |

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACT COMMITMENTS

Contingent liabilities

As of December 31, 2021 and December 31, 2020, the bank open a guarantee letter for the Company due to business tender and guarantee for construction amounting to $27,115 and $82,182, respectively.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

Please refer to Note 6(17)

12. OTHERS

(1) Capital management

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

During year ended December 31, 2021, the Group's strategy, which was unchanged from 2020, was to maintain the gearing ratio within reasonable risk level. The gearing ratios at December 31, 2021 and 2020 were as follows:

| | December 31, 2021 | December 31, 2020 |
|---|---|---|
| Total borrowings | $ 1,428,615 | $ 1,201,153 |
| Less: Cash and cash equivalents | ( 1,221,566) | ( 1,584,069) |
| Net debt | 207,049 | ( 382,916) |
| Total equity | 2,908,319 | 2,671,959 |
| Total capital | 3,115,368 | 2,289,043 |
| Gearing ratio | 6.65% | - |

(2) Financial instruments

A. Financial instruments by category

| | December 31, 2021 | December 31, 2020 |
|---|---|---|
| Financial assets | | |
| Financial assets measured at fair value through profit or loss | | |
| Financial assets at fair value through other comprehensive income | $ 935,284 | $ 167,966 |
| Financial assets at amortised cost/Loans and receivables | | |
| Cash and cash equivalents | 1,221,566 | 1,584,069 |
| Financial assets at amortised cost | 677,116 | 725,367 |
| Notes receivables | 39,362 | 14,411 |
| Accounts receivables ( including related parties) | 1,889,931 | 1,565,247 |
| Other accounts receivables | 4,243 | 9,431 |
| Guarantee deposits paid | 7,076 | 12,697 |
| | $ 4,774,578 | $ 4,079,188 |

| | December 31, 2021 | December 31, 2020 |
|---|---|---|
| Financial liabilities | | |
| Financial liabilities at amortised cost | | |
| Short-term borrowings | $ 1,000,565 | $ 1,054,410 |
| Notes payable | 8,683 | - |
| Accounts payable (including related parties) | 1,251,370 | 1,101,104 |
| Other accounts payable (including related parties) | 401,251 | 282,089 |
| Long-term borrowings (including current portion) | 428,050 | 146,743 |
| Guarantee deposits received | 3,614 | 3,531 |
| | $ 3,093,533 | $ 2,587,877 |
| Leases liabilities | $ 263,096 | $ 262,310 |

B. Financial risk management policies

(a) The Group’s activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The Group’s overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group’s financial position and financial performance.

(b) Risk management is carried out by a central treasury department (Group treasury) under policies approved by the Board of Directors. Group treasury identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas and matters, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

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

| | December 31, 2021 | | |
|---|---|---|---|
| | Foreign currency amount (In thousands) | Exchange rate | Book value (NTD) |
| (Foreign currency: functional currency) | | | |
| Financial assets | | | |
| Monetary items | | | |
| USD:NTD | $ 43,175 | 27.68 | $ 1,195,076 |
| JPY:NTD | 258,578 | 0.2405 | 62,188 |
| RMB:NTD | 54,227 | 4.344 | 235,564 |
| USD: RMB | 1,238 | 6.372 | 34,281 |
| Non-monetary items: | | | |
| USD:NTD | $ 7,716 | 27.68 | $ 213,582 |
| Financial liability | | | |
| Monetary items | | | |
| USD:NTD | $ 14,994 | 27.68 | $ 415,029 |
| JPY:NTD | 123,915 | 0.2405 | 29,801 |
| RMB:NTD | 8,622 | 4.344 | 37,454 |
| Non-monetary items :None | | | |

| | December 31, 2020 | | |
|---|---|---|---|
| | Foreign currency amount (In thousands) | Exchange rate | Book value (NTD) |
| (Foreign currency: functional currency) | | | |
| Financial assets | | | |
| Monetary items | | | |
| USD:NTD | $ 52,432 | 28.48 | $ 1,493,264 |
| JPY:NTD | 64,924 | 0.2763 | 17,939 |
| RMB:NTD | 29,190 | 4.377 | 127,764 |
| USD: RMB | 1,609 | 6.5067 | 45,828 |
| Non-monetary items :None | | | |

| | Foreign currency amount (In thousands) | Exchange rate | Book value (NTD) |
|---|---|---|---|
| Financial liability | | | |
| Monetary items | | | |
| USD:NTD | $ 22,782 | 28.48 | $ 648,832 |
| JPY:NTD | 119,864 | 0.2763 | 33,119 |
| RMB:NTD | 9,292 | 4.377 | 40,671 |
| Non-monetary items :None | | | |

ii. Total exchange loss, including realized and unrealized arising from significant foreign exchange variation on the monetary items held by the Group for the years ended December 31, 2021 and 2020, amounted $24,381 and $80,717, respectively.

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

| | Year ended December 31, 2021 | | |
|---|---|---|---|
| | Sensitivity analysis | | |
| | Degree of variation | Effect on profit or loss | Effect on other comprehensive income |
| (Foreign currency: functional currency) | | | |
| Financial assets | | | |
| Monetary items | | | |
| USD:NTD | 1% | $ 11,951 | $ - |
| JPY:NTD | 1% | 622 | - |
| RMB:NTD | 1% | 2,356 | - |
| USD: RMB | 1% | 343 | - |
| Financial liability | | | |
| Monetary items | | | |
| USD:NTD | 1% | ($ 4,150) | $ - |
| JPY:NTD | 1% | ( 298) | - |
| RMB:NTD | 1% | ( 375) | - |

| | Year ended December 31, 2020 | | |
|---|---|---|---|
| | Degree of variation | Effect on profit or loss | Effect on other comprehensive income |
| (Foreign currency: functional currency) | | | |
| Financial assets | | | |
| Monetary items | | | |
| USD:NTD | 1% | $ 14,933 | $ - |
| JPY:NTD | 1% | 179 | - |
| RMB:NTD | 1% | 1,278 | - |
| USD: RMB | 1% | 458 | - |
| Financial liability | | | |
| Monetary items | | | |
| USD:NTD | 1% | ($ 6,488) | $ - |
| JPY:NTD | 1% | ( 331) | - |
| RMB:NTD | 1% | ( 407) | - |

Price risk

A. The Group’s equity securities, which are exposed to price risk, are the held financial assets at fair value through profit or loss, and financial assets at fair value through other comprehensive income and available-for-sale financial assets. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.

B. The Group’s investments in equity securities comprise shares and open-end funds issued by the domestic companies. The prices of equity securities would change due to the change of the future value of investee companies. If the prices of these equity securities had increased/decreased by 1% with all other variables held constant, post-tax profit for the years ended December 31, 2021 and 2020 would have increased/decreased by $9,353 and $1,680, respectively, as a result of gains/losses on equity securities classified as at fair value through profit or loss.

Cash flow and fair value interest rate risk

The Group’s interest rate risk arises from short-term and long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash and cash equivalents held at variable rates. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. During the year ended December 31, 2021 and 2020, the Group’s borrowings at variable rate were denominated in the NTD, JPY ,USD. If the interest rate had increased/decreased by 1%, the amount of cash flow out for the year ended December 31, 2021 and 2020 would have increased/decreased by $8,277 and $6,704, 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. If the contract payments were past due based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition.

iv. The Group adopts following assumptions under IFRS 9 to assess whether there has been a significant increase in credit risk on that instrument since initial recognition:

If the contract payments were past due over 30 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition.

v. The following indicators are used to determine whether the credit impairment of debt instruments has occurred:

(i) It becomes probable that the issuer will enter bankruptcy or other financial reorganization due to their financial difficulties;

(ii) The disappearance of an active market for that financial asset because of financial difficulties;

(iii) Default or delinquency in interest or principal repayments;

(iv) Adverse changes in national or regional economic conditions that are expected to cause a default.

vi. The Group classifies customer's accounts receivable, in accordance with credit rating of customer. The Group applies the simplified approach using provision matrix, loss rate methodology to estimate expected credit loss under the provision matrix basis.

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

viii. The Group used the forecastability of Panel industry research report to adjust historical and timely information to assess the default possibility of accounts receivable. The provision matrix as of December 31, 2021 and 2020 is as follows:

| At December 31, 2021 | Without past due | Up to 0 -90 days | Up to 91 -120 days | Up to 120 days | Total |
|---|---|---|---|---|---|
| Expected loss rate | 0.00%-1.15% | 0.00%-31.43% | 0.01%-34.45% | 0.04%-100% | |
| Total book value | $ 1,676,605 | $ 164,424 | $ 41,906 | $ 214,188 | $2,097,123 |
| Loss allowance | $ 11,619 | $ 17,338 | $ 10,913 | $ 167,322 | $ 207,192 |

| At December 31, 2020 | Without past due | Up to 0 -90 days | Up to 91 -120 days | Up to 120 days | Total |
|---|---|---|---|---|---|
| Expected loss rate | 0.00%-0.92% | 0.01%-24.09% | 0.26%-38.91% | 0.95%-100% | |
| Total book value | $ 1,456,763 | $ 74,216 | $ 18,705 | $ 215,071 | $1,764,755 |
| Loss allowance | $ 4,566 | $ 9,057 | $ 4,493 | $ 181,392 | $ 199,508 |

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

| | Year ended December 31, 2021 |
|---|---|
| | Accounts receivable |
| At January 1 | $ 199,508 |
| Provision for impairment | 14,785 |
| Reversal of impairment loss | ( 6,986) |
| Effect of foreign exchange | 115 |
| At December 31 | $ 207,192 |

| | Year ended December 31, 2020 |
|---|---|
| | Accounts receivable |
| At January 1 | $ 164,208 |
| Provision for impairment | 48,110 |
| Reversal of impairment loss | ( 12,821) |
| Write-offs | ( 239) |
| Effect of foreign exchange | 250 |
| At December 31 | $ 199,508 |

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

| | December 31, 2021 | | | |
|---|---|---|---|---|
| | | Lifetime | | |
| | By Geographic | Significant increase in credit risk | Impairment of credit | Total |
| Financial assets at amortised cost | | | | |
| Group 1 | $ 169,498 | $ - | $ - | $ 169,498 |
| Group 2 | 493,555 | - | - | 493,555 |
| Group 3 | 14,063 | - | - | 14,063 |
| | $ 677,116 | $ - | $ - | $ 677,116 |

| | December 31, 2020 | | | |
|---|---|---|---|---|
| | | Lifetime | | |
| | By Geographic | Significant increase in credit risk | Impairment of credit | Total |
| Financial assets at amortised cost | | | | |
| Group 1 | $ 166,960 | $ - | $ - | $ 166,960 |
| Group 2 | 541,048 | - | - | 541,048 |
| Group 3 | 17,359 | - | - | 17,359 |
| | $ 725,367 | $ - | $ - | $ 725,367 |

Group 1:Taiwai Bank
Group 2:China Bank
Group 3:Other regional Bank

(c) Liquidity risk

i . Cash flow forecasting is performed in the operating entities of the Group and aggregated by Group treasury. Group treasury monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs.

ii . Surplus cash held by the operating entities over and above balance required for working capital management are transferred to the Group treasury. Group treasury invests surplus cash in interest bearing current accounts, beneficiary certificates and no active market of debt securities investment (Later than three mouth but not later than one years of deposit account) , choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient head-room as determined by the above-mentioned forecasts. As at December 31, 2021 and 2020, the Group held money market position of $1,880,468 and $2,286,493, respectively, that are expected to readily generate cash inflows for managing liquidity risk.

iii. The Company has the following undrawn borrowing facilities:

| | December 31, 2021 | December 31, 2020 |
|---|---|---|
| Floating rate: | | |
| Expiring within one year | $ 2,029,944 | $ 1,899,957 |
| Expiring beyond one year | 33,400 | 3,400 |
| | $ 2,063,344 | $ 1,903,357 |

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

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

Non-derivative financial liabilities:

| December 31, 2021 | Less than 3 months | 3 months and 1year | Between 1 and 2 years | Between 2 and 5 years | Over 5 years |
|---|---|---|---|---|---|
| Short-term borrowings | $ 751,632 | $ 248,933 | $ - | $ - | $ - |
| Notes payable | 3,780 | 4,903 | - | - | - |
| Accounts payable(including related parties) | 735,697 | 238,080 | 277,593 | - | - |
| Other payables(including related parties) | 296,573 | 104,678 | - | - | - |
| Leases liabilities | 6,704 | 20,118 | 26,633 | 48,978 | 226,900 |
| Long-term borrowings (including current portion) | 7,207 | 35,285 | 50,227 | 291,837 | 59,266 |

Non-derivative financial liabilities:

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

Derivative financial liabilities:

December 31, 2021 and December 31, 2020:None

(3) Fair value information

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

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

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

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

Level 3.

B. Financial instruments not measured at fair value

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

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

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

| December 31, 2021 | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Assets | | | | |
| Recurring fair value measurements | | | | |
| Financial assets at fair value through other comprehensive income | | | | |
| Equity securities | $ 706,197 | $ - | $ 229,087 | $ 935,284 |

| December 31, 2020 | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Assets | | | | |
| Recurring fair value measurements | | | | |
| Financial assets at fair value through other comprehensive income | | | | |
| Equity securities | $ - | $ - | $ 167,966 | $ 167,966 |

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

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

| | Listed shares |
|---|---|
| Market quoted price | Closing price |

i i. Except for financial instruments with active markets, the fair value of other financial instruments is measured by using valuation techniques or by reference to counterparty quotes. The fair value of financial instruments measured by using valuation techniques can be referred to current fair value of instruments with similar terms and characteristics in substance, discounted cash flow method or other valuation methods, including calculated by applying model using market information available at the consolidated balance sheet date (i.e. yield curves on the Taipei Exchange, average commercial paper interest rates quoted from Reuters).

iii. When assessing non-standard and low-complexity financial instruments, for example, debt instruments without active market, and options, the Group adopts valuation technique that is widely used by market participants. The inputs used in the valuation method to measure these financial instruments are normally observable in the market.

iv. The valuation of derivative financial instruments is based on valuation model widely accepted by market participants, such as present value techniques and option pricing models.

v . The output of valuation model is an estimated value and the valuation technique may not be able to capture all relevant factors of the Group's financial and non-financial instruments. Therefore, the estimated value derived using valuation model is adjusted accordingly with additional inputs, for example, model risk or liquidity risk and etc. In accordance with the Group's management policies and relevant control procedures relating to the valuation models used for fair value measurement, management believes adjustment to valuation is necessary in order to reasonably represent the fair value of financial instruments at the consolidated balance sheet. The inputs and pricing information used during valuation are carefully assessed and adjusted based on current market conditions.

vi. The Group takes into account adjustments for credit risks to measure the fair value of financial instruments to reflect credit risk of the counterparty and the Group's credit quality.

D. For the December 31, 2021 and December 31, 2020, there was no transfer into or out from Level 3.

E. The following chart is the financial instruments movement of Level 3 for the year ended December 31, 2021 and 2020:

| | Year ended December 31, 2021 equity instrument | Year ended December 31, 2020 equity instrument |
|---|---|---|
| At January 1 | $ 167,966 | $ 103,462 |
| Acquired | 5,500 | - |
| Gains and losses recognized in other comprehensive income | 55,621 | 64,504 |
| At December 31 | $ 229,087 | $ 167,966 |

F. For the year ended December 31, 2021 and 2020, there was no transfer into or out from Level 3.

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

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

| | December 31, 2021 | Valuation technique | Significant unobservable input | Range (weighted average) | Relationship of inputs to fair value |
|---|---|---|---|---|---|
| Derivative equity instrument: | | | | | |
| Unlisted shares | $ 213,582 | Market comparable companies | Price to book ratio multiple | 1.45~1.43 | The higher the multiple , the higher the fair value |
| Unlisted shares | $ 15,505 | Net asset value method | Not applicable | - | Not applicable |

| | December 31, 2020 | Valuation technique | Significant unobservable input | Range (weighted average) | Relationship of inputs to fair value |
|---|---|---|---|---|---|
| Derivative equity instrument: | | | | | |
| Unlisted shares | $ 157,672 | Market comparable companies | Price to book ratio multiple | 1.09~4.30 | The higher the multiple , the higher the fair value |
| Unlisted shares | $ 10,294 | Net asset value method | Not applicable | - | Not applicable |

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

| | | | December 31, 2021 | | | |
|---|---|---|---|---|---|---|
| | | | Recognized in profit or loss | | Recognized in other comprehensive income | |
| | Input | Change | Favourable change | Unfavourable change | Favourable change | Unfavourable change |
| Financial assets | | | | | | |
| Equity instrument | Price to book ratio multiple | ±1% | $ - | $ - | $ 2,136 | ($ 2,136) |

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

(4) Operating effect of COVID-19

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

## 13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

A. Loans to others: Please refer to table 1.

B. Provision of endorsements and guarantees to others: Please refer to table 2.

C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to table 3.

D. Acquisition or sale of the same security with the accumulated cost exceeding $300 million or 20% of the Company’s paid-in capital: Please refer to table 4.

E. Acquisition of real estate reaching NT$300 million or 20% of paid-in capital or more: None.

F. Disposal of real estate reaching NT$300 million or 20% of paid-in capital or more: None.

G. Purchases or sales of goods from or to related parties reaching NT$100 million or 20% of paid in capital or more: Please refer to table 5.

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 6.

(2) Information on investees

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

(3) Information on investments in Mainland China

A. Basic information: Please refer to table 8.

B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: Please refer to table 7.

(4) Major shareholders information

Major shareholders information: Please refer to table 9.

14. SEGMENT INFORMATION

(1) General information

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

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

(2) Measurement of segment information

Management assess the segment performance based on the income (loss) before tax in the consolidated financial statements. The accounting policies of segment are the same with the summary of significant accounting policy in notes 4.

(3) Information about segment

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

Year ended December 31, 2021

| | Gallant Precision Machining Co., Ltd. | Gallant-Rapid Corporation Ltd. | Gallant Micro. Machining Co., Ltd. | Gallant Precision Machinery (BVI) Ltd. | APEX-I International Co., Ltd. | elimination | Amount |
|---|---|---|---|---|---|---|---|
| Revenue from external customers | $ 3,082,078 | $ 138,593 | $ 1,482,315 | $ - | $ 108,389 | $ - | $ 4,811,375 |
| Inter-segment revenue | $ 28,421 | $ 336,336 | $ 220,505 | $ - | $ 1,805 | ($ 587,067) | $ - |
| Segment income | $ 218,411 | $ 41,746 | $ 200,129 | ($ 32,943) | $ 32,536 | ($ 109,443) | $ 350,436 |
| Total segment assets | $ 4,744,890 | $ 414,930 | $ 2,475,240 | $ - | $ 135,156 | ($ 973,805) | $ 6,796,411 |

Year ended December 31, 2020

| | Gallant Precision Machining Co., Ltd. | Gallant-Rapid Corporation Ltd. | Gallant Micro. Machining Co., Ltd. | Gallant Precision Machinery (BVI)Ltd. | Chun-Zhun Enterprise Corporation (BVI)Ltd. | APEX-I International Co., Ltd. | elimination | Amount |
|---|---|---|---|---|---|---|---|---|
| Revenue from external customers | $ 2,453,801 | $ 85,719 | $ 877,331 | $ - | $ - | $ 43,540 | $ - | $ 3,460,391 |
| Inter-segment revenue | $ 17,852 | $ 278,161 | $ 172,666 | $ - | $ - | $ - | ($ 468,679) | $ - |
| Segment income | $ 161,726 | $ 25,970 | $ 74,087 | $ 17,088 | ($ 46) | $ 10,727 | ($ 83,790) | $ 205,762 |
| Total segment assets | $ 4,563,434 | $ 410,348 | $ 1,952,186 | $ 382,594 | $ - | $ 79,042 | ($ 1,291,534) | $ 6,096,070 |

(4) Reconciliation for segment income (loss)

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

A reconciliation of reportable segment income or loss to the income/(loss) before tax from continuing operations for the years ended December 31, 2021 and 2020 is provided as follows:

| | Year ended December 31, 2021 | Year ended December 31, 2020 |
|---|---|---|
| Reportable segments income/(loss) | $ 459,879 | $ 289,552 |
| Other | ( 109,443) | ( 83,790) |
| Income/(loss) before tax from continuing operations | $ 350,436 | $ 205,762 |

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

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

| | December 31, 2021 | December 31, 2020 |
|---|---|---|
| Assets of reportable segments | $ 7,770,216 | $ 7,387,604 |
| Elimination of intersegment assets | ( 973,805) | ( 1,291,534) |
| Total assets | $ 6,796,411 | $ 6,096,070 |

(5) Information on product and service

Revenue from external customers is mainly from manufacturing and selling of Display process equipment, semiconductor process equipment and intelligent automated equipment. Detail of revenue balance is as follows:

| | Year ended December 31, 2021 | Year ended December 31, 2020 |
|---|---|---|
| Display process equipment | $ 1,997,949 | $ 1,481,727 |
| Semiconductor process equipment | 1,729,125 | 1,046,378 |
| Intelligent automated transportation equipment | 455,973 | 418,085 |
| Other | 628,328 | 514,201 |
| Total | $ 4,811,375 | $ 3,460,391 |

(6) Geographical information

The Company and its subsidiaries geographical information for the years ended December 31, 2021 and 2020 is as follows:

| | Year ended December 31, 2021 | | Year ended December 31, 2020 | |
|---|---|---|---|---|
| | Revenue | Non-current assets (note) | Revenue | Non-current assets (note) |
| Taiwan | $ 2,269,815 | $ 953,032 | $ 1,124,349 | $ 926,440 |
| China | 2,443,890 | 89,423 | 2,254,717 | 107,236 |
| Others | 97,670 | 1,115 | 81,325 | 1,225 |
| Total | $ 4,811,375 | $ 1,043,570 | $ 3,460,391 | $ 1,034,901 |

Note: Not included financial assets at fair value through other comprehensive income non-current, investments accounted for under equity method and deferred income tax assets.

(7) Major customer information

Revenue from specific customers that represent over 10% of total revenues of the Group for the years ended December 31, 2021 and 2020 is as follows:

| | Year ended December 31, 2021 | | |
|---|---|---|---|
| | Revenue | Percentage(%) | Segment |
| Customer B | $ 1,053,122 | 22% | The whole Group |

| | Year ended December 31, 2020 | | |
|---|---|---|---|
| | Revenue | Percentage(%) | Segment |
| Customer J | $ 388,525 | 11% | The whole Group |
| Customer E | 366,886 | 11% | The whole Group |

Table 1

# GALLANT PRECISION MACHINING CO., LTD. AND SUBSIDIARIES
## FINANCINGS PROVIDED
## FOR THE YEAR ENDED DECEMBER 31, 2021

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

| No. | Financing Company | Counter-party | Financial Statement Account | Related Party | Maximum Balance for the Period | Ending Balance | Amount Actually Drawn | Interest Rate | Nature for Financing | Transaction Amounts | Reason for Financing | Allowance for Bad Debt | Collateral Item | Collateral Value | Financing Limits for Each Borrowing Company(Note 1) | Financing Company's Total Financing Amount Limits (Note 1) | Footnote |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 | Gallant Micro. Machining Co., Ltd. | Utron Technologies Corp | Other receivables -related parties | Y | $ 50,000 | $ 50,000 | $ 30,000 | 2.00% | Short-term financing | - | Operating need | - | Promised note | 50,000 | $ 99,070 | $ 198,140 | |
| 2 | Utron Technologies Corp | U Pin Precision Co., Ltd. | Other receivables | N | $ 6,000 | $ 3,150 | $ 2,700 | 2.50% | Short-term financing | - | Operating need | - | - | - | $ 6,617 | $ 13,235 | |

Note1 : The subsidiaries of the Company are in accordance with the "Procedures for Provision of Loans"：
(1) Total financing amount limits: Total financing amount limits shall not exceed 40% of the net worth of the Company.
(2) The need for short-term financing: The total loan amount is limited to 20% of the company's net worth.
The total amount for lending to a company for funding for a short-term period shall not exceed 10% of the net worth of the Company.

Note2 : Utron Technologies Corp Financings provided:
(1) Total financing amount limits: Total financing amount limits shall not exceed 40% of the net worth of the Company.
(2) The need for short-term financing: The total loan amount is limited to 20% of the company's net worth.
The total amount for lending to a company for funding for a short-term period shall not exceed 10% of the net worth of the Company.

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

Table 2

# GALLANT PRECISION MACHINING CO., LTD. AND SUBSIDIARIES
## ENDORSEMENTS/GUARANTEES PROVIDED
## FOR THE YEAR ENDED DECEMBER 31, 2021

| | | Guaranteed Party | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| No. | Endorsement/ Guarantee Provider | Name | Nature of Relationship | Limits on Endorsement/ Guarantee Amount Provided to Each Guaranteed Party | Maximum Balance for the Period | Ending Balance | Amount Actually Drawn | Amount of Endorsement/ Guarantee Collateralized by Properties | Ratio of Accumulated Endorsement/ Guarantee to Net Equity per Latest Financial Statements | Maximum Endorsement/ Guarantee Amount Allowable (Note1) | Guarantee Provided by Parent Company | Guarantee Provided by A Subsidiary | Guarantee Provided to Subsidiaries in Mainland China | Footnote |
| 0 | Gallant Precision Machining Co., Ltd. | . APEX-I International Co., Ltd. | Subsidiary | $ 488,372 | $ 95,360 | $ 95,360 | $ - | $ - | 3.91% | $ 1,220,931 | Y | N | N | |
| 0 | Gallant Precision Machining Co., Ltd. | Gallant Precision Industries (Suzhou) Co., Ltd. | Subsidiary | 488,372 | 83,040 | 27,680 | - | - | 1.13% | 1,220,931 | Y | N | Y | |
| 1 | Gallant Micro. Machining Co., Ltd. | Gallant Micro. Machining (Suzhou) Co., Ltd. | Subsidiary | 198,140 | 27,680 | - | - | - | 2.79% | 495,350 | Y | N | Y | |
| 1 | Gallant Micro. Machining Co., Ltd. | Utron Technologies Corp | Subsidiary | 198,140 | 168,000 | 126,200 | 87,800 | - | 12.74% | 495,350 | 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 exceed30% 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 exceed20% of the net worth of the Company.

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

Table 3

# GALLANT PRECISION MACHINING CO., LTD. AND SUBSIDIARIES

## MARKETABLE SECURITIES HELD (NOT INCLUDING SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES)

## DECEMBER 31, 2021

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

| Held Company Name | Marketable Securities Type and Name | Relationship with the Company | Financial Statement Account | December 31, 2021 | | | | 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 | 8,831,682 | 460,130 | 5.80 | 460,130 | |
| Gallant Precision Machining Co., Ltd | AMPOC FAR-EAST CO., LTD | None | Financial assets at fair value through other comprehensive income-non-current | 4,759,000 | 183,460 | 4.16 | 183,460 | |
| Gallant Precision Machining Co., Ltd | Ohmplus Technologies Inc. | None | Financial assets at fair value through other comprehensive income-non-current | 495,000 | 5,500 | 5.42 | 5,500 | |
| Gallant-Rapid Corpration Ltd. | Phoenix & Corporation | None | Financial assets at fair value through other comprehensive income-non-current | 669,375 | 10,005 | 0.59 | 10,005 | |
| APEX-I International Co., Ltd. | Shinyu Light Co., Ltd. | None | Financial assets at fair value through other comprehensive income-non-current | 286,891 | - | 1.98 | - | |
| Gallant Micro. Machining Co., Ltd. | C SUN Mfg. Ltd. | Associates | Financial assets at fair value through other comprehensive income-non-current | 1,201,673 | 62,607 | 0.79 | 62,607 | |
| King Mechatronics Co., Ltd. | POWER EVER ENTFRPRISES LIMITED | None | Financial assets at fair value through other comprehensive income-non-current | 624,726 | $ 213,582 | 10.15 | $ 213,582 | |

Table 4

# GALLANT PRECISION MACHINING CO., LTD. AND SUBSIDIARIES

## MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT$300 MILLIONOR 20% OF THE PAID-IN CAPITAL

## DECEMBER 31, 2021

| Company Name | Marketable Securities Type and Name | Financial Statement Account | Counter -party | Nature of Relationship | Beginning Balance | | Acquisition | | Disposal | | | | Ending Balance | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Shares/Units | Amount | Shares/Units | Amount | Shares/Units | Amount | Carrying Value | Gain/Loss on Disposal | Shares/Units | Amount |
| Gallant Precision Machining Co., Ltd | C SUN Mfg. Ltd. | Financial assets at fair value through other comprehensive income - non-current. | N/A | Associates | - | $ - | 8,731,000 | $ 413,116 | - | $ - | $ - | $ - | 8,831,682 | $ 460,130 |

Table 5

# GALLANT PRECISION MACHINING CO., LTD. AND SUBSIDIARIES
# PURCHASES OR SALES OF GOODS FROM OR TO RELATED PARTIES
# REACHING NT$100 MILLION OR 20% OF PAID IN CAPITAL OR MORE
# FOR THE YEAR ENDED DECEMBER 31, 2021

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

| | | | Transaction | | | | Differences in transaction term compared to third party transactions(note1) | | Notes/accounts receivable (payable) | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Purchaser/seller | Counterparty | Relationship with the counterparty | Purchases(sales) | Amount | Percentage of total purchases (sales) | Credit term | Unit price | Credit term | Balance | Percentage of total notes/accounts receivable (payable) | Footnote (note2) |
| Gallant Precision Machining Co., Ltd. | Gallant Precision Intelligence Technology Co., Ltd. | The Company holds indirectly 100% of the investee. | Purchases | $ 286,100 | 9.40% | Similar to third parties | Similar to third parties | Similar to third parties | $ 40,181 | 3.19% | |
| Gallant Precision Intelligence Technology Co., Ltd. | Fujian Chengzhe Automation Technology Co.Ltd | Substantive related party | Purchases | 111,017 | 3.65% | Similar to third parties | Similar to third parties | Similar to third parties | 11,603 | 0.92% | |
| Gallant Micro Machining Co., Ltd | KING MECHATRONICS CO., Ltd. | Subsidiary | Sales | 126,697 | 2.63% | Similar to third parties | Similar to third parties | Similar to third parties | 82,840 | 4.29% | |

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

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

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

Table 6

# GALLANT PRECISION MACHINING CO., LTD. AND SUBSIDIARIES
## INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
## FOR THE YEAR ENDED DECEMBER 31, 2021

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

| No. (Note 1) | Company Name | Counter Party | Nature of Relationship (Note 2) | Intercompany Transactions | | | |
|---|---|---|---|---|---|---|---|
| | | | | Financial Statements Item | Amount | Terms | Percentage of Consolidated Net Revenue or Total Assets (Note 3) |
| 0 | Gallant Precision Machining Co., Ltd. | Gallant Precision Intelligence Technology Co., Ltd. | 1 | Purchases | $ 286,100 | subject to the terms and conditions agreed upon by both parties | 5.95 |
| 0 | Gallant Precision Machining Co., Ltd. | Gallant Precision Intelligence Technology Co., Ltd. | 1 | Accounts payable | 40,181 | subject to the terms and conditions agreed upon by both parties | 0.59 |
| 0 | Gallant Precision Machining Co., Ltd. | Gallant Micro. Machining Co., Ltd. | 1 | Sales | 12,629 | subject to the terms and conditions agreed upon by both parties | 0.26 |
| 0 | Gallant Precision Machining Co., Ltd. | Gallant Precision Industries (Suzhou) Co., Ltd. | 1 | Cost of sales | 41,539 | subject to the terms and conditions agreed upon by both parties | 0.86 |
| 1 | Gallant Micro. Machining Co., Ltd. | King Mechatronics Co., Ltd. | 3 | Sales | 126,697 | subject to the terms and conditions agreed upon by both parties | 2.63 |
| 1 | Gallant Micro. Machining Co., Ltd. | King Mechatronics Co., Ltd. | 3 | Accounts receivable | 82,840 | subject to the terms and conditions agreed upon by both parties | 1.22 |
| 1 | Gallant Micro. Machining Co., Ltd. | King Mechatronics Co., Ltd. | 3 | Purchases | 16,714 | subject to the terms and conditions agreed upon by both parties | 0.35 |
| 1 | Gallant Micro. Machining Co., Ltd. | Gallant Micro. Machining (Suzhou) Co., Ltd. | 3 | Sales | 29,010 | subject to the terms and conditions agreed upon by both parties | 0.60 |
| 1 | Gallant Micro. Machining Co., Ltd. | Gallant Micro. Machining (Suzhou) Co., Ltd. | 3 | Accounts receivable | 19,300 | subject to the terms and conditions agreed upon by both parties | 0.28 |
| 1 | Gallant Micro. Machining Co., Ltd. | Utron Technologies Corp | 3 | Other accounts receivable | 30,000 | subject to the terms and conditions agreed upon by both parties | 0.44 |
| 2 | King Mechatronics Co., Ltd. | Gallant Micro. Machining (Suzhou) Co., Ltd. | 3 | Purchases | 37,081 | 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 | 27,878 | subject to the terms and conditions agreed upon by both parties | 0.41 |

Note 1: The information of transactions between the Company and the consolidated subsidiaries should be noted in "Number" column.
(1) Number 0 represents the Company.
(2) The consolidated subsidiaries are numbered in order from number 1.

Note 2: The transaction relationships with the counterparties are as follows:
(1) The Company to the consolidated subsidiaries.
(2) The consolidated subsidiaries to the Company.
(3) The consolidated subsidiaries to another consolidated subsidiaries.

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

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

Table 7

# GALLANT PRECISION MACHINING CO., LTD. AND SUBSIDIARIES

## NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEES OVER WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE (EXCLUDING INFORMATION ON INVESTMENT IN MAINLAND CHINA)

## FOR THE YEAR ENDED DECEMBER 31, 2021

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

| | | | | Original Investment Amount | | Balance as of December 31, 2021 | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Investor Company | Investee Company | Location | Main Businesses and Products | December 31, 2021 | December 31, 2020 | Shares | Percentage of Ownership | Carrying Value | Net Income (Losses) of the Investee(note1) | Share of Profits/ Losses of Investee(note1) | Footnote |
| 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 | $ 252,489 | $ 20,934 | $ 20,934 | |
| Gallant Precision Machining Co., Ltd. | Gallant Precision Machinery (BVI) Ltd. | British Virgin Islands | Investment Gallant Precision Machinery（Xiamen）Co., Ltd. | - | 660,506 | - | - | - | ( 33,091) | ( 33,091) | |
| Gallant Precision Machining Co., Ltd. | APEX-I International Co., Ltd. | Taiwan | Marketing and selling of process equipment of LCD and related parts. | 46,657 | 46,657 | 6,600,000 | 100.00 | 89,166 | 25,688 | 25,688 | |
| 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 | 59.58 | 589,066 | 157,506 | 95,910 | |
| 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 | 904,621 | 49,151 | 49,151 | |
| 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 | 2,578 | 6 | 6 | |
| Gallant Micro. Machining Co., Ltd. | Utron Technologies Corp | Taiwan | Testing of wire and tools and testing equipment of PBC and related systems | 53,212 | 53,212 | 2,660,600 | 76.02 | 48,398 | ( 2,509) | ( 1,908) | |

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

Table 8

# GALLANT PRECISION MACHINING CO., LTD. AND SUBSIDIARIES
## INFORMATION ON INVESTMENT IN MAINLAND CHINA
## FOR THE YEAR ENDED DECEMBER 31, 2021

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

| | | | | | Investment Flows | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Investee Company | Main Businesses and Products | Total Amount of Paid-in Capital | Method of Investment (note 1) | Accumulated Outflow of Investment from Taiwan as of January 1, 2021 | Outflow | Inflow | Accumulated Outflow of Investment from Taiwan as of December 31, 2021 | Net Income (Losses) of the Investee Company | Percentage of Ownership | Share of Profits/Losses (note 2(2)B) | Carrying Amount as of December 31, 2021 | Accumulated Inward Remittance of Earnings as of December 31, 2021 | Footnote |
| Gallant Precision Industries (Suzhou) Co., Ltd. | Manufacturing of optoelectronic products equipment, mechanical equipment and related parts | $ 174,938 | 2 | $ 145,071 | $ - | $ - | $ 145,071 | $ 24,468 | 100.00 | $ 24,468 | $ 222,401 | $ - | Note2- 2.B |
| Gallant Precision Machinery（Xiamen）Co., Ltd. | Manufacturing of optoelectronic products equipment, mechanical equipment and related parts | 532,126 | 2 | 532,126 | - | ( 377,848) | 154,278 | 389 | 100.00 | 389 | - | - | Note6 |
| Suzhou Top Creation Machines Co.,Ltd. | PCB / FPC Wet Process Equipments | 152,240 | 2 | 27,301 | - | ( 1,729) | 25,572 | - | 10.15 | - | 213,582 | 8,236 | Note2- 2.B |
| Gallant Micro. Machining (Suzhou) Co., Ltd. | Manufacturing and selling of precision mold and related parts | 125,944 | 2 | 222,632 | - | - | 222,632 | 52,992 | 100.00 | 52,992 | 703,894 | - | Note2- 2.B |
| Gallant International Trading Co., Ltd. | Engaged in selling of mechanical equipment | 30,163 | 3 | - | - | - | - | - | - | - | - | - | Note5 |
| Gallant Precision Intelligence Technology Co., Ltd. | Manufacturing of optoelectronic products equipment, mechanical equipment and related parts | 43,440 | 3 | - | - | - | - | 35,373 | 60.00 | 21,224 | 76,126 | - | Note2- 2.B |
| Kunshan Qihong Electronic Sales Co., Ltd. | Testing and manufacturing of circuit board testing equipment, wire and cable and semiconductor | 4,344 | 3 | - | - | - | - | 4,200 | 100.00 | 4,316 | 6,536 | - | Note4 |

| Investee Company | Accumulated Investment in Mainland China as of December 31, 2021 | Investment Amounts Authorized by Investment Commission, MOEA | Upper Limit on Investment |
|---|---|---|---|
| Gallant Precision Machining Co., Ltd. | $ 299,349 | $ 540,993 | $ 1,465,117 |
| Gallant Micro. Machining Co., Ltd. | 248,204 | 248,204 | 594,420 |

Note1: There are three methods of investment as follows

(1) Directly invest in Mainland China.

(2) Indirectly invest in Mainland China.

(3) Others.

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

(1) No investment income (loss) recognition.

(2) There are three basis for investment income (loss) recognition.

A. The basis for investment income (loss) recognition is from the financial statements which were based on the audited and attested by international accounting firm which has cooperative relationship with accounting firm in R.O.C.

B. The basis for investment income (loss) recognition is from the financial statements which were based on the audited and attested by R.O.C. parent company's CPA.

C. Others (The basis for investment income (loss) recognition is from the non-audited financial statements prepared by the investees.

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

Note4: The investment was invested by Gallant Micro. Machining (Suzhou) Co., Ltd. There was no cash outflow for the year ended December 31, 2021.

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

Note6: The subsidiary has been completed the dissolution and liquidation procedure in May 2021.

Note7: The investment review committee of the Ministry of Economic Affairs verified the amount of investment in investment businesses in the mainland based on the exchange rate USD:NTD=1:27.68 on December 31, 2021

Table 9

# GALLANT PRECISION MACHINING CO., LTD. AND SUBSIDIARIES

## INFORMATION OF MAJOR SHAREHLDER

## FOR THE NINE MONTH PERIOD ENDED DECEMBER 31, 2021

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

| Shareholders | Shares | |
|---|---|---|
| | Total Shares Owned | Ownership Percentage |
| C SUN Mfg. Ltd. | 43,553,827 | 26.37% |

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

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